

**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 - 31 MARCH 2020**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

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

Assets	Notes	Unaudited	Audited
		31 March 2020	31 December 2019
Current assets		22,938,512	27,918,955
Cash and cash equivalents	4	10,995,278	10,652,009
Trade receivables	6	4,422,517	4,787,906
Due from related parties	6, 27	1,155,187	995,837
Trade receivables from third parties		3,267,330	3,792,069
Other receivables	7	64,655	45,617
Other receivables from third parties		64,655	45,617
Derivative Instruments	17	755,597	303,992
Inventories	8	5,300,465	9,468,581
Prepaid expenses	12	96,500	236,762
Other current assets	13	1,303,500	2,424,088
Non-current assets		28,017,677	27,592,603
Investments accounted for using the equity method	9	1,083,837	1,362,777
Property, plant and equipment	10	20,508,382	20,334,715
Right-of-use assets		195,416	200,701
Intangible assets	11	47,737	51,744
Other intangible assets		47,737	51,744
Derivative instruments	17	104,626	98,741
Prepaid expenses	12	172,067	198,879
Deferred tax assets	25	4,340,759	3,767,503
Other non-current assets	13	1,564,853	1,577,543
Total assets		50,956,189	55,511,558
Liabilities			
Current liabilities		24,706,842	28,120,266
Short-term financial liabilities	5	3,262,067	1,798,683
Current portion of long term financial liabilities	5	4,814,343	3,379,019
Trade payables	6	11,704,166	17,816,174
Due to related parties	6, 27	177,280	226,072
Trade payables, third parties		11,526,886	17,590,102
Liabilities for employee benefits	15	103,986	147,409
Other payables	16	30,089	55,409
Due to related parties	16, 27	-	28,297
Other payables to third parties		30,089	27,112
Derivative instruments	17	230,501	79,247
Deferred income (Except for obligations arising from customer contracts)		4,118	20,813
Current income tax liabilities	25	153	2,405
Provisions	14	178,442	117,152
Provisions for employee benefits		44,520	15,777
Other provisions		133,922	101,375
Other current liabilities	13	4,378,977	4,703,955
Non-current liabilities		15,458,176	14,254,752
Long-term financial liabilities	5	15,101,667	13,898,092
Provisions	14	315,489	316,052
Provisions for employee benefits		315,489	316,052
Deferred income (Except for obligations arising from customer contracts)		8,347	7,820
Derivative Instruments	17	31,857	31,950
Other non-current liabilities		816	838
Total liabilities		40,165,018	42,375,018
Equity		10,791,171	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		(1,933,429)	(1,850,305)
Currency translation differences		17,570	3,192
Hedging gains/(losses)		(2,207,110)	(2,100,116)
Cash flow hedge gains/(losses)		(2,207,110)	(2,100,116)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		256,111	246,619
Restricted reserves	19	503,343	503,343
Retained earnings		6,277,999	5,752,162
Net income		(2,265,010)	525,837
Total equity attributable to equity holders of the parent		10,614,701	12,962,835
Non-controlling interests		176,470	173,705
Total equity and liabilities		50,956,189	55,511,558

The condensed interim consolidated financial statements as of and for the period ended 31 March 2020 has been approved for issue by the Board of Directors on 21 May 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 THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2020

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

	Notes	Unaudited 1 January - 31 March 2020	Unaudited 1 January - 31 March 2019
Revenue	20	16,939,537	20,707,888
Cost of sales (-)	20	(17,848,663)	(19,716,595)
Gross profit		(909,126)	991,293
General administrative expenses (-)	21	(328,237)	(280,373)
Marketing, selling and distribution expenses (-)	21	(119,287)	(85,773)
Research and development expenses (-)	21	(10,095)	(6,819)
Other operating income	22	135,027	175,743
Other operating expenses (-)	22	(484,420)	(565,939)
Operating profit / (loss)		(1,716,138)	228,132
Expenses from investment activities (-)	23	(45)	(140)
Income/(loss) from investments accounted by equity method	9	(168,432)	63,072
Operating profit before financial income/(expense)		(1,884,615)	291,064
Financial income	24	733,944	704,842
Financial expense (-)	24	(1,647,132)	(1,306,035)
Profit/(loss) before tax from continued operations		(2,797,803)	(310,129)
Tax income / (expense)		548,718	(52,166)
Taxes on income (-)		(2,360)	(3,422)
Deferred tax income / (expense)	25	551,078	(48,744)
Net profit/(loss) from continued operations		(2,249,085)	(362,295)
Other comprehensive income:			
Items not to be reclassified to profit or loss			
Revaluation gain/(loss) on property	10	-	6,154,560
Share of other comprehensive income accounted for investment using equity method that will be not reclassified to profit or loss		-	6,891,830
Revaluation gain/(loss) on property of investments accounted with using equity method	9	-	20,831
Tax effect of other comprehensive income/(loss) not to be reclassified to profit or loss		-	20,831
Deferred tax income/(expense)		-	(758,101)
		-	(758,101)
Items to be reclassified to profit or loss			
Currency translation differences		(96,284)	(129,567)
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss	9	14,378	(384)
Gain/(loss) from translation of foreign currency of investments accounted for using equity method		9,492	5,340
Income/(expense) relating to avoidance of risk of cash flow		(142,332)	(164,672)
Income/(loss) of avoidance of risk of cash flow		(142,332)	(164,672)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		22,178	30,149
Deferred tax income/(expense)		22,178	30,149
Other comprehensive income/(expense)		(96,284)	6,024,993
Total comprehensive income		(2,345,369)	5,662,698
Distribution of income for the period:			
Non-controlling interests			
Attributable to equity holders of the parent		15,925	12,863
		(2,265,010)	(375,158)
Distribution of total comprehensive income			
Non-controlling interests			
Attributable to equity holders of the parent		2,765	5,195
		(2,348,134)	5,657,503
Earnings (loss) per share from continued operations			
Earnings per share with nominal value kr, 1 each (kr.)	26	(9,04)	(1,50)

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 THREE MONTH INTERIM PERIOD ENDED 31 MARCH 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 reclassified to profit or loss	Hedge gains/(losses)		Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net income/(expense)	Equity holders of parent	Non controlling interest	Total equity
Gain on revaluation of properties			Actuarial gains/(losses) arising from defined benefit plans	Currency translation differences		Cash flow hedge gains/(losses)								
Unaudited														
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	-	-	-	-	-	-	-	-	-	-	(375,158)	(375,158)	12,863	(362,295)
- Other comprehensive income	-	-	6,133,729	-	20,831	(384)	(126,855)	5,340	-	-	-	6,032,661	(7,668)	6,024,993
Total comprehensive income	-	-	6,133,729	-	20,831	(384)	(126,855)	5,340	-	-	(375,158)	5,657,503	5,195	5,662,698
31 March 2019	250,419	1,344,243	6,133,729	5,021	19,288	(384)	(2,221,079)	276,697	503,343	5,752,162	(375,158)	11,688,281	126,395	11,814,676
Unaudited														
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	-	-	-	-	-	-	-	-	-	-	(2,265,010)	(2,265,010)	15,925	(2,249,085)
- Other comprehensive income	-	-	-	-	-	14,378	(106,994)	9,492	-	-	-	(83,124)	(13,160)	(96,284)
Total comprehensive income	-	-	-	-	-	14,378	(106,994)	9,492	-	-	(2,265,010)	(2,348,134)	2,765	(2,345,369)
31 March 2020	250,419	1,344,243	6,425,788	(6,897)	18,245	17,570	(2,207,110)	256,111	503,343	6,277,999	(2,265,010)	10,614,701	176,470	10,791,171

