

**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 2020**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

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

Assets	Notes	Reviewed	Audited
		30 September 2020	31 December 2019
Current assets		25,053,851	27,918,955
Cash and cash equivalents	4	10,891,062	10,652,009
Trade receivables	6	4,675,650	4,787,906
Due from related parties	6, 27	738,802	995,837
Trade receivables from third parties		3,936,848	3,792,069
Other receivables	7	46,256	45,617
Other receivables from third parties		46,256	45,617
Derivative Instruments	17	1,064,327	303,992
Inventories	8	7,233,811	9,468,581
Prepaid expenses	12	223,508	236,762
Other current assets	13	919,237	2,424,088
Non-current assets		28,560,284	27,592,603
Financial investments		3,696	
Investments accounted for using the equity method	9	1,124,986	1,362,777
Property, plant and equipment	10	20,531,155	20,334,715
Right-of-use assets		202,462	200,701
Intangible assets	11	51,477	51,744
Other intangible assets		51,477	51,744
Derivative instruments	17	123,366	98,741
Prepaid expenses	12	123,536	198,879
Deferred tax assets	25	4,753,256	3,767,503
Other non-current assets	13	1,646,350	1,577,543
Total assets		53,614,135	55,511,558
Liabilities			
Current liabilities		21,889,610	28,120,266
Short-term financial liabilities	5	1,594,029	1,798,683
Current portion of long term financial liabilities	5	5,626,077	3,379,019
Trade payables	6	9,351,301	17,816,174
Due to related parties	6, 27	149,400	226,072
Trade payables, third parties		9,201,901	17,590,102
Liabilities for employee benefits	15	99,176	147,409
Other payables	16	34,019	55,409
Due to related parties	16, 27	1,759	28,297
Other payables to third parties		32,260	27,112
Derivative instruments	17	147,062	79,247
Deferred income (Except for obligations arising from customer contracts)		41,065	20,813
Current income tax liabilities	25	7,837	2,405
Provisions	14	292,413	117,152
Provisions for employee benefits		105,787	15,777
Other provisions		186,626	101,375
Other current liabilities	13	4,696,631	4,703,955
Non-current liabilities		21,854,020	14,254,752
Long-term financial liabilities	5	21,440,299	13,898,092
Provisions	14	345,506	316,052
Provisions for employee benefits		345,506	316,052
Deferred income (Except for obligations arising from customer contracts)		10,471	7,820
Derivative Instruments	17	56,973	31,950
Other non-current liabilities		771	838
Total liabilities		43,743,630	42,375,018
Equity		9,870,505	13,136,540
Share capital	19	250,419	250,419
Adjustment to share capital	19	1,344,243	1,344,243
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		6,437,136	6,437,136
Gains/(losses) on revaluation and remeasurement		6,418,891	6,418,891
Gain on revaluation of properties		6,425,788	6,425,788
Actuarial gain/(loss) arising from defined benefit plans		(6,897)	(6,897)
Actuarial gain/(loss) arising from defined benefit plans using equity method that will not be reclassified to profit or loss		18,245	18,245
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(2,280,089)	(1,850,305)
Currency translation differences		7,259	3,192
Hedging gains/(losses)		(2,564,212)	(2,100,116)
Cash flow hedge gains/(losses)		(2,564,212)	(2,100,116)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		276,864	246,619
Restricted reserves	19	503,343	503,343
Retained earnings		6,277,999	5,752,162
Net income		(2,869,979)	525,837
Total equity attributable to equity holders of the parent		9,663,072	12,962,835
Non-controlling interests		207,433	173,705
Total equity and liabilities		53,614,135	55,511,558

The condensed interim consolidated financial statements as of and for the period ended 30 September 2020 has been approved for issue by the Board of Directors on 3 November 2020.

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 2020

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

	Notes	Reviewed		Reviewed	
		1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Revenue	20	43,254,101	17,034,983	67,970,220	23,309,381
Cost of sales (-)	20	(42,083,356)	(15,844,612)	(64,150,485)	(22,152,015)
Gross profit		1,170,745	1,190,371	3,819,735	1,157,366
General administrative expenses (-)	21	(983,547)	(333,823)	(892,254)	(321,984)
Marketing, selling and distribution expenses (-)	21	(465,908)	(157,127)	(332,771)	(123,264)
Research and development expenses (-)	21	(27,384)	(8,684)	(18,754)	(5,465)
Other operating income	22	541,818	136,572	601,840	195,115
Other operating expenses (-)	22	(1,474,562)	(628,356)	(1,008,882)	(293,487)
Operating profit / (loss)		(1,238,838)	198,953	2,168,914	608,281
Income from investment activities	23	572	221	385	266
Income/(loss) from investments accounted by equity method	9	(148,036)	77,998	172,084	62,336
Operating profit before financial income/(expense)		(1,386,302)	277,172	2,341,383	670,883
Financial income	24	3,007,307	1,593,210	963,760	(63,197)
Financial expense (-)	24	(5,303,867)	(2,426,267)	(3,177,916)	(754,089)
Profit/(loss) before tax from continued operations		(3,682,862)	(555,885)	127,227	(146,403)
Tax income / (expense)		876,520	160,919	256,210	6,231
Taxes on income (-)	25	(12,035)	(7,919)	(6,392)	(4)
Deferred tax income / (expense)	25	888,555	168,838	262,602	6,235
Net profit/(loss) from continued operations		(2,806,342)	(394,966)	383,437	(140,172)
Other comprehensive income:					
Items not to be reclassified to profit or loss					
Revaluation gain/(loss) on property	10	-	-	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	9	-	-	20,831	-
Deferred tax income/(expense)	25	-	-	(713,976)	-
Revaluation gain/(loss) on property		-	-	(713,976)	-
Items to be reclassified to profit or loss		(459,693)	(62,866)	17,810	114,458
Currency translation differences		4,067	(18,423)	(3,904)	(2,826)
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		30,245	15,447	5,061	(1,889)
Gain/(loss) from translation of foreign currency of investments accounted for using equity method	9	30,245	15,447	5,061	(1,889)
Income/(expense) relating to avoidance of risk of cash flow		(591,203)	(74,095)	17,760	142,446
Income/(loss) of avoidance of risk of cash flow		(591,203)	(74,095)	17,760	142,446
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss	25	97,198	14,205	(1,107)	(23,273)
Deferred tax income/(expense)		97,198	14,205	(1,107)	(23,273)
Other comprehensive income/(expense)		(459,693)	(62,866)	6,464,429	114,458
Total comprehensive income/(expense)		(3,266,035)	(457,832)	6,847,866	(25,714)
Distribution of income for the period:					
Non-controlling interests		63,637	25,164	43,655	15,326
Attributable to equity holders of the parent		(2,869,979)	(420,130)	339,782	(155,498)
Distribution of total comprehensive income					
Non-controlling interests		33,728	11,635	39,794	20,529
Attributable to equity holders of the parent		(3,299,763)	(469,467)	6,808,072	(46,243)
Earnings (loss) per share from continued operations					
Earnings per share with nominal value kr. 1 each (kr.)	26	(11.46)	(1.68)	1.36	(0.62)

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 2020

(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 classified 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 (loss)	Actuarial gains/(losses) arising from defined benefit plans		Currency translation differences	Cash flow hedge gains/ (losses)							
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
Reviewed														
1 January 2020	250,419	1,344,243	6,425,788	(6,897)	18,245	3,192	(2,100,116)	246,619	503,343	5,752,162	525,837	12,962,835	173,705	13,136,540
Transfers	-	-	-	-	-	-	-	-	-	525,837	(525,837)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Net profit for the period	-	-	-	-	-	-	-	-	-	(2,869,979)	(2,869,979)	(2,869,979)	63,637	(2,806,342)
- Other comprehensive income	-	-	-	-	-	4,067	(464,096)	30,245	-	-	-	(429,784)	(29,909)	(459,693)
Total comprehensive income	-	-	-	-	-	4,067	(464,096)	30,245	-	(2,869,979)	(2,869,979)	(3,299,763)	33,728	(3,266,035)
30 September 2020	250,419	1,344,243	6,425,788	(6,897)	18,245	7,259	(2,564,212)	276,864	503,343	6,277,999	(2,869,979)	9,663,072	207,433	9,870,505