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 THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2020

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

	Notes	Unaudited 1 January - 31 March 2020	Unaudited 1 January - 31 March 2019
Cash flows from operating activities		(2,342,625)	4,477,841
Profit/(loss)		(2,249,085)	(362,295)
Adjustment for reconciliation of profit/(loss)		2,042,807	940,874
Adjustment for depreciation and amortisation expense	10, 11	186,165	171,048
Adjustments for stock impairment(cancelation)		1,003,880	(87,855)
Adjustments for stock impairment	8	1,003,880	(87,855)
Adjustment for provisions	14	55,215	108,162
Adjustment for interest (income) and expense	24	203,301	430,214
Adjustment for unrealized foreign currency translation differences		(496,073)	(469,074)
Adjustment for fair value (gain) or loss		199,859	61,011
Adjustment for income of investments accounted by equity method	9	168,432	(63,072)
Adjustment for tax expenses(income)		(548,718)	52,166
Adjustment for (gain) / loss on sales of property, plant and equipment	23	45	140
Adjustment for other items related with cash flow of investment or financial activities	24	1,227,704	757,990
Other adjustments for reconciliation of profit/(loss)		42,997	(19,856)
Changes in working capital		(2,108,431)	4,075,268
Adjustment for decrease/(increase) in trade receivables		370,711	(993,591)
Adjustment for decrease/(increase) in other receivables related with operations		1,253,932	913,220
Adjustment for decrease/(increase) in assets of derivative instruments		(457,490)	(194,859)
Adjustment for decrease/(increase) in inventories		3,164,236	(1,557,739)
Adjustment for increase/(decrease) in trade payables		(6,142,795)	5,753,360
Adjustment for increase/(decrease) in other payables related with operations		(448,186)	138,374
Adjustment for decrease/(increase) in liabilities of derivative instruments		151,161	16,503
Cash flows from operating activities		(2,314,709)	4,653,847
Tax returns/(payments)		(4,616)	(102,171)
Other cash inflow/(outflow)		(23,300)	(73,835)
Cash flows from investing activities		(199,401)	(57,969)
Cash outflows from the purchase of property, plant and equipment and intangible assets		(319,401)	(153,969)
Dividends received	9	120,000	96,000
Cash flows from financing activities		2,361,976	416,451
Cash inflows from financial liabilities	5	9,654,728	16,721,995
Cash outflows from financial liabilities	5	(7,052,976)	(14,052,566)
Cash inflows from derivative instruments		79,352	26,358
Cash outflows from derivative instruments		(171,497)	(54,980)
Cash outflows from payments of rent agreements	5	(18,710)	(23,200)
Dividends paid		-	(1,925,317)
Interest paid		(305,470)	(343,269)
Interest received		176,549	67,430
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		(180,050)	4,836,323
Impact of foreign currency translation differences on cash and cash equivalents	24	495,705	469,074
Net increase/(decrease) in cash and cash equivalents		315,655	5,305,397
Cash and cash equivalents at beginning of period		8,740,795	4,553,080
Cash and cash equivalents at end of period	4	9,056,450	9,858,477

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 THREE MONTH INTERIM PERIOD ENDED 31 MARCH 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 31 March 2020, the shares quoted on the BIST are 49% of the total shares. As of 31 March 2020, the principal shareholders and their respective shareholdings in the Company are as follows (Note 19):

	(%)
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 THREE MONTH INTERIM PERIOD ENDED 31 MARCH 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, maritime, road and rail transportation
Tupras Trading Ltd (“Tupras Trading”)	United Kingdom	Crude oil and petroleum products trading

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

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

The average number of employees of the Group as at 31 March 2020 is 6,172 (31 March 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 THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2020

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Group and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with rules and principles published by POA, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements have been prepared under the historical cost convention except for the lands and 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 31 March 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. Standards, amendments and interpretations applicable as at 31 March 2020

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

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

2.1. Basis of presentation (Continued)

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

a. Standards, amendments and interpretations applicable as at 31 March 2020 (Continued)

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

The amendments do not have a significant impact in the Group’s consolidated financial statement.

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

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

2.1. Basis of presentation (Continued)

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

a. Standards, amendments and interpretations applicable as at 31 March 2020 (Continued)

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

The amendments do not have a significant impact in the Group’s consolidated financial statement.

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.

The amendments do not have a significant impact in the Group’s consolidated financial statement.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The effect of this amendment on the financial position and performance of the Group is being assessed.

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2020

- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2022. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendments do not have a significant impact in the Group’s consolidated financial statement.

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

2.1. Basis of presentation (Continued)

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

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2020 (Continued)

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. The effect of this amendment on the financial position and performance of the Group is being assessed.

2.1.3 Financial statements of joint ventures operating in foreign countries

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

2.1.4 Principles of consolidation

- a) The condensed consolidated financial statements for the interim period ended 31 March 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.
- b) At 31 March 2020, 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.

	31 March 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	-	-

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

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

2.1.4 Principles of consolidation(Continued)

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

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

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

	31 March 2020		31 December 2019	
	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Joint ventures accounted by equity method				
Opet	50.00	40.00	50.00	40.00
Opet International Limited (*)	50.00	40.00	50.00	40.00
Opet Trade B.V. (*)	50.00	40.00	50.00	40.00
Opet Trade Singapore (In liquidation) (*) (**)	50.00	40.00	50.00	40.00
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş. (*)	50.00	40.00	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.

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 March 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 31 March 2020 are presented comparatively with the consolidated financial statements for the interim period ended 31 March 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 31 March 2020, have been prepared in compliance with TAS 34. the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 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 31 March 2020.

4. Cash and cash equivalents

	31 March 2020	31 December 2019
Cash at banks		
Revenue share (blocked)	1,928,336	1,861,248
Time deposit	8,957,669	8,732,840
Demand deposits	98,781	7,955
Time deposit interest accruals	10,492	49,966
Total	10,995,278	10,652,009

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4. Cash and cash equivalents (Continued)

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 31 March 2020 and 31 December 2019 (Note 13).

Time deposits and other cash and cash equivalents

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

31 March 2020

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	10.69	3,963,895	650,000	4,613,895
USD	1.61	3,973,107	332,981	4,306,088
EUR	0.10	37,537	-	37,537
GBP	0.50	149	-	149
Time deposit		7,974,688	982,981	8,957,669

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 31 March 2020 and 31 March 2019 are as follows:

	31 March 2020	31 March 2019
Cash and cash equivalents	10,995,278	11,328,854
Less: Blocked deposits (Revenue share)	(1,928,336)	(1,461,214)
Less: Time deposit interest accruals	(10,492)	(9,163)
Cash and cash equivalents	9,056,450	9,858,477

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5. Financial liabilities

	31 March 2020	31 December 2019
Short-term financial liabilities:		
Short-term bank borrowings	3,249,847	1,797,993
Interest accruals of bank borrowings	12,220	690
Total	3,262,067	1,798,683
Short-term portion of long-term financial liabilities:		
Short-term portion of long-term bank borrowings	3,878,525	3,108,084
Bonds issued	650,000	-
Lease liabilities	27,055	25,699
Interest accruals of bank borrowings	155,063	191,241
Interest accruals of bonds issued	103,700	53,995
Total	4,814,343	3,379,019
Long-term financial liabilities:		
Long-term bank borrowings	10,361,997	8,909,295
Bonds issued	4,561,200	4,808,140
Lease liabilities	175,507	180,657
Interest accruals of bank borrowings	2,963	-
Total	15,101,667	13,898,092
Total financial liabilities	23,178,077	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 years, coupon payment every 3 months and repayment of principal and coupon at maturity, with 75 bps additional yields on 3MTRLIBOR reference rate.