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 2020

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

	Notes	Reviewed 1 January 30 September 2020	Reviewed 1 January 30 September 2019
Cash flows from operating activities		(5,528,990)	9,846,733
Profit/(loss)		(2,806,342)	383,437
Adjustment for reconciliation of profit/(loss)		2,926,738	2,146,018
Adjustment for depreciation and amortisation expense	10, 11	567,620	522,790
Adjustments for stock impairment(cancellation)		30,674	(87,855)
Adjustments for stock impairment	8	30,674	(87,855)
Adjustment for provisions	14	165,769	127,509
Adjustment for interest (income) and expense	24	853,361	1,207,948
Adjustment for unrealized foreign currency translation differences		(2,028,498)	(549,113)
Adjustment for fair value (gain) or loss		194,097	239,835
Adjustment for income of investments accounted by equity method	9	148,036	(172,084)
Adjustment for tax expenses(income)	25	(876,520)	(256,210)
Adjustment for (gain) / loss on sales of property, plant and equipment	23	(572)	(385)
Adjustment for other items related with cash flow of investment or financial activities	24	3,819,825	1,141,543
Other adjustments for reconciliation of profit/(loss)		52,946	(27,960)
Changes in working capital		(5,592,991)	7,476,015
Adjustment for decrease/(increase) in trade receivables		117,228	(626,039)
Adjustment for decrease/(increase) in other receivables related with operations		1,448,011	(527,138)
Adjustment for decrease/(increase) in assets of derivative instruments		(784,960)	(127,916)
Adjustment for decrease/(increase) in inventories		2,204,096	(2,636,110)
Adjustment for increase/(decrease) in trade payables		(8,498,140)	10,360,445
Adjustment for increase/(decrease) in other payables related with operations		(172,064)	976,419
Adjustment for decrease/(increase) in liabilities of derivative instruments		92,838	56,354
Cash flows from operating activities		(5,472,595)	10,005,470
Tax returns/(payments)		(6,603)	(104,918)
Other cash inflow/(outflow)		(49,792)	(53,819)
Cash flows from investing activities		(542,776)	(909,665)
Cash inflows from the sales of property, plant and equipment and intangible assets		22,201	1,695
Cash outflows from the purchase of property, plant and equipment and intangible assets		(681,281)	(1,007,360)
Dividends received	9	120,000	96,000
Cash outflows from the purchase of shares in other businesses or funds		(3,696)	-
Finansman faaliyetlerinden nakit akışları		4,118,278	(5,742,921)
Cash inflows from financial liabilities	5	36,227,065	39,137,343
Cash outflows from financial liabilities	5	(31,294,726)	(39,655,310)
Cash inflows from derivative instruments		415,876	68,357
Cash outflows from derivative instruments		(518,717)	(376,228)
Cash outflows from payments of rent agreements	5	(42,948)	(24,191)
Dividends paid		-	(3,793,851)
Interest paid		(1,095,568)	(1,478,721)
Interest received		427,296	379,680
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		(1,953,488)	3,194,147
Impact of foreign currency translation differences on cash and cash equivalents	24	2,028,498	548,364
Net increase/(decrease) in cash and cash equivalents		75,010	3,742,511
Cash and cash equivalents at beginning of period		8,740,795	4,553,080
Cash and cash equivalents at end of period	4	8,815,805	8,295,591

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 2020

(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 2020, the shares quoted on the BIST are 49% of the total shares. As of 30 September 2020, 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 2020

(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
Tupras Trading Ltd. (“Tupras Trading”)	England	Crude oil and petroleum products trade

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

(*) Ceased its activities since 15 July 2015.

The average number of employees of the Group as at 30 September 2020 is 6,142. (31 December 2019 – 6,098).

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 2020

(Amounts 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 the formats specified in the "Announcement on TMS Taxonomy" published by the POA on April 15, 2019 and the Financial Table Examples and User Guide published by the 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 2020 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 2020. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

a. *New standards in force as of 30 September 2020 and changes and comments on existing previous standards:*

- **Changes in TAS 1 and TAS 8 definition of materiality;** It is effective for annual reporting periods starting on January 1, 2020 or after this date. Changes in TAS 1 "Presentation of Financial Statements" and TAS 8 "Accounting Policies, Changes in Accounting Policies and Errors" and changes in other TFRSs depending on these changes are as follows:
 - i) use of materiality definitions consistent with TFRS and financial reporting framework
 - ii) clarification of the disclosure of materiality definition and
 - iii) incorporation of some guidance in IAS 1 regarding non-material information

The mentioned amendment does not have a significant impact on the financial position and performance of the Group.

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

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

2.1. Basis of presentation (Continued)

a. *New standards in force as of 30 September 2020 and changes and comments on existing previous standards (Continued):*

- **Amendments to TFRS 3 - definition of business;** It is effective for annual reporting periods starting on January 1, 2020 or after this date. With this change, the business definition has been revised. According to the feedback received by the IASB, current practice guidance is generally considered to be too complex, resulting in too much action to meet the definition of business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Benchmark interest rate reform;** It is effective for annual reporting periods starting on January 1, 2020 or after this date. These changes provide certain facilitating practices regarding benchmark interest rate reform. These practices relate to hedge accounting, and the effect of the IBOR reform should generally not lead to the end of hedge accounting. However, any hedging ineffectiveness should continue to be recorded in the income statement. Considering the prevalence of hedge accounting in IBOR-based contracts, these facilitating practices will affect all companies in the industry. The effect of this change on the financial position and performance of the Group is evaluated.
- **Amendments to TFRS 16 'Leases - COVID 19 Lease concessions';** It is effective for annual reporting periods starting on 1 June 2020 or after this date. Due to the COVID-19 outbreak, some privileges were provided to tenants in rent payments. These concessions can take a variety of forms, including suspension or postponement of lease payments. On May 28, 2020, with the amendment to the IFRS 16 Leases standard, the IASB introduced an optional facilitating application for tenants to not evaluate whether the privileges granted due to COVID-19 in lease payments are a change in the lease. Tenants may choose to account for such lease concessions in accordance with the provisions that apply in the absence of a change to the lease. This ease of implementation often causes the lease concession to be accounted for as variable lease payment in periods when an event or condition that triggers a reduction in lease payments occurs. The change in question is not expected to have a significant impact on the financial position and performance of the Group.

b) *Standards and changes that have been published as of 30 September 2020 but have not yet come into force:*

- **TFRS 17, "Insurance Contracts";** effective for annual reporting periods starting on or after January 1, 2023. This standard replaces TFRS 4, which currently allows a wide variety of applications. TFRS 17 will fundamentally change the accounting of all businesses that issue insurance contracts and investment contracts with discretionary participation. The change in question is not expected to have an impact on the financial position and performance of the Group.
- **TAS 1, "Presentation of financial statements" standard regarding the classification of liabilities;** effective for annual reporting periods starting on or after January 1, 2022. These narrow amendments to TAS 1, "Presentation of financial statements", explain that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The amendment also clarifies the meaning of "payment" of an obligation in TAS 1. The effects of this change on the financial position and performance of the Group are evaluated.
- **Narrow amendments in TFRS 3, TAS 16, TAS 37 and some annual improvements in TFRS 1, TFRS 9, TAS 41 and TFRS 16; Valid for annual reporting periods starting on or after January 1, 2022.**
 - **Amendments to TFRS 3 'Business Combinations';** This amendment updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without changing the accounting requirements for business combinations.
 - **Amendments to TAS 16 'Tangible fixed assets';** prohibits a company from deducting the income from the sale of manufactured products from the amount of tangible fixed assets until the asset is ready for use. Instead, the company will reflect such sales revenue and related cost in profit or loss.
 - **Amendments to TAS 37, 'Provisions, Contingent Liabilities and Contingent Assets';** Annual improvements make minor changes to the explanatory examples of TFRS 1, 'First application of International Financial Reporting Standards' TFRS 9 'Financial Instruments', TAS 41 'Agricultural Activities' and TFRS 16.

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

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

2.1. Basis of presentation (Continued)

The effects of this change on the financial position and performance of the Group are evaluated.

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.

2.1.4 Principles of consolidation

- The condensed consolidated financial statements for the interim period ended 30 September 2020 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2019 and include financial statements of Tüpraş, and its Subsidiaries.
- At 30 September 2020, other than Tupras Trading 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 2019.

	30 September 2020		31 December 2019	
	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	79.98	79.98
Körfez	100.00	100.00	100.00	100.00
Tupras Trading	100.00	100.00	-	-

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.

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 30 September 2020 and 31 December 2019:

	30 September 2020		31 December 2019	
	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 (%)
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	50.00	40.00
THY Opet Havacılık Yakıtları A.Ş.(*)	25.00	20.00	25.00	20.00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	25.00	20.00	25.00	20.00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	25.00	20.00	25.00	20.00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	16.65	13.32	16.65	13.32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(*)	12.50	10.00	12.50	10.00
Opet Aygaz Gayrimenkul A.Ş.(*)	25.00	20.00	25.00	20.00

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

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

- d) 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.