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

Tüpraş has issued a bond with a nominal value of USD700 million, with a maturity of 7 years, coupon payment every 6 months and repayment of principal and coupon at maturity, with an annual interest rate of 4,5%, on the London Stock Exchange on 12 October 2017.

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

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5. Financial liabilities (Continued)

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) and further to the agreements the loans amounting to USD1,998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 31 March 2020 the outstanding amount of the loans is USD767 million (31 December 2019 - USD765 million).

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

		31 March 2020	
	Effective interest rate (%)	Original Currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	1.56	54,800,000	357,077
TRY borrowings (*)	10.67	2,892,770,449	2,892,770
Interest accruals			12,220
Total short-term financial liabilities			3,262,067
Long-term portion of long-term financial liabilities:			
USD borrowings	3.39	331,859,622	2,162,397
EUR borrowings	2.02	113,457,000	818,592
TRY borrowings	11.58	1,547,535,921	1,547,536
GBP lease liabilities	4.16	282,083	2,273
EUR lease liabilities	2.98	697,852	5,035
TRY lease liabilities	21.58	19,747,096	19,747
			4,555,580
Interest accruals			258,763
Total short-term portion long-term financial liabilities			4,814,343
Long-term financial liabilities:			
USD borrowings	3.19	1,160,922,653	7,564,572
USD bonds issued	4.43	700,000,000	4,561,200
EUR borrowings	3.30	6,642,750	47,927
TRY borrowings	10.52	2,749,498,000	2,749,498
GBP lease liabilities	4.20	832,473	6,708
EUR lease liabilities	3.21	7,269,337	52,448
TRY lease liabilities	22.32	116,350,533	116,351
			15,098,704
Interest accruals			2,963
Total long-term financial liabilities			15,101,667

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY42,384 thousand as of 31 March 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 borrowings:			
USD bank borrowing	2.23	267,300,000	1,587,815
TRY bank borrowings (*)	-	210,177,843	210,178
Interest accruals			690
Total short-term financial liabilities			1,798,683
Short-term portion of long-term borrowings:			
USD bank borrowings	3.91	322,136,658	1,913,556
EUR bank borrowings	2.02	113,393,640	754,135
TRY bank 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
TL lease liabilities	21.64	17,986,921	17,987
			3,133,783
Interest accruals			245,236
Total short-term portion of long-term borrowings			3,379,019
Long-term borrowings:			
USD bank borrowings	4.02	908,805,991	5,398,489
USD bonds issued	4.43	700,000,000	4,158,140
EUR bank borrowings	2.11	61,125,320	406,520
TL bank borrowings	16.72	3,104,285,714	3,104,286
TL bonds	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
TL lease liabilities	22.57	124,300,668	124,301
			13,898,092
Interest accruals			-
Total long-term borrowings			13,898,092

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY42,384 thousand as of 31 March 2020 (31 December 2019 - TRY210,178 thousand).

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

	31 March 2020	31 December 2019
1-2 years	6,518,077	5,960,596
2-3 years	1,828,150	1,588,261
3-4 years	1,713,324	1,555,875
4-5 years	4,840,580	4,576,765
Over 5 years	201,536	216,595
Total	15,101,667	13,898,092

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5. Financial liabilities (Continued)

The movement of borrowings as of 31 March 2020 and 31 March 2019 is as follows:

	2020	2019
1 January	19,075,794	17,949,540
New financial borrowings	9,654,728	16,721,995
Principal payments	(7,052,976)	(14,052,566)
Increase due to lease liabilities	3,431	205,564
Decrease due to payment of lease liabilities	(18,710)	(34,535)
Changes in interest accruals	34,906	158,933
Changes in foreign exchange rates	1,480,904	962,625
31 March	23,178,077	21,922,891

6. Trade receivables and payables

Short-term trade receivables:

	31 March 2020	31 December 2019
Trade receivables	3,276,104	3,806,348
Due from related parties (Note 27)	1,155,187	995,837
Doubtful trade receivables	5,168	5,243
Other trade receivables	200	21
Less: Unearned credit finance income	(8,974)	(14,300)
Less: Provision for doubtful receivables	(5,168)	(5,243)
Total short-term trade receivables (net)	4,422,517	4,787,906

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

As at 31 March 2020, Tüpraş has offsetted TRY1,132,100 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 31 March 2020 and 2019 is as follows:

	2020	2019
1 January	5,243	4,740
Charge for the period	4	440
Payments during the period	(79)	-
31 March	5,168	5,180

Short-term trade payables:

	31 March 2020	31 December 2019
Trade payables	11,530,691	17,624,694
Due to related parties (Note 27)	177,280	226,072
Less: Unrealised credit finance charges	(3,805)	(34,592)
Total short term trade payables (net)	11,704,166	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:

	31 March 2020	31 December 2019
Receivable from insurance recoveries	28.575	28.084
Deposits and guarantees given	23.730	5.130
Receivable from personnel	12.350	12.403
Other doubtful receivables	1.526	1.526
Less: Provision for other doubtful receivables	(1.526)	(1.526)
Total	64.655	45.617

8. Inventories

	31 March 2020	31 December 2019
Raw materials and supplies	1,224,881	1,348,822
Work-in-progress	1,258,058	1,612,901
Finished goods	1,927,010	2,169,793
Goods in transit	1,765,800	4,201,510
Trade goods	44,355	53,644
Other	84,241	81,911
	6,304,345	9,468,581
Less: Provision for impairment in inventories (*)	(1,003,880)	-
Total	5,300,465	9,468,581

(*) Significant decrease in the price of crude oil resulted in TRY1,003,880 thousand stock impairment as of 31 March 2020.

Movement of the provision for inventories for the periods ended 31 March 2020 and 2019 is as follows:

	2020	2019
1 January	-	87,855
Charge for the period	1,003,880	-
Provisions no longer required	-	(87,855)
31 March	1,003,880	-

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9. Investments accounted for using the equity method

	31 March 2020		31 December 2019	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	1,083,837	40,00	1,362,777
		1,083,837		1,362,777

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 31 March 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	(168,432)	63,072
Dividend payment	(120,000)	(96,000)
Gain on revaluation of property	-	20,831
Currency translation differences	9,492	5,340
31 March	1,083,837	1,259,577

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

	31 March 2020	31 December 2019
Current assets	4,833,906	5,416,089
Non-current assets	3,240,833	3,319,884
Total assets	8,074,739	8,735,973
Short term liabilities	3,126,860	3,498,612
Long term liabilities	2,710,968	2,303,102
Equity	2,236,911	2,934,259
Total liabilities	8,074,739	8,735,973

	1 Ocak - 31 Mart 2020	1 Ocak - 31 Mart 2019
Sales (net)	8.728.325	9.578.957
Gross profit	347.176	450.561
Operating profit	71.182	206.582
Net income for the period	(421.081)	157.680

With the decision of the Competition Board dated 27.08.2018; an investigation was launched into Opet, one of the Joint Ventures of the Group, to determine whether there has been a violation of Article 4 of the Law No. 4054 on the Protection of Competition by determining the resale price of its dealers. As a result of the investigation, the Authority sentenced Opet to a TRY433,932 thousand fine. The amount of provision required for the administrative penalty has been reflected in the income statement as of 31 March 2020 as a matter of prudence and all legal rights will be used in relation to the penalty.

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10. Property, plant and equipment

The movements in property, plant and equipment and related depreciation expenses as of 31 March 2020 and 2019 are as follows:

	1 January 2020	Currency translation differences	Additions	Transfers	Disposals	31 March 2020
Cost:						
Lands	7,206,553	-	-	-	-	7,206,553
Land improvements	3,793,487	-	96	-	(21,619)	3,771,964
Buildings	839,908	-	-	-	12,498	852,406
Machinery and equipment	12,936,688	100	6,628	-	(6,152)	12,937,264
Motor vehicles	1,993,137	-	103,255	-	(20,877)	2,075,515
Furniture and fixtures	135,217	63	1,395	-	(19)	136,656
Construction in progress	651,346	-	234,361	-	2	885,709
Special costs	4,131	296	-	-	-	4,427
Other tangible assets	2,794	-	-	-	(2)	2,792
	27,563,261	459	345,735	-	(36,169)	27,873,286
Accumulated depreciation:						
Land improvements	(1,612,017)	-	(38,425)	-	21,617	(1,628,825)
Buildings	(227,940)	-	(4,465)	-	(12,517)	(244,922)
Machinery and equipment	(5,025,154)	(87)	(103,537)	-	6,188	(5,122,590)
Motor vehicles	(281,918)	-	(21,100)	-	20,814	(282,204)
Furniture and fixtures	(78,701)	-	(4,521)	-	22	(83,200)
Special costs	(818)	-	(275)	-	(1)	(1,094)
Other tangible assets	(1,998)	-	(72)	-	1	(2,069)
	(7,228,546)	(87)	(172,395)	-	36,124	(7,364,904)
Net book value	20,334,715					20,508,382
	1 January 2019	Revaluation increases	Additions	Transfers	Disposals	31 March 2019
Cost:						
Land	62,161	6,891,830	-	4,621	-	6,958,612
Land improvements	3,721,772	-	-	4,323	-	3,726,095
Buildings	789,073	-	-	469	-	789,542
Machinery and equipment	12,657,231	-	5	(84,791)	(49)	12,572,396
Motor vehicles	1,249,363	-	-	-	-	1,249,363
Furniture and fixtures	128,559	-	42	(19,986)	(2,070)	106,545
Construction in progress	339,919	-	138,610	95,801	-	574,330
Leasehold improvements	1,070	-	-	4,184	-	5,254
Other tangible assets	4,057	-	27,899	-	-	31,956
	18,953,205	6,891,830	166,556	4,621	(2,119)	26,014,093
Accumulated depreciation:						
Land improvements	(1,456,256)	-	(38,498)	(2,185)	-	(1,496,939)
Buildings	(210,688)	-	(4,282)	(8)	-	(214,978)
Machinery and equipments	(4,611,075)	-	(99,593)	(12,999)	49	(4,723,618)
Motor vehicles	(252,335)	-	(11,511)	-	-	(263,846)
Furniture and fixtures	(81,852)	-	(3,639)	15,192	1,936	(68,363)
Leasehold improvements	(44)	-	(54)	-	-	(98)
Other tangible assets	(1,788)	-	(135)	-	-	(1,923)
	(6,614,038)	-	(157,712)	-	1,985	(6,769,765)
Net book value	12,339,167					19,244,328

Total depreciation expense amounting to TRY172,395 thousand (31 March 2019 – TRY157,712 thousand) in the consolidated statement of comprehensive income for the period ended 31 March 2020 has been allocated to cost of goods sold amounting to TRY128,601 thousand (31 March 2019 - TRY150,635 thousand), to marketing, sales and distribution expenses amounting to TRY21,282 thousand (31 March 2019 – TRY1 thousand), to general administration expenses amounting to TRY19,733 thousand (31 March 2019 - TRY7,076 thousand), to research and development expenses amounting to TRY2,779 thousand (31 March 2019 - None).

The depreciation expense related to right-of-use assets in the consolidated statement of comprehensive income for the period ended as of 31 March 2020 is TRY8,715 thousand (31 March 2019 - TRY7,667 thousand), classified to general administration expenses is TRY6,938 (31 March 2019 - TRY7,667 thousand) thousand, to cost of goods sold amounting to TRY615 thousand (31 March 2019 - None) and classified to marketing, sales and distribution expenses is TRY1,162 thousand (31 March 2019 - None).

As of 31 March 2020, there are no mortgages on property, plant and equipment (31 December 2019 - None).

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11. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 31 March 2020 and 2019 are as follows:

	1 January 2020	Additions	Transfers	Disposals	31 March 2020
Cost:					
Rights and software	99,713	1,047	-	-	100,760
Development expenses	92,498	1	-	-	92,499
	192,211	1,048	-	-	193,259
Accumulated amortisation:					
Rights and software	(67,510)	(3,129)	-	-	(70,639)
Development expenses	(72,957)	(1,926)	-	-	(74,883)
	(140,467)	(5,055)	-	-	(145,522)
Net book value	51,744				47,737

	1 January 2018	Additions	Transfers	Disposals	31 March 2019
Cost:					
Rights and software	91,242	796	-	-	92,038
Development expenses	85,407	-	-	-	85,407
	176,649	796	-	-	177,445
Accumulated amortisation:					
Rights and software	(54,295)	(3,201)	-	-	(57,496)
Development expenses	(64,169)	(2,468)	-	-	(66,637)
	(118,464)	(5,669)	-	-	(124,133)
Net book value	58,185				53,312

Total amortisation expenses amounting to TRY5,055 thousand (31 March 2019 – TRY5,669 thousand) in the consolidated statement of comprehensive income for the period ended 31 March 2020 have been allocated to the general administration expenses.

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12. Prepaid expenses

Short term prepaid expenses:

	31 March 2020	31 December 2019
Insurance and other expenses	59,260	117,991
Advances given	37,240	118,771
Total	96,500	236,762

Long term prepaid expenses:

	31 March 2020	31 December 2019
Advances given to third parties for property, plant and equipment	151,533	142,369
Advances given to related parties for property, plant and equipment (Note 27)	18,179	54,725
Other prepaid expenses	2,355	1,785
Total	172,067	198,879

13. Other assets and liabilities

Other current assets:

	31 March 2020	31 December 2019
Deferred Value Added Tax (“VAT”)	583,421	1,265,764
VAT Receivable	410,739	729,357
Deferred Special Consumption Tax (“SCT”)	137,964	75,472
Spare parts and material stocks	93,529	93,795
Income accruals	26,675	19,747
Deferred VAT	21,669	101,440
Taxes and funds to be offsetted	17,137	40,692
Income accruals from commodity hedge (*)	-	90,007
Other current assets	12,366	7,814
Total	1,303,500	2,424,088

(*) As of 31 December 2019, income accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk (swap transactions and zero-cost transactions). The income accruals recognition made as of 31 December 2019 is recognized under cost of goods sold and paid as of 8 January 2020.