2.1.5 Other principles regarding presentation

COVID-19 (Coronavirus), which has been affecting the whole world, had also a negative impact on the Group’s financial activities and led to a temporary gross profit loss. The possible impacts of COVID 19 on the Group financials are closely monitored from all perspectives, and the Group has taken the necessary actions rapidly in order to minimize the possible outcomes of the pandemic. Several actions has been taken to minimize the operational expenses and a dynamic cash management strategy has been implemented to strengthen the liquidity position. The Group suspended production of the İzmir Refinery as of May 5, 2020 to minimize the adverse effects of contracting demand due to the COVID outbreak and the production at the İzmir Refinery has started gradually as of July 1, 2020, with signs of recovery in demand.

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

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

2.1. Basis of presentation (Continued)

2.1.5 Other principles regarding presentation (Continued)

It is not possible to predict the duration of the coronavirus and to what extent it will spread within Turkey and globe and after the severity and duration of the pandemic become clear it will be possible to make a more precise evaluation for the medium long term. In addition, while preparing the interim condensed consolidated financial statements dated September 30, 2020, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the interim condensed consolidated financial statements were reviewed. In this context, the Group has tested the possible impairment in the interim condensed consolidated financial statements as of September 30, 2020 and provision for reduction in value has been created.

2.2. Changes in accounting policies

2.2.1 Comparative information

The consolidated financial statements of the Group are prepared in comparison with the previous period in order to enable the determination of financial status and performance trends.

The Group presented the consolidated statement of financial position as of 30 September 2020 comparatively with the consolidated statement of financial position as of 31 December 2019. 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 2020 are presented comparatively with the consolidated financial statements for the interim period ended 30 September 2019.

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 2020, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 September 2020 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 2019. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2019.

3. Business Combinations

No business combinations occurred during the period 30 September 2020.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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4. Cash and cash equivalents

	30 September 2020	31 December 2019
Cash at banks		
Revenue share (blocked)	8,644,998	8,732,840
Time deposit	2,067,939	1,861,248
Demand deposits	169,352	7,955
Demand deposits (blocked)	1,455	-
Time deposit interest accruals	7,318	49,966
Total	10,891,062	10,652,009

Time deposits and other cash and cash equivalents

As at 30 September 2020 and 31 December 2019, the maturity and the currency information of the time deposits, is as follows:

30 September 2020

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	12.33	309,387	1,500	310,887
USD	2.60	8,242,298	69,413	8,311,711
EUR	1.08	22,400	-	22,400
Time deposit		8,574,085	70,913	8,644,998

31 December 2019

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	11.28	7,482,221	50,000	7,532,221
USD	1.95	1,114,494	71,475	1,185,969
EUR	0.15	13,088	-	13,088
GBP	0.70	1,562	-	1,562
Time deposit		8,611,365	121,475	8,732,840

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 30 September 2020 and 30 September 2019 are as follows:

	30 September 2020	30 September 2019
Cash and cash equivalents	10,891,062	10,106,005
Less: Blocked deposits (Revenue share)	(2,067,939)	(1,770,092)
Less: Time deposit interest accruals	(7,318)	(40,322)
Cash and cash equivalents	8,815,805	8,295,591

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 2020 and 31 December 2019 (Note 13).

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

5. Financial liabilities

	30 September 2020	31 December 2019
Short-term financial liabilities:		
Short-term bank borrowings	1,586,081	1,797,993
Interest accruals of bank borrowings	7,948	690
Total	1,594,029	1,798,683
Short-term portion of long-term financial liabilities:		
Short-term portion of long-term bank borrowings	4,603,209	3,108,084
Bonds issued	650,000	-
Lease liabilities	221,541	191,241
Interest accruals of bank borrowings	120,967	53,995
Interest accruals of bonds issued	30,360	25,669
Total	5,626,077	3,379,019
Long-term financial liabilities:		
Long-term bank borrowings	15,753,406	8,909,295
Bonds issued	5,465,600	4,808,140
Lease liabilities	206,777	180,657
Interest accruals of bank borrowings	14,516	-
Total	21,440,299	13,898,092
Total financial liabilities	28,660,405	19,075,794

Tüpraş has issued a bond on 8 February 2019 with a nominal value of TRY400 million, with a maturity of 728 days, 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, 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.

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) and further to the agreements the loans amounting to USD1,998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 30 September 2020 the outstanding amount of the loans is USD672 million (31 December 2019 - USD765 million).

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

5. Financial liabilities (Continued)

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 30 September 2020 and 31 December 2019 are as follows:

		30 September 2020	
	Effective interest rate (%)	Original Currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	2.11	33,650,000	262,739
TRY borrowings (*)	8.15	1,323,341,790	1,323,342
Interest accruals			7,948
Total short-term financial liabilities			1,594,029
Short-term portion of long-term financial liabilities:			
USD borrowings	2.84	298,905,047	2,333,850
TRY bond issues	9.56	650,000,000	650,000
EUR borrowings	2.11	61,157,000	558,248
TRY borrowings	10.15	1,711,111,111	1,711,111
GBP lease liabilities	4.16	287,876	2,888
EUR lease liabilities	2.98	545,130	4,976
TRY lease liabilities	20.33	22,496,091	22,496
			5,283,569
Interest accruals			342,508
Total short-term portion of long-term financial liabilities:			5,626,077
Long-term financial liabilities:			
USD borrowings	2.68	1,030,678,906	8,047,541
USD bonds issued	4.50	700,000,000	5,465,600
EUR borrowings	3.28	2,214,250	20,212
TRY borrowings	10.25	7,685,653,000	7,685,653
GBP lease liabilities	4.20	687,069	6,892
EUR lease liabilities	3.22	7,038,486	64,248
TRY lease liabilities	20.94	135,636,879	135,637
			21,425,783
Interest accruals			14,516
Total long-term financial liabilities			21,440,299

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY23,342 thousand as of 30 September 2020 (31 December 2019 - TRY210,178 thousand).

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5. Financial liabilities (Continued)

		31 December 2019	
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	2.23	267,300,000	1,587,815
TRY borrowings	-	210,177,843	210,178
Interest accruals			690
Total short-term financial liabilities			1,798,683
Short-term portion of long-term financial liabilities			
USD borrowings	3.91	322,136,658	1,913,556
EUR borrowings	2.02	113,393,640	754,135
TRY borrowings	14.95	440,393,063	440,393
GBP lease liabilities	4.16	279,174	2,171
EUR lease liabilities	2.95	833,008	5,541
TRY lease liabilities	21.64	17,986,921	17,987
			3,133,783
Interest accruals			245,236
Total short-term portion long-term financial liabilities			3,379,019
Long-term financial liabilities:			
USD borrowings	4.02	908,805,991	5,398,489
USD bonds issued	4.43	700,000,000	4,158,140
EUR borrowings	2.11	61,125,320	406,520
TRY borrowings	16.72	3,104,285,714	3,104,286
TRY bonds issued	15.47	650,000,000	650,000
GBP lease liabilities	4.16	904,130	7,031
EUR lease liabilities	3.20	7,416,683	49,325
TRY lease liabilities	22.57	124,300,668	124,301
			13,898,092
Interest accruals			-
Total long-term financial liabilities			13,898,092

As at 30 September 2020 and 31 December 2019, the redemption schedule of long-term bank borrowings is as follows:

	30 September 2020	31 December 2019
1-2 years	12,099,425	5,960,596
2-3 years	2,173,371	1,588,261
3-4 years	1,368,438	1,555,875
4-5 years	5,565,497	4,576,765
Over 5 years	233,568	216,595
Total	21,440,299	13,898,092

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

5. Financial liabilities (Continued)

The movement of borrowings as of 30 September 2020 and 2019 is as follows:

	2020	2019
1 January	19,075,794	17,949,540
New financial borrowings	36,227,065	24,960,949
Principal payments	(31,294,726)	(24,547,944)
Increase due to lease liabilities	28,709	209,452
Decrease due to payment of lease liabilities	(42,948)	(20,427)
Changes in interest accruals	142,441	112,101
Changes in foreign exchange rates	4,524,070	1,366,936
30 September	28,660,405	20,030,607

6. Trade receivables and payables

Short-term trade receivables:

	30 September 2020	31 December 2019
Trade receivables	3,945,938	3,806,348
Due from related parties (Note 27)	738,802	995,837
Doubtful trade receivables	5,315	5,243
Other trade receivables	3	21
Less: Unearned credit finance income	(9,093)	(14,300)
Less: Provision for doubtful receivables	(5,315)	(5,243)
Total short-term trade receivables (net)	4,675,650	4,787,906

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

As at 30 September 2020, Tüpraş has offsetted TRY2,884,775 thousand (31 December 2019 - TRY2,059,000 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 2020 and 2019 is as follows:

	2020	2019
1 January	5,243	4,740
Charge for the period	235	440
Payments during the period	(163)	-
30 September	5,315	5,180

Short-term trade payables:

	30 September 2020	31 December 2019
Trade payables	9,203,226	17,624,694
Due to related parties (Note 27)	149,400	226,072
Less: Unrealised credit finance charges	(1,325)	(34,592)
Total short term trade payables (net)	9,351,301	17,816,174

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

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7. Other receivables and payables

Other short-term receivables:

	30 September 2020	31 December 2019
Receivable from insurance recoveries	27,970	28,084
Receivable from personnel	13,345	12,403
Deposits and guarantees given	4,941	5,130
Other doubtful receivables	1,625	1,526
Less: Provision for other doubtful receivables	(1,625)	(1,526)
Total	46,256	45,617

8. Inventories

	30 September 2020	31 December 2019
Raw materials and supplies	2,760,057	1,348,822
Work-in-progress	1,649,039	1,612,901
Finished goods	1,692,049	2,169,793
Trade goods	1,011,137	4,201,510
Goods in transit	76,093	53,644
Other inventories	76,110	81,911
	7,264,485	9,468,581
Less: Provision for impairment in inventories	(30,674)	-
Total	7,233,811	9,468,581

Movement of the provision for inventories for the periods ended 30 September 2020 and 2019 is as follows:

	2020	2019
1 January	-	87,855
Charge for the period	1,034,554	-
Provisions no longer required	(1,003,880)	(87,855)
30 September	30,674	-

The sudden drop in crude oil price between January 1 and March 31, 2020 caused inventory sales prices to remain below unit cost; However, after March 31, 2020, as a result of the increase in crude oil prices reflected on product prices, the provision for inventories was either canceled or realized.

9. Investments accounted for using the equity method

	30 September 2020		31 December 2019	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40.00	1.124.986	40.00	1.362.777
		1.124.986		1.362.777

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9. Investments accounted for using the equity method (Continued)

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 2020 and 2019 is as follows:

	2020	2019
1 January	1,362,777	1,266,334
Investments accounted for using the equity method;		
Shares in current year profit/loss	(148,036)	172,084
Dividend payment	(120,000)	(96,000)
Gain on revaluation of property	-	20,831
Currency translation differences	30,245	5,061
30 September	1,124,986	1,368,310

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

	30 September 2020	31 December 2019
Current assets	6,361,417	5,416,089
Non-current assets	3,367,256	3,319,884
Total assets	9,728,673	8,735,973
Short term liabilities	4,692,519	3,498,612
Long term liabilities	2,696,371	2,303,102
Equity	2,339,783	2,934,259
Total liabilities	9,728,673	8,735,973

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Sales (net)	28,408,278	12,339,300	34,327,719	13,003,895
Gross profit	1,261,817	623,525	1,450,092	508,775
Operating profit	474,746	362,968	721,513	262,252
Net income for the period	(370,090)	194,995	430,209	155,839

With the decision of the Competition Board dated 27.08.2018; an investigation was initiated against Opet, a Joint Venture of the Group, in order to determine whether Article 4 of the Law on the Protection of Competition numbered 4054 was violated by determining the resale price of its dealers, and as a result of the investigation, the Competition Board sentenced Opet to a fine of TRY433,932 thousand on 12 March 2020. The said administrative has been paid by Opet at TRY325,449 thousand as of 22 October 2020 at the rate of three quarters, within the framework of the Law on Misdemeanors, numbered 5326 and all legal rights will be exercised in relation to the aforementioned decision and penalty.

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10. Property, plant and equipment

The movements in property, plant and equipment and related depreciation expenses as of 30 September 2020 and 2019 are as follows:

	1 January 2020	Gain on revaluation of property	Additions	Transfers	Disposals	30 September 2020
Cost:						
Lands	7,206,553	-	-	-	-	7,206,553
Land improvements	3,793,487	-	29,769	-	(21,660)	3,801,596
Buildings	839,908	-	13	-	12,477	852,398
Machinery and equipment	12,936,688	330	165,292	-	(13,681)	13,088,629
Motor vehicles	1,993,137	-	118,099	-	(30,579)	2,080,657
Furniture and fixtures	135,217	207	23,706	-	(888)	158,242
Construction in progress	651,346	-	404,269	-	2	1,055,617
Special costs	4,131	976	-	-	-	5,107
Other tangible assets	2,794	-	42	-	(2)	2,834
	27,563,261	1,513,00	741,190	-	(54,331)	28,251,633
Accumulated depreciation:						
Land improvements	(1,612,017)	-	(115,902)	-	21,653	(1,706,266)
Buildings	(227,940)	-	(13,332)	-	(12,499)	(253,771)
Machinery and equipment	(5,025,154)	(61)	(314,923)	-	6,655	(5,333,483)
Motor vehicles	(281,918)	-	(64,712)	-	16,387	(330,243)
Furniture and fixtures	(78,701)	(37)	(14,532)	-	527	(92,743)
Special costs	(818)	(213)	(729)	-	(1)	(1,761)
Other tangible assets	(1,998)	-	(214)	-	1	(2,211)
Cost:	(7,228,546)	(311)	(524,344)	-	32,723	(7,720,478)
Net book value	20,334,715					20,531,155

	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	-	-	3,986
Other tangible assets	4,057	-	-	23	-	(1,276)	2,804
	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

Total depreciation expense amounting to TRY524,344 thousand (September 30, 2019 – TRY481,673 thousand) related to tangible fixed assets in the comprehensive consolidated income statement for the interim period ending on 30 September 2020 has been allocated to cost of goods sold amounting to TRY399,361 thousand (30 September 2019 – TRY460,689 thousand), to marketing, sales and distribution expenses amounting to TRY73,138 thousand (September 30, 2019 – TRY6 thousand), to general administration expenses amounting to TRY42,126 thousand (September 30, 2019 – TRY20,978 thousand), to research and development expenses amounting to TRY9,719 thousand (September 30, 2019 - None).

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10. Property, plant and equipment (Continued)

The depreciation expense related to right-of-use assets in the consolidated statement of comprehensive income for the period ended as of 30 September 2020 at TRY26,948 thousand (September 30 2019 – TRY24,252 thousand), is classified to general administrative expenses amounting to TRY20,936 thousand (30 September 2019 - TRY15,449 thousand), to marketing, sales and distribution expenses amounting to TRY3,983 thousand (September 30 2019 - None), and to cost of goods sold amounting to TRY2,029 thousand (September 30 2019 - None).

There is no mortgage on tangible fixed assets as of 30 September 2020 (30 September 2019 - None).

11. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 30 September 2020 and 2019 are as follows:

	1 January 2020	Additions	Transfers	Disposals	30 September 2020
Cost:					
Rights and software	99,713	2,449	-	(24)	102,138
Development expenses	92,498	13,633	-	-	106,131
	192,211	16,082	-	(24)	208,269
Accumulated amortisation:					
Rights and software	(67,510)	(9,381)	-	3	(76,888)
Development expenses	(72,957)	(6,947)	-	-	(79,904)
	(140,467)	(16,328)	-	3	(156,792)
Net book value	51,744				51,477

	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

Amortization expense amounting to TRY16,328 thousand (30 September 2019 - TRY16,865 thousand) is included in general administrative expenses in the comprehensive consolidated income statement for the interim period ending on 30 September 2020.

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12. Prepaid expenses

Short term prepaid expenses:

	30 September 2020	31 December 2019
Insurance and other expenses	166,021	117,991
Advances given	57,487	118,771
Total	223,508	236,762

Long term prepaid expenses:

	30 September 2020	31 December 2019
Advances given to third parties for property, plant and equipment	94,822	142,369
Advances given to related parties for property, plant and equipment (Note 27)	26,281	54,725
Other prepaid expenses	2,433	1,785
Total	123,536	198,879

13. Other assets and liabilities

Other current assets:

	30 September 2020	31 December 2019
Deferred Value Added Tax (“VAT”)	444,538	1,265,764
Deferred Special Consumption Tax (“SCT”)	154,960	75,472
Spare parts and material stocks	100,268	93,795
Taxes and funds to be offsetted	60,036	101,440
Income accruals	48,390	19,747
Income accruals from commodity hedge (*)	38,415	90,007
Deferred VAT	36,639	40,692
VAT Receivable	-	729,357
Other current assets	35,991	7,814
Total	919,237	2,424,088

(*) As of 30 September 2020, commodity hedge income accruals consist of swap transactions for inventory of Tüpraş which are exposed to commodity price risk. The income accruals recognized under cost of goods sold and collected as of 7 October 2020. As of 31 December 2019, commodity hedge income accruals consist of swap and zero cost corridor transactions for inventory of Tüpraş which are exposed to commodity price risk. The income accruals recognition made as of 31 December 2019 is recognized under cost of goods sold and collected as of 8 January 2020.

Other non-current assets:

	30 September 2020	31 December 2019
Spare parts and material stocks	1,641,702	1,569,443
Other	4,648	8,100
Total	1,646,350	1,577,543

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13. Other assets and liabilities (Continued)

Other current liabilities:

	30 September 2020	31 December 2019
Revenue share	2,076,123	1,866,833
SCT payable	1,722,989	1,175,211
Deferred Value Added Tax (“VAT”)	444,538	1,265,764
VAT payable	244,518	12,669
Deferred Special Consumption Tax (“SCT”)	154,960	75,472
Other taxes and liabilities	36,315	74,146
Expense accruals from commodity hedge (*)	-	200,167
Other	17,188	33,693
Total	4,696,631	4,703,955

(*) As of 31 December 2019, commodity hedge expense accruals consist of swap and zero cost corridor transactions for inventory of Tüpraş which are exposed to commodity price risk. The expense accruals recognition made as of 31 December 2019 is recognized under cost of goods sold and collected as of 8 January 2020.

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 TRY2,076,123 thousand accumulated as at 30 September 2020 (31 December 2019: TRY1,866,833 thousand) which is not recognized in the comprehensive income statement, has been classified as “Revenue Share” within “Other short-term liabilities”. TRY2,067,939 thousand is (31 December 2019: TRY1,861,248 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).

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14. Provisions

Provision for employee benefits:

Short-term provision for employee benefits:

	30 September 2020	31 December 2019
Personnel bonus accruals	96,138	7,400
Seniority incentive bonus provision	9,649	8,377
Total	105,787	15,777

Long-term employee benefits:

	30 September 2020	31 December 2019
Provision for employment termination benefits	249,543	232,075
Provision for unused vacation	81,819	71,754
Seniority incentive bonus provision	14,144	12,223
Total	345,506	316,052

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:

	2020	2019
1 January	20,600	14,601
Charge for the period	8,353	8,825
Payments during the period	(5,160)	(3,307)
30 September	23,793	20,119

Provision for employment termination benefits:

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

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

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

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14. Provisions (Continued)

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

	30 September 2020	31 December 2019
Discount rate (%)	4.67	4.67
Turnover rate to estimate probability of retirement (%)	99.36	99.36

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 TRY7,117.17 which is effective as at 1 July 2020 (31 December 2019: TRY6,730.15).

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

	2020	2019
1 January	232,075	186,525
Interest rate	20,949	23,392
Increase during the period	17,049	13,982
Payments during the period	(20,530)	(27,328)
30 September	249,543	196,571

Provision for unused vacation:

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

	2020	2019
1 January	71,754	59,787
Increase during the period	15,547	13,522
Payments during the period	(5,482)	(6,290)
30 September	81,819	67,019

Other short term provisions:

	30 September 2020	31 December 2019
Provision for demurrage	62,723	41,924
EMRA participation share (*)	49,050	37,054
Provisions for cost	25,369	1,010
Provisions for pending claims and law suits	20,658	21,195
Other	28,826	192
Total	186,626	101,375

(*) 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.

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14. Provisions (Continued)

Other short term provisions (Continued)

Movement of the short-term provisions for the period ended 30 September 2020 and 2019 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Provision for cost	Other	Total
1 January 2020	21,195	37,054	41,924	1,010	192	101,375
Changes for the period, net	(444)	30,523	20,799	24,359	28,634	103,871
Payments during the period, net	(93)	(18,527)	-	-	-	(18,620)
30 September 2020	20,658	49,050	62,723	25,369	28,826	186,626
1 January 2019	19,038	33,473	18,108	377	863	71,482
Changes for the period, net	1,483	26,519	5,135	15,509	19,142	67,788
Payments during the period, net	(158)	(16,736)	-	-	-	(16,894)
30 September 2019	20,363	43,256	23,243	15,886	19,628	122,376

15. Liabilities for employee benefits

	30 September 2020	31 December 2019
Due to the personnel	52,650	113,039
Social security withholdings payment	46,526	34,370
Total	99,176	147,409

16. Other payables

	30 September 2020	31 December 2019
Deposits and guarantees received	32,260	27,112
Other payables to related parties (Note 27)	1,759	28,297
Total	34,019	55,409

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17. Derivative instruments

	30 September 2020				31 December 2019			
	Fair values				Fair values			
	Purchase contract amount	Sales contract amount	Assets	Liabilities	Purchase contract amount	Sales contract amount	Assets	Liabilities
<i>Cash flow hedge</i>								
Interest rate swap	771,941	771,941	-	69,491	584,678	584,678	-	51,176
Cross currency swap	912,601	617,779	350,068	20,640	1,215,184	1,097,828	119,942	20,707
Commodity derivative	332,509	332,509	102,754	48,712	102,213	102,212	13,702	-
Forward foreign exchange transactions	259,669	208,786	52,411	-	-	-	-	-
<i>Derivatives held for trading</i>								
Currency forwards	3,250,922	2,787,682	501,208	1,946	9,559,306	9,679,259	163,578	695
Commodity derivative	2,014,425	2,014,426	57,886	6,273	404,147	404,147	6,770	6,669
Short term derivative financial instruments			1,064,327	147,062			303,992	79,247
<i>Cash flow hedge</i>								
Interest rate swap	2,564,114	2,564,114	-	56,973	2,429,277	2,429,277	-	24,187
Cross currency swap	250,139	88,006	123,366	-	820,186	654,292	98,741	7,763
Long term derivative financial instruments			123,366	56,973			98,741	31,950
Total			1,187,693	204,035			402,733	111,197

As of 30 September 2020, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY2,996,468 thousand in exchange of USD449,615 thousand which will expire in 2020. (As of 31 December 2019, forward, swap, futures and options market transactions consist of forward transactions which generate a sales obligation of TRY9,679,259 thousand in exchange of USD1,609,257 thousand which has expired on January 2020).

As of 30 September 2020, interest rate swap consists of exchange of floating rate instalment payments of long term borrowings and bonds amounting to USD331,070 thousand (31 December 2019: USD378,126 thousand), EUR11,071 thousand (31 December 2019: EUR17,714) and TRY650,000 thousand with fixed rate instalment payments for cash flow hedging.

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17. Derivative instruments (Continued)

As of 30 September 2020, cross currency swap transactions consist of swaps with fixed interest rate transaction of foreign currency indexed floating interest rate USD72,727 thousand (31 December 2019: USD141,616) and fixed interest rate long-term borrowings amounting to TRY267,354 thousand and indexed to Turkish Lira, swap of foreign currency indexed floating interest long-term borrowing of EUR52,300 thousand (31 December 2019: 156,900) and fixed interest rate long-term borrowings amounting to TRY326,483 thousand and indexed to Turkish Lira, foreign currency indexed interest rate swap transactions EUR4,429 thousand (31 December 2019: EUR8,857) with Turkish Lira indexed long term borrowings and fixed interest payments amounting to TRY16,429 thousand (31 December 2019: TRY32,859 thousand), and fixed interest payments amounting to TRY16,429 thousand (31 December 2019: TRY32,859 thousand) with fixed interest payments with total of USD4,668 thousand (31 December 2019: USD9,337 thousand), and swap transaction of EUR6,643 thousand (31 December 2019: EUR8,857) foreign currency indexed fixed interest rate of long-term borrowing and USD7,565 thousand (31 December 2019: USD10,086) USD indexed fixed interest payments.