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13. Other assets and liabilities (Continued)

Other long-term liabilities:

	31 March 2020	31 December 2019
Spare parts and materials	1,560,612	1,569,443
Other	4,241	8,100
Total	1,564,853	1,577,543

Other non-current assets:

	31 March 2020	31 December 2019
Revenue share	1,935,037	1,866,833
SCT payable	1,621,715	1,175,211
Deferred VAT	583,421	1,265,764
Deferred SCT	137,964	75,472
VAT payable	46,558	12,669
Other taxes and liabilities	27,767	74,146
Expense accruals from commodity hedge (*)	-	200,167
Other	26,515	33,693
Total	4,378,977	4,703,955

(*) As of 31 December 2019, expense accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk (swap transactions and zero-cost transactions). The expense accruals recognition made as of 31 December 2019 is recognized under cost of goods sold and paid 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 TRY1,935,037 thousand accumulated as at 31 March 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”, TRY1,928,336 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:

	31 March 2020	31 December 2019
Personnel bonus accruals	36,213	7,400
Seniority incentive bonus provision	8,307	8,377
Total	44,520	15,777

Long-term employee benefits:

	31 March 2020	31 December 2019
Provision for employment termination benefits	222,681	232,075
Provision for unused vacation	78,888	71,754
Seniority incentive bonus provision	13,920	12,223
Total	315,489	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, 100 days of salary for 30 years of seniority level, 105 days of salary for 35 years of seniority level, and 110 days of salary for 40 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	4,250	10,740
Payments during the period	(2,623)	(10,130)
31 March	22,227	15,211

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14. Provisions (Continued)

Provision for employment termination benefits:

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

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

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

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

	31 March 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 TRY6,730.15 which is effective as at 1 January 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 expense	7,074	7,803
Increase during the period	494	4,435
Payments during the period	(16,962)	(24,493)
31 March	222,681	174,270

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14. Provisions (Continued)

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	10,850	8,537
Payments during the period	(3,716)	(5,739)
31 March	78,888	62,585

Other short term provisions:

	31 March 2020	31 December 2019
Provision for demurrage	46,475	41,924
EMRA participation share	46,061	37,054
Provisions for pending claims and law suits	20,599	21,195
Other	20,787	1,202
Total	133,922	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.

Movement of the short-term provisions for the period ended 31 March 2020 and 2019 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Other	Total
1 January 2020	21,195	37,054	41,924	1,202	101,375
Changes for the period, net	(596)	9,007	4,551	19,585	32,547
Payments during the period, net	-	-	-	-	-
31 March 2020	20,599	46,061	46,475	20,787	133,922
1 January 2019	19,038	33,473	18,108	863	71,482
Changes for the period, net	221	41,736	10,119	24,571	76,647
Payments during the period, net	-	(33,473)	-	-	(33,473)
31 March 2019	19,259	41,736	28,227	25,434	114,656

15. Liabilities for employee benefits

	31 March 2020	31 December 2019
Due to the personnel	66,805	113,039
Social security withholdings payment	37,181	34,370
Total	103,986	147,409

16. Other payables

	31 March 2020	31 December 2019
Deposits and guarantees received	30,089	27,112
Other payables to related parties (Note 27)	-	28,297
Total	30,089	55,409

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17. Derivative instruments

	31 March 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	640,643	640,643	-	112,233	584,678	584,678	-	51,176
Cross currency swap	1,322,283	1,103,422	261,438	22,061	1,215,184	1,097,828	119,942	20,707
Commodity derivative	988,170	988,169	166,392	93,149	102,213	102,212	13,702	-
Currency forwards	659,497	623,038	66,493	-	-	-	-	-
<i>Derivatives held for trading</i>								
Currency forwards	6,515,999	6,489,723	261,274	3,058	9,559,306	9,679,259	163,578	695
Commodity derivative	-	-	-	-	404,147	404,147	6,770	6,669
Short term derivative financial instruments			755,597	230,501			303,992	79,247
<i>Cash flow hedge</i>								
Interest rate swap	2,566,812	2,566,812	-	26,993	2,429,277	2,429,277	-	24,187
Cross currency swap	286,397	138,268	104,626	4,864	820,186	654,292	98,741	7,763
Long term derivative financial instruments			104,626	31,857			98,741	31,950
Total			860,223	262,358			402,733	111,197

As of 31 March 2020, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY7,112,761 thousand in exchange of USD1,101,212 thousand which will expire in 2020. (As of 31 December 2019, forward foreign exchange 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 31 March 2020, interest rate swap consists of exchange of floating rate instalment payments of long term borrowings and bonds amounting to USD375,326 thousand (31 December 2019: USD378,126 thousand), EUR15,500 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 31 March 2020, cross currency swap transactions consist of swaps with fixed interest rate transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD110,116 thousand (31 December 2019: USD141,616 thousand) with foreign currency indexed floating interest long-term borrowing of TRY452,726 thousand, EUR104,600 thousand (31 December 2019 – EUR156,900 thousand) of foreign currency indexed floating interest long-term borrowing of TRY652,966 thousand TRY indexed fixed interest rate transaction, EUR6,643 thousand long-term borrowing (31 December 2019: EUR8,857 thousand) foreign currency indexed interest rate of long-term borrowing of TRY24,644 thousand (31 December 2019: TRY32,859 thousand) foreign currency indexed interest rate swap transactions with TRY currency indexed fixed interest payments amounting to TRY24,644 thousand (31 December 2019: TRY32,859 thousand) and TRY currency indexed of swap transactions with total of USD7,003 thousand (31 December 2019: USD9,337 thousand) with foreign currency indexed fixed interest payments and swap transaction of EUR8,857 thousand (31 December 2019: EUR8,857 thousand) foreign currency indexed interest rate of long-term borrowing and USD10,086 thousand (31 December 2019: USD10,086 thousand) foreign currency indexed fixed interest payments.

As of January 1, 2020, the group started to perform crack margin hedge transactions on a barrel basis. Commodity future purchase and sales transactions consist of transactions of product crack margin fixing transactions as of 31 March 2020. Future sales of product crack margin fixing transactions have been made of 4,758 barrels in second quarter of 2020, 2,520 thousand barrels for third quarter of 2020, 2,100 thousand barrels for fourth quarter of 2020. The weighted average of the fixed margin of these transactions are USD8.33 / barrel.

Commodity future purchase and sales transactions consist of transactions of product crack margin fixing, swap transactions and zero cost collar transactions as of 31 December 2019. Future sales product crack margin fixing transactions have been made for gasoline stocks of 374 thousand barrels, jet stocks of 265 thousand barrels, diesel stocks of 749 thousand barrels, fuel oil stocks of 172 barrels in first quarter of 2019. The weighted average of the fixed margin of these transactions are USD6.33 for gasoline, USD15.04 for jet fuel, USD17.87 for diesel and USD-14,76 for fuel oil per barrel.