As of 30 September 2020, commodity derivative transactions; consists of swap transactions, zero cost collar option transactions and average refinery crack margin fixing transactions. The the refinery crack margin transactions were fixed at a total of 2.100 thousand barrels for the fourth quarter of 2020. The weighted average fixed margin for of these transactions is USD8.02 per barrel. The total of swap transactions for crude oil stocks is 4,100 thousand barrels with weighted average fixed price of USD42,7. The zero cost collar option transactions were made for total of 950 thousand barrels and the the weighted average purchase price of the option transactions giving the right to sell was USD42,0/barrel, and the weighted average selling price of the option transactions that resulted in sales obligation was USD45,48/barrel. (As of 31 December 2019, commodity derivative transactions; consists of average refinery crack margin fixing transactions. Future sales product crack margin fixing transactions have been executed for, gasoline stocks of 374 thousand barrels, jet fuel stocks of 265 thousand barrels, diesel stocks of 749 thousand barrels and fuel oil stocks of 172 thousand barrels for first quarter of 2020. The weighted average fixed margin of the product crack margin fixing transactions are USD6.33 for gasoline, USD15.04 for jet fuel, USD17.87 for diesel and USD-14.76 for fuel oil per barrel.)

18. Commitments and contingent assets and liabilities

	30 September 2020		31 December 2019	
	Original currency:	TRY amount:	Original currency:	TRY amount:
Guarantees received:				
Letter of guarantess received		974,136		1,118,403
- Letter of guarantees in TRY	633,749	633,749	719,088	719,088
- Letter of guarantees in USD	16,953	132,366	32,249	191,566
- Letter of guarantees in EUR	22,004	200,855	30,088	200,104
- Letter of guarantees in other currencies	-	7,166	-	7,645
Guarantee notes received		679		679
- Guarantee notes in TRY	679	679	679	679
Guarantee letters received		441,313		347,675
- Guarantee letters received in TRY	50,000	50,000	50,000	50,000
- Guarantee letters received in USD	50,000	390,400	50,000	297,010
- Guarantee letters received in EUR	100	913	100	665
Guarantee letters of credit		-		500,212
- Letters of credit in USD	-	-	84,208	500,212
Direct debiting limits		420,945		506,841
- TRY direct debiting limits	420,945	420,945	506,841	506,841
Total guarantees received		1,837,073		2,473,810
Guarantees given:				
Letter of credits given		1,983,884		2,496,440
- Letter of credits in USD	251,512	1,963,807	416,672	2,475,117
- Letter of credits in EUR	2,146	19,591	2,749	18,283
- Letter of credits in other currencies	-	486	-	3,040
Letter of guarantees given		1,312,585		1,394,723
- Letter of guarantees in TRY	1,149,053	1,149,053	1,274,730	1,274,730
- Letter of guarantees in USD	20,200	157,723	20,200	119,993
- Letter of guarantees in EUR	1,250	5,809	-	-
Letters of guarantee				
given to customs offices		949,238		773,804
- Letter of guarantees in TRY	894,469	894,469	733,900	733,900
- Letter of guarantees in USD	-	-	-	-
- Letter of guarantees in EUR	6,000	54,769	6,000	39,904
Letters of guarantee given to banks		913,560		980,238
- Letter of guarantees in USD	101,089	789,304	139,315	827,559
- Letter of guarantees in EUR	13,612	124,256	22,957	152,679
Other letter of guarantees in USD	24,473	167,450	-	-
Total guarantees given		5,326,717		5,645,205

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

18. Commitments and contingent assets and liabilities (Continued)

As of 30 September 2020 and 31 December 2019, 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 of 30 September 2020, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY106,032 thousand (31 December 2019: TRY857,850 thousand) and for derivative financial instruments amounting to TRY8,670 thousand (31 December 2019: TRY122,388 thousand).

Collaterals, pledges, mortgages given by the Group as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
A. CPMs given for companies in the name of its own legal personality	4,413,157	4,664,967
- TRY	2,043,522	2,008,630
- USD	2,288,980	2,595,110
- EUR	80,169	58,187
- Other	486	3,040
B. CPMs given on behalf of the fully consolidated companies	913,560	980,238
- USD	789,304	827,559
- EUR	124,256	152,679
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	5,326,717	5,645,205

19. Equity

The Company’s shareholders and their shareholding percentages as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	Ortaklık payı (%)	31 December 2019	Ortaklık payı (%)
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 2019: 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.

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

19. Equity (Continued)

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

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

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under “Restricted Reserves”. At 30 September 2020, the restricted reserves of the Company amount to TRY503,343 thousand (31 December 2019 - TRY503,343 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.

At the Ordinary General Assembly Meeting dated 1 April 2020, in the financial statements prepared in accordance with the Tax Procedural Law records; due to loss of amounting TRY1,139,413 thousand in the current year result, it was decided to dividends will not be distributed and transfer the net period profit amounting to TRY525,837 thousand attributable to equity holders of the parent to the retained earnings in the related financial statements.

In the period ended as of 31 December 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

20. Revenue and cost of sales

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Domestic revenue	35,871,883	15,229,957	54,059,061	19,550,780
Export revenue	8,078,159	2,091,850	14,714,318	4,051,722
Gross sales	43,950,042	17,321,807	68,773,379	23,602,502
Less: Sales discounts	(560,364)	(259,295)	(699,312)	(261,061)
Eksi: Sales returns	(135,577)	(27,529)	(103,847)	(32,060)
Sales (net)	43,254,101	17,034,983	67,970,220	23,309,381
Cost of goods sold	(42,083,356)	(15,844,612)	(64,150,485)	(22,152,015)
Gross profit	1,170,745	1,190,371	3,819,735	1,157,366

Cost of Sales:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Raw material, manufactured and consumable material	38,684,395	14,693,871	60,357,871	21,037,401
Energy expenses	1,550,734	565,373	1,944,613	658,093
Personnel expenses	710,044	240,656	638,965	242,288
Depreciation and amortization (Note 10)	401,390	139,526	460,689	156,974
Other production expenses	736,793	205,186	748,347	57,259
Cost of sales	42,083,356	15,844,612	64,150,485	22,152,015

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

General administrative expenses:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Personnel expenses	402,832	138,805	387,408	143,726
Insurance expenses	152,041	56,652	112,781	42,007
Tax duties and fees	97,957	27,285	91,831	32,525
Depreciation and amortization (Note 10-11)	79,390	21,029	62,095	20,952
Outsourced services	65,023	20,551	65,282	24,722
Office expenses	44,408	17,653	47,459	14,408
Donations	37,252	10,569	16,576	6,086
Subscription fees	34,690	15,066	30,776	9,815
Lawsuit and consultancy expenses	23,942	7,775	24,359	10,340
Transportation and travel expenses	3,562	954	4,036	1,311
Other	42,450	17,484	49,651	16,092
Total general administrative expenses	983,547	333,823	892,254	321,984

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

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

Marketing expenses:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Transportation, storage and insurance expenses	151,611	31,904	117,409	55,370
Personnel expenses	118,602	41,250	110,549	31,715
Depreciation and amortization (Note 10)	77,121	28,131	6	3
Outsourced services	38,258	26,560	10,747	3,084
Advertising expenses	22,161	8,361	15,953	2,116
Energy expenses	17,080	5,515	19,577	6,253
Other	41,075	15,406	58,530	24,723
Total marketing expenses	465,908	157,127	332,771	123,264

Research and development expenses:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Personnel expenses	11,283	2,857	11,983	3,511
Depreciation and amortization (Not 10)	9,719	3,436	-	-
Licence expenses	3,345	1,134	2,817	1,012
Outsourced services	710	259	710	178
Lawsuit and consultancy expenses	470	156	-	-
Other	1,857	842	3,244	764
Total research and development expenses	27,384	8,684	18,754	5,465

Depreciation expenses, which have been recorded under cost of goods sold between January 1 to 30 September 2019, have been appropriately allocated to cost centers as of 30 September 2020.

22. Other operating income/(expenses)

Other operating income:	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Credit finance gains	356,628	72,237	531,340	180,604
Foreign exchange gain from trade receivables	78,778	47,930	16,915	9,681
Rent income	3,843	1,352	3,548	1,271
Provisions no longer required	90	15	13	1
Other	102,479	15,038	50,024	3,558
Total other operating income	541,818	136,572	601,840	195,115

Other operating expense:	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange loss from trade payables	(1,053,497)	(615,508)	(474,754)	71,017
Credit finance charges	(363,675)	(12,261)	(510,960)	(368,495)
Other	(57,390)	(587)	(23,168)	3,991
Total other operating expense	(1,474,562)	(628,356)	(1,008,882)	(293,487)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

23. Income/(expense) from investment activities

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Gain/(loss) on sales of property plant and equipment and intangible assets	572	221	385	266
Total income/(expense) from investment activities	572	221	385	266

24. Financial income/(expenses)

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Financial income:				
Foreign exchange gains on deposits	2,028,498	1,028,608	548,364	(214,247)
Foreign exchange gains on derivative instruments	594,161	474,864	-	(107,854)
Interest income on deposits	384,648	89,738	415,396	258,904
Total financial income	3,007,307	1,593,210	963,760	(63,197)
Financial expenses:				
Foreign exchange losses on borrowings	(3,819,825)	(1,836,247)	(1,141,543)	53,411
Interest expenses	(1,238,009)	(482,600)	(1,623,344)	(467,119)
Foreign exchange losses on derivative instruments	(195,887)	(59,645)	(401,776)	(331,806)
Other	(50,146)	(47,775)	(11,253)	(8,575)
Total financial expenses	(5,303,867)	(2,426,267)	(3,177,916)	(754,089)

25. Tax assets and liabilities

i) Corporate tax:

	30 September 2020	31 December 2019
Current period corporate tax provision	12,035	9,479
Current year tax assets	(4,198)	(7,074)
Corporation tax provision	7,837	2,405

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 2020 is 22% (2019: 22%). Corporation tax is payable at a rate of 22% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances. (as research and development expenditures deduction)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

25. 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 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax (liability)/asset	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Gain on revaluation of property	7,139,764	7,139,764	(713,976)	(713,976)
Fair value difference of derivative instruments	1,019,045	365,686	(224,190)	(80,451)
Prepaid expenses	24,158	34,727	(5,315)	(7,640)
Deferred financial income, (net)	-	20,292	-	(4,464)
Deferred tax liability			(943,481)	(806,531)
Investment incentive income	11,906,622	11,714,563	4,040,394	3,957,291
Accumulated deductible financial losses(**)	5,120,005	1,128,491	1,126,401	248,268
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	1,755,255	1,313,409	386,156	288,950
Employment termination benefits and seniority incentive bonus provision	264,903	243,951	58,278	53,669
Provision for unused vacation liability	72,953	61,369	16,050	13,501
Provision for inventory impairment	70,214	17,339	15,447	3,815
Provisions for pending claims and lawsuits	20,658	21,195	4,544	4,663
Deferred financial income, (net)	12,074	-	2,656	-
Other	212,786	17,629	46,811	3,877
Deferred tax assets			5,696,737	4,574,034
Deferred tax asset - net			4,753,256	3,767,503

(*) 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.

(**) Deferred tax assets amounting to TL 1,126,401 thousand is related to the Group's financial losses amounting to TRY5,120,005 thousand in 2019 and 2020. (31 December 2019 – TRY248,268 thousand)

The Company foresees the availability of sufficient taxable profit in the following periods and recorded deferred tax assets in the current period.

The movement of deferred taxes is as follows:

	2020	2019
Deferred tax asset/(liability), net		
1 January	3,767,503	3,566,132
Charge for the period	888,555	262,602
Charge to equity:		
- Hedging cash flow gains/(losses)	97,198	(1,107)
- Revaluation of property gains/(losses)	-	(713,976)
30 September	4,753,256	3,113,651

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

26. Earnings per share

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Profit for the year attributable to shareholders of the Company	(2,869,979)	(420,130)	339,782	(155,498)
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	(11.46)	(1.68)	1.36	(0.62)

27. 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 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (2)	4,110,488	2,031,019
Total	4,110,488	2,031,019

b) Trade receivables:

	30 September 2020	31 December 2019
Opet Petrolcülük A.Ş. (1)	560,868	835,956
THY OPET Havacılık Yakıtları A.Ş. (1)	87,351	85,399
Aygaz A.Ş. (2)	80,081	67,283
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	4,006	6,104
Other (2)	6,496	1,095
Total	738,802	995,837

As of 30 September 2020, Tüpraş has offset TRY550,000 thousand (31 December 2019: TRY373,000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

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27. Related party transactions (Continued)

c) Trade payables:

	30 September 2020	31 December 2019
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	82,904	113,585
Koç Sistem Bilgi ve İletişim A.Ş. (2)	20,336	14,183
Aygaz A.Ş. (2)	11,979	4,995
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	11,212	23,228
Opet Petrolcülük A.Ş. (1)	10,696	17,634
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	2,855	9,337
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	1,269	9,635
THY OPET Havacılık Yakıtları A.Ş. (1)	1,007	5,429
Ark İnşaat A.Ş. (2)	710	15,140
Other (2)	6,432	12,906
Total	149,400	226,072

d) Other payables:

	30 September 2020	31 December 2019
Koç Holding A.Ş. (3)	1,759	28,297
Total	1,759	28,297

e) Advances given for property, plant and equipment:

	30 September 2020	31 December 2019
Ark İnşaat A.Ş. (2)	21,027	17,909
Düzey Tüketim Malları Sanayi ve Pazarlama Ticaret A.Ş.	5,254	-
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	-	36,751
Other (2)	-	65
Total	26,281	54,725

f) Bank loans:

	30 September 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (2)	1,076,509	111,131
Total	1,076,509	111,131

g) Lease liabilities:

	30 September 2020	31 December 2019
Koç Ailesi (3)	65,701	55,806
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	24,262	22,658
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	91	299
Total	90,054	78,763

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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27. Related party transactions (Continued)

h) Product and service sales:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Opet Petrolcülük A.Ş. (1)	7.561.544	3.275.945	10.742.546	3.883.313
THY Opet Havacılık Yakıtları A.Ş. (1)	1.225.093	464.792	4.216.089	971.239
Aygaz A.Ş. (2)	383.555	143.000	536.630	150.941
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	23.248	3.049	32.568	11.858
Other (2)	18.435	13.073	14.047	8.863
Total	9.211.875	3.899.859	15.541.880	5.026.214

i) Product and service purchases:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	470,143	170,942	884,583	312,712
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	219,229	2,044	157,434	8,013
Opet Petrolcülük A.Ş. (1)	138,814	78,298	100,964	33,000
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	70,516	22,881	65,039	22,624
Aygaz A.Ş. (2)	65,210	26,641	129,670	37,489
Koç Sistem Bilgi ve İletişim A.Ş. (2)	28,061	12,325	25,450	12,009
Koç Holding A.Ş. (3) (*)	24,192	7,946	21,641	8,981
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	18,249	7,445	15,564	5,476
THY Opet Havacılık Yakıtları A.Ş. (1)	8,489	2,987	31,367	9,560
Opet International Limited (1)	-	-	91,319	50,693
Other (2)	32,866	11,072	44,760	14,361
Total	1,075,769	342,581	1,567,791	514,918

(*) 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 2020 and 2019 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 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş. (2)	103,595	-	64,355	16,500
Ark İnşaat A.Ş. (2)	68,818	28,507	38,541	14,932
Entek Elektrik Üretimi A.Ş. (2)	-	-	46,100	-
Other (2)	7,644	955	9,155	4,112
Total	180,057	29,462	158,151	35,544

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 TRY12,434 thousand as of period ending on 30 September 2020 (30 September 2019 – TRY22,598 thousand). All of this amount consists of short term benefits. (30 September 2019 -TRY6,700 of this amount is related to payments due to termination of employment and the remaining portion consists of short-term benefits.)

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27. Related party transactions (Continued)

l) Financial expenses paid to related parties:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Yapı ve Kredi Bankası A.Ş. (2)	34,202	13,723	17,168	5,545
Yapı Kredi Bank Nederland N.V.(2)	835	1	179	-
Yapı Kredi Faktoring A.Ş. (2)	2,668	1,148	8,555	388
Total	37,705	14,872	25,902	5,933

m) Time deposit interest income:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Yapı ve Kredi Bankası A.Ş. (2)	124,037	29,783	74,767	23,353
Total	124,037	29,783	74,767	23,353

n) Donations:

As of 30 September 2020, total donation is amounting to TRY14,191 thousand (30 September 2019 – TRY144 thousand).

28. 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.