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18. Commitments and contingent assets and liabilities

	31 March 2020		31 December 2019	
Guarantees received:	Original currency:	TRY amount:	Original currency:	TRY amount:
Letter of guarantees received		1,155,620		1,118,403
- Letter of guarantees in TRY	739,653	739,653	719,088	719,088
- Letter of guarantees in USD	32,980	214,900	32,249	191,566
- Letter of guarantees in EUR	27,073	195,332	30,088	200,104
- Letter of guarantees in other currencies	-	5,735	-	7,645
Guarantee notes received		679		679
- Guarantee notes in TRY	679	679	679	679
Guarantee letters received		376,522		347,675
- Guarantee letters received in TRY	50,000	50,000	50,000	50,000
- Guarantee letters received in USD	50,000	325,800	50,000	297,010
- Guarantee letters received in EUR	100	722	100	665
Guarantee letters of credit		509,297		500,212
- Letters of credit in USD	78,161	509,297	84,208	500,212
Direct debiting limits		406,272		506,841
- TRY direct debiting limits	406,272	406,272	506,841	506,841
Total guarantees received		2,448,390		2,473,810
Guarantees given:				
Letter of credits given		4,387,130		2,496,440
- Letter of credits in USD	671,092	4,372,838	416,672	2,475,117
- Letter of credits in EUR	1,498	10,808	2,749	18,283
- Letter of credits in other currencies	-	3,484	-	3,040
Letter of guarantees given		1,456,747		1,394,723
- Letter of guarantees in TRY	1,325,123	1,325,123	1,274,730	1,274,730
- Letter of guarantees in USD	20,200	131,624	20,200	119,993
Letters of guarantee given to customs offices		680,576		773,804
- Letter of guarantees in TRY	637,286	637,286	733,900	733,900
- Letter of guarantees in EUR	6,000	43,290	6,000	39,904
Letters of guarantee given to banks		874,193		980,238
- Letter of guarantees in USD	113,059	736,692	139,315	827,559
- Letter of guarantees in EUR	19,058	137,501	22,957	152,679
Other commitments in USD	159,334	1,038,221	-	-
Total guarantees given		8,436,867		5,645,205

As at 31 March 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 at 31 March 2020, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY804,288 thousand (31 December 2019: TRY857,850 thousand) and for derivative financial instruments amounting to TRY69,905 thousand (31 December 2019: TRY122,388 thousand).

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18. Commitments and contingent assets and liabilities (Continued)

Collaterals, pledges, mortgages given by the Group as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
A. CPMs given for companies in the name of its own legal personality	7,562,674	4,664,967
- TRY	1,962,409	2,008,630
- USD	5,542,683	2,595,110
- EUR	54,098	58,187
- Other	3,484	3,040
B. CPMs given on behalf of the fully consolidated companies	874,193	980,238
- USD	736,692	827,559
- EUR	137,501	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	8,436,867	5,645,205

19. Equity

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

	31 March 2020	Share (%)	31 December 2019	Share (%)
Enerji Yatırımları A.Ş.	127,714	51	127,714	51
Publicly Owned	122,705	49	122,705	49
Total	250,419	100	250,419	100
Adjustment to share capital	1,344,243		1,344,243	
Total paid-in capital	1,594,662		1,594,662	

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

Registered capital of the Company is TRY500,000 thousand and is divided into 50,000,000,000 shares with a registered nominal value of 1 Kuruş (“Kr”) (31 December 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.

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

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

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19. Equity (Continued)

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under “Restricted Reserves”, At 31 March 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.

According to the financial statements prepared in line with the legal records at the Ordinary General Assembly Meeting held on April 1, 2020; as the 2019 operations resulted in a current year loss of TRY1,139,413 thousand, it was decided not to distribute dividends and to transfer the parent company’s net profit of TRY525,837 thousand 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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20. Revenue and cost of sales

	1 January - 31 March 2020	1 January - 31 March 2019
Domestic revenue	13,015,335	15,493,773
Export revenue	4,135,323	5,431,100
Gross sales	17,150,658	20,924,873
Less: Sales discounts	(164,749)	(196,510)
Less: Sales returns	(46,372)	(20,475)
Sales (net)	16,939,537	20,707,888
Cost of goods sold	(17,848,663)	(19,716,595)
Gross profit	(909,126)	991,293

Cost of sales:

	1 January - 31 March 2020	1 January - 31 March 2019
Raw material, manufactured and consumable material	16,534,327	18,418,136
Energy expenses	628,427	612,505
Personnel expenses	241,393	226,372
Depreciation and amortization (Note 10)	129,216	150,635
Other production expenses	315,300	308,947
Cost of sales	17,848,663	19,716,595

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

General administrative expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	138,339	122,963
Insurance expenses	41,054	30,788
Taxes and duties	33,542	34,141
Depreciation and amortization (Note 10-11)	31,726	20,412
Outsourced services	22,892	19,272
Office expenses	14,665	15,382
Donations	10,570	5,191
Dues expenses	9,984	10,488
Lawsuit and consultancy expenses	8,961	4,347
Transportation and travel expenses	1,862	1,134
Other	14,642	16,255
Total general administrative expenses	328,237	280,373

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

Marketing expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	39,246	41,517
Depreciation and amortization (Note 10)	22,444	1
Transportation, storage and insurance expenses	21,467	9,081
Outsourced services	8,551	6,135
Energy expenses	6,886	6,444
Advertising expenses	5,640	6,857
Other	15,053	15,738
Total marketing expenses	119,287	85,773

Research and development expenses:

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	5,308	4,763
Depreciation and amortization (Note 10)	2,779	-
Licence expenses	1,078	896
Outsourced services	297	227
Lawsuit and consultancy expenses	49	119
Other	584	814
Total research and development expenses	10,095	6,819

Depreciation expenses are distributed via cost centers as of March 31, 2020.

22. Other operating income/(expenses)

	1 January - 31 March 2020	1 January - 31 March 2019
Other operating income:		
Credit finance gains	39,548	155,774
Foreign exchange gain from trade receivables	16,694	1,238
Rent income	1,366	892
Provisions no longer required	75	12
Other	77,344	17,827
Total other operating income	135,027	175,743

	1 January - 31 March 2020	1 January - 31 March 2019
Other operating expense:		
Foreign exchange loss from trade payables	(189,969)	(492,850)
Credit finance charges	(273,990)	(52,736)
Other	(20,461)	(20,353)
Total other operating expense	(484,420)	(565,939)

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23. Income/(expense) from investment activities

	1 January - 31 March 2020	1 January - 31 March 2020
Gain/(loss) on sales of property plant and equipment and intangible assets	(45)	(140)
Total income/(expense) from investment activities	(45)	(140)

24. Financial income/(expenses)

	1 January - 31 March 2020	1 January - 31 March 2019
Financial income:		
Foreign exchange gains on deposits	495,705	469,074
Interest income on deposits	137,075	71,987
Financial income on derivative instruments	101,164	163,781
Total financial income	733,944	704,842
Financial expense:		
Foreign exchange losses on borrowings	(1,227,704)	(757,990)
Interest expenses	(340,376)	(502,201)
Financial losses on derivative instruments	(74,270)	(40,813)
Other	(4,782)	(5,031)
Total financial expense	(1,647,132)	(1,306,035)

25. Tax assets and liabilities

i) Corporate tax:

	31 March 2020	31 December 2019
Current period corporate tax provision	2,364	9,479
Current year tax assets	(2,211)	(7,074)
Corporation tax provision	153	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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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 31 March 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Cumulative temporary Differences		Deferred tax (liability)/asset	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Fair value difference of derivative instruments	636,008	365,686	(139,922)	(80,451)
Gain on revaluation of property	7,139,764	7,139,764	(713,976)	(713,976)
Prepaid expenses	30,485	34,727	(6,707)	(7,640)
Deferred financial income (net)	-	20,292	-	(4,464)
Deferred tax liability			(860,605)	(806,531)
Investment incentive income	11,714,563	11,714,563	3,957,291	3,957,291
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	1,321,046	1,313,409	290,631	288,950
Employment termination benefits and seniority incentive bonus provision	236,982	243,951	52,136	53,669
Provision for unused vacation liability	66,565	61,369	14,644	13,501
Deductible accumulated financial losses (*)	2,739,588	1,128,491	602,709	248,268
Provisions for pending claims and lawsuits	26,592	21,195	5,850	4,663
Provision for inventory impairment	1,003,880	-	220,854	-
Inventory	44,585	17,339	9,809	3,815
Deferred financial income, (net)	7,118	-	1,566	-
Other	208,527	17,629	45,874	3,877
Deferred tax assets			5,201,364	4,574,034
Deferred tax asset – net			4,340,759	3,767,503

(*) Deferred tax assets amounting to TL 602,709 thousand consist of the Group's financial losses amounting to TL 2,739,588 thousand in 2019 and 2020. (31 December 2019 – TRY248,268 thousand)

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

The movement of deferred taxes is as follows:

	2020	2019
Deferred tax asset/(liability), net		
1 January	3,767,503	3,566,132
Charge for the period	551,078	(48,744)
Charge to equity:		
- Hedging cash flow gains/(losses)	22,178	30,149
- Revaluation of property gains/(losses)	-	(758,101)
31 March	4,340,759	2,789,436

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26. Earnings per share

	1 January - 31 March 2020	1 January - 31 March 2019
Profit for the year attributable to shareholders of the Company	(2,265,010)	(375,158)
Weighted average number of Shares with nominal value of Kr1 each	25,041,920,000	25,041,920,000
Basic and diluted earnings per share in Kr	(9,04)	(1,50)

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:

	31 March 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (2)	4,191,976	2,031,019
Total	4,191,976	2,031,019

b) Due from related parties:

	31 March 2020	31 December 2019
Opet Petrolcülük A.Ş. (1)	871,347	835,956
THY OPET Havacılık Yakıtları A.Ş. (1)	162,901	67,283
Aygaz A.Ş. (2)	118,136	85,399
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	2,685	6,104
Other (2)	118	1,095
Total	1,155,187	995,837

As of 31 March 2020, Tüpraş has not offset any amount(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:

	31 March 2020	31 December 2019
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	84,995	113,585
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş. (2)	53,458	5,645
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	8,038	9,635
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	7,309	9,337
Opet Petrolcülük A.Ş. (1)	7,078	17,634
Koç Sistem Bilgi ve İletişim A.Ş. (2)	3,070	14,183
Aygaz A.Ş. (2)	335	4,995
Setur Servis Turistik A.Ş. (2)	211	2,131
Ark İnşaat A.Ş. (2)	181	15,140
THY OPET Havacılık Yakıtları A.Ş. (1)	19	5,429
Other (2)	2,606	5,130
Total	177,280	226,072

d) Other payables:

	31 March 2020	31 December 2019
Koç Holding A.Ş. (3)	-	28,297
Total	-	28,297

e) Advances given for property, plant and equipment:

	31 March 2020	31 December 2019
Ark İnşaat A.Ş. (2)	18,179	17,909
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	-	36,751
Other (2)	-	65
Total	18,179	54,725

f) Bank loan:

	31 March 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (2)	637,196	111,131
Total	637,196	111,131

g) Lease liabilities:

	31 March 2020	31 December 2019
Koç Ailesi (3)	53,705	55,806
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	23,170	22,658
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	237	299
Total	77,112	78,763

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27. Related party transactions (Continued)

h) Product and service sales:

	1 January - 31 March 2020	1 January - 31 March 2019
Opet Petrolcülük A.Ş. (1)	2,699,199	2,891,890
THY OPET Havacılık Yakıtları A.Ş. (1)	498,147	2,377,777
Aygaz A.Ş. (2)	168,001	176,250
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	10,265	11,230
Other (2)	3,187	1,205
Toplam	3,378,799	5,458,352

i) Product and service purchases:

	1 January - 31 March 2020	1 January - 31 March 2019
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	230,641	187,757
Opet Petrolcülük A.Ş. (1)	35,395	29,410
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	21,763	20,591
Aygaz A.Ş. (2)	19,878	44,611
Koç Holding A.Ş. (3) (*)	8,123	5,015
Koç Sistem Bilgi ve İletişim A.Ş. (2)	7,580	7,855
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	4,261	4,747
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	2,570	835
THY OPET Havacılık Yakıtları A.Ş. (1)	2,532	11,474
Opet International Limited (1)	-	20,373
Other (2)	10,412	13,215
Total	343,155	345,884

(*) 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 31 March 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 - 31 March 2020	1 January - 31 March 2019
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş. (2)	103,595	-
Ark İnşaat A.Ş. (2)	23,608	6,698
Koç Sistem Bilgi ve İletişim A.Ş. (2)	-	1,144
Other(2)	2,955	3,354
Total	130,158	11,196

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27. Related party transactions (Continued)

k) Remuneration of board of directors and executive management:

The senior management of the Company is determined as members and chair of the Board of Directors and General Manager, General Manager Deputies and directors directly affiliated to General Manager . The total amount of benefits provided to senior management is TRY3,994 thousand as of period ending on 31 March 2020 (31 March 2019 – TRY7,061 thousand). All of this amount consists of short-term benefit. (31 March 2019 – TRY3,300 thousand of this amount is related to payments due to termination of employment)

l) Financial expenses paid to related parties:

	1 January - 31 March 2020	1 January - 31 March 2019
Yapı ve Kredi Bankası A.Ş. (2)	8,567	5,862
Yapı Kredi Bank Nederland N.V.(2)	413	178
Yapı Kredi Faktoring A.Ş. (2)	228	1,819
Total	9,208	7,859

m) Time deposit interest income:

	1 January - 31 March 2020	1 January - 31 March 2019
Yapı ve Kredi Bankası A.Ş. (2)	26,420	27,637
Total	26,420	27,637

n) Donations:

As of 31 March 2020, total donation is amounting to TRY14,082 thousand (31 March 2019 – TRY17 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.

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28. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

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

31 March 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	1,155,187	3,267,330	-	64,655	10,995,278	860,223	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	448,775	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,155,187	3,115,975	-	64,655	10,995,278	860,223	-
B. Net book value of overdue but not impaired financial assets	-	151,355	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,168	-	1,526	-	-	-
- Impairment (-)	-	(5,168)	-	(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	-	-	-	-	-	-	-

31 December 2019	Receivables				Bank deposits	Derivative instruments	Other
	Trade Receivables		Other Receivables				
	Related parties	Other parties	Related parties	Other parties			
Maximum exposed credit risk as of reporting date	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	-	-	-	-	-	-	-

31 March 2020	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	88,627	-	-	-	-
Overdue (1-3 months)	11,895	-	-	-	-
Overdue (3-12 months)	47,912	-	-	-	-
Overdue (1-5 years)	2,921	-	-	-	-
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 TRY115,799 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.

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28. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are examined under four groups. The details of credit quality of such trade receivables as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Group 1	3,273	241
Group 2	1,255,042	1,987,149
Group 3	2,737,785	2,453,724
Group 4	275,062	229,125
Totaş	4,271,162	4,670,239

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 Profit Margin 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).

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28. Financial instruments and financial risk management (Continued)

Foreign exchange risk

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

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 31 March 2020 and 31 December 2019:

	31 March 2020		31 December 2019	
	TRY	USD(*)	TRY	USD(*)
Monetary assets	4,997,242	766,919	1,540,805	259,386
Monetary liabilities	(22,323,385)	(3,425,934)	(27,315,520)	(4,598,418)
Monetary assets / (liabilities) foreign currency position	(17,326,143)	(2,659,015)	(25,774,715)	(4,339,032)
Non-monetary assets	55,842	8,570	188,515	31,735
Net foreign currency position of derivative financial instruments	8,648,178	1,327,222	11,446,439	1,926,945
Net foreign currency asset / (liability) position	(8,622,123)	(1,323,223)	(14,139,761)	(2,380,351)
Cash flow hedging (**)	4,905,039	752,768	4,828,054	812,776
Net foreign currency position after cash flow hedging	(3,717,084)	(570,455)	(9,311,707)	(1,567,575)
Inventory in natural hedge scope (***)	5,381,142	825,835	9,129,592	1,536,917
Off-balance sheet stock commitments	(1,038,221)	(159,334)	-	-
Net foreign currency position after cash flow hedging and natural hedge	625,837	96,046	(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 USD752,768 thousand, which is equivalent to TRY4,905,039 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 31 March 2020, TRY2,817,302 (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 31 March 2020, the foreign exchange loss amounting to TRY 227,363 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 31 March 2020, foreign exchange loss of these loans in 2020 amounting to TRY477,409 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 31 March 2020, the Group has crude oil and petroleum products inventories amounting to TRY5,381,142 thousand (31 December 2019: TRY9,129,592 thousand).

(****) Includes off-balance sheet stock commitments, of which the currency risk is protected by derivative transactions.

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28. Financial instruments and financial risk management (Continued)

Foreign exchange position table										
	31 March 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	365,536	55,486	537	0	108	274,884	46,183	65	2	103
Monetary financial assets (including cash, banks)	4,625,626	701,005	7,479	486	-	1,256,253	205,064	4,950	671	-
Other	55,842	8,290	81	154	2	188,515	31,471	59	152	1
Current assets	5,047,004	764,781	8,097	640	110	1,719,652	282,718	5,073	824	104
Monetary financial assets	3,679	-	510	-	-	7,479	-	1,125	-	-
Other	2,401	-	-	298	-	2,189	-	-	282	-
Non-current assets	6,080	-	510	298	-	9,668	-	1,125	282	-
Total assets	5,053,084	764,781	8,607	938	110	1,729,320	282,718	6,197	1,106	104
Trade payables	6,328,791	962,757	6,883	5	5,771	12,590,524	2,103,634	12,966	13	8,185
Financial liabilities	3,546,760	417,348	114,352	282	-	4,384,159	608,682	115,222	279	-
Other monetary liabilities	180,164	26,385	71	958	-	297,645	48,523	85	1,137	-
Current liabilities	10,055,715	1,406,490	121,306	1,245	5,771	17,272,328	2,760,839	128,273	1,429	8,185
Financial liabilities	12,235,813	1,861,377	13,911	832	-	10,019,505	1,608,806	68,542	904	-
Other monetary liabilities	31,857	4,865	22	-	-	23,687	3,949	34	-	-
Non-current liabilities	12,267,670	1,866,242	13,933	832	-	10,043,192	1,612,755	68,576	904	-
Total liabilities	22,323,385	3,272,732	135,239	2,077	5,771	27,315,520	4,373,594	196,850	2,334	8,185
Net asset/(liability) position of off-balance sheet foreign currency derivatives	8,648,178	1,194,238	120,100	-	-	11,446,439	1,731,449	174,614	-	-
Total amount of off-balance sheet derivative financial assets	11,740,831	1,668,863	120,100	-	-	11,561,817	1,750,872	174,614	-	-
Total amount of off-balance sheet derivative financial liabilities	(3,092,653)	(474,624)	-	-	-	(115,378)	(19,423)	-	-	-
Net foreign currency asset/(liability) position	(8,622,123)	(1,313,712)	(6,533)	(1,139)	(5,661)	(14,139,761)	(2,359,427)	(16,039)	(1,228)	(8,081)
Cash flow hedging	4,905,039	752,768	-	-	-	4,828,054	812,776	-	-	-
Net foreign currency position after cash flow hedging	(3,717,084)	(560,944)	(6,533)	(1,139)	(5,661)	(9,311,707)	(1,546,651)	(16,039)	(1,228)	(8,081)
Net monetary foreign currency asset/(liability) position	(17,328,544)	(2,516,241)	(126,714)	(1,591)	(5,663)	(25,776,904)	(4,122,347)	(190,711)	(1,661)	(8,082)
Fair value of derivative instruments Used for hedging	597,355	88,088	3,239	-	-	353,096	55,083	3,893	-	-

As at 31 March 2020, the Group has TRY 625,837 thousand as net foreign currency surplus after natural hedging (31 December 2019: TRY 182,115 thousand net foreign currency deficit.)
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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 31 March 2020 and 31 December 2019

Statement of foreign currency risk sensitivity				
31 March 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	(1,639,582)	1,639,582	(405,936)	405,936
Amount hedged for USD risk (-)	1,124,725	(1,124,725)	-	-
USD net effect	(514,857)	514,857	(405,936)	405,936
10% change in EUR rate:				
Euro net assets/ liabilities	(91,424)	91,424	-	-
Amount hedged for Euro risk (-)	86,652	(86,652)	-	-
EUR net effect	(4,772)	4,772	-	-
Total	(519,629)	519,629	(405,936)	405,936
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 - 31 March 2020	1 January - 31 March 2019
Export		
USD (equivalent of thousand TRY)	4,135,323	5,431,011
Total	4,135,323	5,431,011
Import		
USD (equivalent of thousand TRY)	12,624,144	17,297,489
Total	12,624,144	17,297,489

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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 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Total financial liabilities (Note 5)	23,178,077	19,075,794
Less: Cash and cash equivalents (Note 4)	(9,066,942)	(8,790,761)
Net financial liabilities	14,111,135	10,285,033
Total shareholders’ equity	10,791,171	13,136,540
Total capital invested	24,902,306	23,421,573
Gearing ratio	%56,67	%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 31 March 2020 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	860,223	-
Financial investment	-	-	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	262,358	-

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

The possible effects of COVID-19 (Coronavirus), which affects the whole world, on the Group's activities and financial status, are meticulously monitored in all respects and the necessary actions are taken quickly to affect the Group in the least possible way. Due to coronavirus, there may be disruptions in the Group's procurement, production and sales processes in parallel with the developments / slowdown experienced in the sector in which the Group operates, as well as in general economic activity. In this context, production activities were temporarily suspended at Tüpraş's facilities at the Izmir Refinery. In addition, the Group revised its predictions for 2020 and shared it with all its stakeholders. It cant be clearly estimated how much time effect of Coronavirus will persist and how much that can be spread in the world as well as in Turkey.As the severity and duration of the effects become clearer, it will be possible to make a more clear and healthy assessment for the medium and long term. In this context, since the economic effects of the pandemic are uncertain as of the reporting date, the effects of the pandemic on its financial statements cannot be estimated reasonably.

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