Credit risks of the Group for each financial instrument type as at 30 September 2020 and 31 December 2019 are as follows:

30 September 2020	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	738,802	3,936,848	-	46,256	10,891,062	1,187,693	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	527,516	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	738,802	3,621,613	-	46,256	10,891,062	1,187,693	-
B. Net book value of overdue but not impaired financial assets	-	315,235	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,315	-	1,625	-	-	-
- Impairment (-)	-	(5,315)	-	(1,625)	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

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28. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

31 December 2019	Receivables						Bank deposits	Derivative instruments	Other
	Trade Receivables		Other Receivables		Related parties	Other parties			
	Related parties	Other parties	Related parties	Other parties					
Maximum exposed credit risk as of reporting date	995,837	3,792,069	-	45,617	10,652,009	402,733	-		
- Secured portion of the maximum credit risk by guarantees, etc.	-	568,028	-	-	-	-	-		
A. Net book value of financial asset either are not due or not impaired	995,837	3,674,402	-	45,617	10,652,009	402,733	-		
B. Net book value of overdue but not impaired financial assets	-	117,667	-	-	-	-	-		
C. Net book value of the impaired assets	-	-	-	-	-	-	-		
- Overdue(gross book value)	-	5,243	-	1,526	-	-	-		
- Impairment (-)	-	(5,243)	-	(1,526)	-	-	-		
- 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 2020	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	110,899	-	-	-	-
Overdue (1-3 months)	30,015	-	-	-	-
Overdue (3-12 months)	171,024	-	-	-	-
Overdue (1-5 years)	3,297	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

31 December 2019	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	59,438	-	-	-	-
Overdue (1-3 months)	31,732	-	-	-	-
Overdue (3-12 months)	23,991	-	-	-	-
Overdue (1-5 years)	2,506	-	-	-	-
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 TRY82,019 thousand (31 December 2019: TRY114,531 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.

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 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Group 1	-	241
Group 2	1,974,398	1,987,149
Group 3	1,894,640	2,453,724
Group 4	491,377	229,125
Toplam	4,360,415	4,670,239

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28. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

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 constituted 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 17).

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 17).

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.

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28. Financial instruments and financial risk management (Continued)

Foreign exchange risk (Devamı)

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 2020 and 31 December 2019:

	30 September 2020		31 December 2019	
	TRY	USD(*)	TL karşılığı	Dolar karşılığı(*)
Monetary assets	8,845,634	1,132,894	1,538,616	259,386
Monetary liabilities	(25,506,499)	(3,266,713)	(27,315,520)	(4,598,418)
Monetary assets / (liabilities) foreign currency position	(16,660,865)	(2,133,819)	(25.776.904)	(4.339.400)
Non-monetary assets	99,298	12,717	190.704	32.104
Net foreign currency position of derivative financial instruments	4,561,385	584,194	11.446.439	1.926.945
Net foreign currency asset / (liability) position	(12,000,182)	(1,536,908)	(14.139.761)	(2.380.351)
Cash flow hedging (**)	5,053,307	647,196	4.828.054	812.776
Net foreign currency position after cash flow hedging	(6,946,875)	(889,712)	(9.311.707)	(1.567.575)
Inventory in natural hedge scope (***)	7,279,425	932,303	9.129.592	1.536.917
Payment commitments (-)	(167,450)	(21,446)	-	-
Net foreign currency position after cash flow hedging and natural hedge	165,100	21,146	(182,115)	(30,658)

(*) 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 USD647,196 thousand, which is equivalent to TRY5,053,307 thousand (USD812,776 thousand / TRY4,828,054 thousand in 31 December 2019) 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 2020, TRY3,249,716 (31 December 2019 - TRY2,567,257 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 2020, the foreign exchange loss amounting to TRY812,558 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 2020, foreign exchange loss of these loans in 2020 amounting to TRY1,495,017 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 2020, the Group has crude oil and petroleum products inventories amounting to TRY7,279,425 thousand (31 December 2019: TRY9,129,592 thousand).

(****) The balance consists of off balance stock purchase commitments whose currency risk is hedged via derivative transactions.

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28. Financial instruments and financial risk management (Continued)

	Foreign exchange position table									
	30 September 2020					31 December 2019				
	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	209,431	24,178	2,248	-	131	274,884	46,183	65	2	103
Monetary financial assets (including cash, banks)	8,636,177	1,102,553	2,982	22	1	1,256,253	205,064	4,950	671	-
Other	96,478	11,634	468	136	-	188,515	31,471	59	152	1
Current assets	8,942,086	1,138,365	5,698	158	132	1,719,652	282,718	5,073	824	104
Monetary financial assets	26	3	-	-	-	7,479	-	1,125	-	-
Other	2,820	-	-	281	-	2,189	-	-	282	-
Non-current assets	2,846	3	-	281	-	9,668	-	1,125	282	-
Total assets	8,944,932	1,138,368	5,698	439	132	1,729,320	282,718	6,197	1,106	104
Trade payables	8,144,794	1,038,879	3,016	4	5,663	12,590,524	2,103,634	12,966	13	8,185
Financial liabilities	3,367,206	358,605	61,823	288	-	4,384,159	608,682	115,222	279	-
Other monetary liabilities	217,771	26,702	47	883	-	297,645	48,523	85	1,137	-
Current liabilities	11,729,771	1,424,186	64,886	1,175	5,663	17,272,328	2,760,839	128,273	1,429	8,185
Financial liabilities	13,719,755	1,745,441	9,253	687	-	10,019,505	1,608,806	68,542	904	-
Other monetary liabilities	56,973	7,290	5	-	-	23,687	3,949	34	-	-
Non-current liabilities	13,776,728	1,752,731	9,258	687	-	10,043,192	1,612,755	68,576	904	-
Total liabilities	25,506,499	3,176,917	74,144	1,862	5,663	27,315,520	4,373,594	196,850	2,334	8,185
Net asset/(liability) position of off-balance sheet foreign currency derivatives	4,561,385	510,109	63,371	-	-	11,446,439	1,731,449	174,614	-	-
Total amount of off-balance sheet derivative financial assets	9,093,626	1,090,570	63,371	-	-	11,561,817	1,750,872	174,614	-	-
Total amount of off-balance sheet derivative financial liabilities	(4,532,241)	(580,461)	-	-	-	(115,378)	(19,423)	-	-	-
Net foreign currency asset/(liability) position	(12,000,182)	(1,528,439)	(5,075)	(1,423)	(5,531)	(14,139,761)	(2,359,427)	(16,039)	(1,228)	(8,081)
Cash flow hedging	5,053,307	647,196	-	-	-	4,828,054	812,776	-	-	-
Net foreign currency position after cash flow hedging	(6,946,875)	(881,243)	(5,075)	(1,423)	(5,531)	(9,311,707)	(1,546,651)	(16,039)	(1,228)	(8,081)
Net monetary foreign currency asset/(liability) position	(16,660,865)	(2,050,182)	(68,914)	(1,559)	(5,531)	(25,776,904)	(4,122,347)	(190,711)	(1,661)	(8,082)
Fair value of derivative instruments Used for hedging	952,056	142,062	-	-	-	353,096	55,083	3,893	-	-

As at 30 September 2020, the Group has TRY165,100 thousand as net foreign currency surplus after natural hedging (31 December 2019: TRY182,115 thousand net foreign currency surplus.) (Page 40).

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28. 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 2020 and 31 December 2019.

Statement of foreign currency risk sensitivity				
30 September 2020				
	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	(1,600,782)	1,600,782	(465,543)	465,543
Amount hedged for USD risk (-)	848,863	(848,863)	-	-
USD net effect	(751,919)	751,919	(465,543)	465,543
10% change in EUR rate:				
Euro net assets/ liabilities	(62,905)	62,905	-	-
Amount hedged for Euro risk (-)	57,846	(57,846)	-	-
EUR net effect	(5,059)	5,059	-	-
Total	(756,978)	756,978	(465,543)	465,543
31 December 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	(2,448,756)	2,448,756	(461,711)	461,711
Amount hedged for USD risk (-)	1,496,218	(1,496,218)	-	-
USD net effect	(952,538)	952,538	(461,711)	461,711
10% change in EUR rate:				
Euro net assets/ liabilities	(126,834)	126,834	-	-
Amount hedged for Euro risk (-)	116,129	(116,129)	-	-
EUR net effect	(10,705)	10,705	-	-
TOTAL	(963,243)	963,243	(461,711)	461,711

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 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Export				
USD (equivalent of thousand TRY)	8,626,713	2,641,128	10,658,378	5,227,367
Toplam	8,626,713	2,641,128	10,658,378	5,227,367
Import				
USD (equivalent of thousand TRY)	32,763,799	13,754,735	36,499,638	19,202,149
Total	32,763,799	13,754,735	36,499,638	19,202,149

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28. 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 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Total financial liabilities (Note 5)	28,660,405	19,075,794
Less: Cash and cash equivalents (Note 4)	(8,823,123)	(8,790,761)
Net financial liabilities	19,837,282	10,285,033
Total shareholders’ equity	9,870,505	13,136,540
Total capital invested	29,707,785	23,421,573
Gearing ratio	%66.77	%43.91

Fair value of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

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28. Financial instruments and financial risk management (Continued)

Fair value hierarchy table:

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 30 September 2020 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	1,187,693	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	204,035	-

Fair value hierarchy table as at 31 December 2019 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	402,733	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	111,197	-

29. Subsequent events

None.

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