

**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 2021**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

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

Assets	Notes	Unaudited	Audited
		31 March 2020	31 December 2020
Current assets		39,091,232	30,663,146
Cash and cash equivalents	4	21,144,505	19,825,292
Trade receivables	6	3,757,556	1,735,549
Due from related parties	6, 27	525,729	324,555
Trade receivables from third parties		3,231,827	1,410,994
Other receivables	7	22,590	18,690
Other receivables from third parties		22,590	18,690
Derivative Instruments	17	1,617,336	380,129
Inventories	8	11,385,118	7,700,630
Prepaid expenses	12	124,392	233,614
Other current assets	13	1,039,735	769,242
Non-current assets		30,695,886	30,505,376
Financial investments		4,096	3,696
Investments accounted for using the equity method	9	1,257,210	1,326,490
Property, plant and equipment	10	21,973,702	21,875,889
Right-of-use assets		199,664	199,005
Intangible assets	11	60,950	62,369
Other intangible assets		60,950	62,369
Derivative instruments	17	112,669	87,883
Prepaid expenses	12	108,138	134,786
Deferred tax assets	25	5,271,919	5,002,427
Other non-current assets	13	1,707,538	1,812,831
Total assets		69,787,118	61,168,522
Liabilities			
Current liabilities		38,869,584	28,340,528
Short-term financial liabilities	5	4,502,475	2,097,808
Current portion of long term financial liabilities	5	9,381,865	6,403,937
Trade payables	6	20,521,975	14,137,468
Due to related parties	6, 27	391,607	218,486
Trade payables, third parties		20,130,368	13,918,982
Liabilities for employee benefits	15	102,436	151,927
Other payables	16	43,295	64,113
Due to related parties	16, 27	-	30,763
Other payables to third parties		43,295	33,350
Derivative instruments	17	159,070	762,828
Deferred income (Except for obligations arising from customer contracts)		48,353	129,254
Current income tax liabilities	25	162	2,459
Provisions	14	194,318	142,088
Provisions for employee benefits		52,149	24,572
Other provisions		142,169	117,516
Other current liabilities	13	3,915,635	4,448,646
Non-current liabilities		20,189,855	21,155,469
Long-term financial liabilities	5	19,773,947	13,898,092
Provisions	14	342,121	316,052
Provisions for employee benefits		342,121	316,052
Deferred income (Except for obligations arising from customer contracts)		10,913	7,820
Derivative Instruments	17	62,145	31,950
Other non-current liabilities		729	838
Total liabilities		59,059,439	42,375,018
Equity		10,727,679	11,672,525
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		7,487,238	7,487,238
Gains/(losses) on revaluation and remeasurement		7,439,187	7,439,187
Gain on revaluation of properties		7,447,028	7,447,028
Actuarial gain/(loss) arising from defined benefit plans		(7,841)	(7,841)
Actuarial gain/(loss) arising from defined benefit plans using equity method that will not be reclassified to profit or loss		48,051	48,051
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(2,096,598)	(1,923,330)
Currency translation differences		13,968	(9,822)
Hedging gains/(losses)		(2,441,885)	(2,243,649)
Cash flow hedge gains/(losses)		(2,441,885)	(2,243,649)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		331,319	330,141
Restricted reserves	19	503,343	503,343
Retained earnings		3,784,488	6,277,999
Net income		(760,495)	(2,493,511)
Total equity attributable to equity holders of the parent		10,512,638	11,446,401
Non-controlling interests		215,041	226,124
Total equity and liabilities		69,787,118	61,168,522

The condensed interim consolidated financial statements as of and for the period ended 31 March 2021 has been approved for issue by the Board of Directors on 5 May 2021.

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 2021

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

	Notes	Unaudited 1 January - 31 March 2021	Unaudited 1 January - 31 March 2020
Revenue	20	19,820,990	16,939,537
Cost of sales (-)	20	(18,293,664)	(17,848,663)
Gross profit		1,527,326	(909,126)
General administrative expenses (-)	21	(353,932)	(328,237)
Marketing, selling and distribution expenses (-)	21	(193,450)	(119,287)
Research and development expenses (-)	21	(9,712)	(10,095)
Other operating income	22	175,207	135,027
Other operating expenses (-)	22	(1,759,656)	(484,420)
Operating profit / (loss)		(614,217)	(1,716,138)
Income from investment activities	23	222	(45)
Income/(loss) from investments accounted by equity method	9	9,542	(168,432)
Operating profit before financial income/(expense)		(604,453)	(1,884,615)
Financial income	24	2,222,063	733,944
Financial expense (-)	24	(2,577,662)	(1,647,132)
Profit/(loss) before tax from continued operations		(960,052)	(2,797,803)
Tax income / (expense)		218,982	548,718
Taxes on income (-)	25	(5,353)	(2,360)
Deferred tax income / (expense)	25	224,335	551,078
Net profit/(loss) from continued operations		(741,070)	(2,249,085)
Other comprehensive income:			
Items to be reclassified to profit or loss		(183,756)	(96,284)
Currency translation differences		23,790	14,378
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		1,178	9,492
Gain/(loss) from translation of foreign currency of investments accounted for using equity method	9	1,178	9,492
Income/(expense) relating to avoidance of risk of cash flow		(253,881)	(142,332)
Income/(loss) of avoidance of risk of cash flow		(253,881)	(142,332)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss	25	45,157	22,178
Deferred tax income/(expense)		45,157	22,178
Other comprehensive income/(expense)		(183,756)	(96,284)
Total comprehensive income/(expense)		(924,826)	(2,345,369)
Distribution of income for the period:			
Non-controlling interests		19,425	15,925
Attributable to equity holders of the parent		(760,495)	(2,265,010)
Distribution of total comprehensive income			
Non-controlling interests		8,937	2,765
Attributable to equity holders of the parent		(933,763)	(2,348,134)
Earnings (loss) per share from continued operations			
Earnings per share with nominal value kr. 1 each (kr.)	26	(3.04)	(9.04)

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 2021

(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				
	Gains/(losses) on valuation and remeasurement			Share of other comprehensive income of investments accounted for using equity method that will be not classified to profit or loss	Hedge gains/(losses)		Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net income / (expense)	Equity holders of parent	Non controlling interest	Total equity	
	Share capital	Adjustment to share capital	Gain /(loss) on revaluation of properties		Actuarial gains/(losses) arising from defined benefit plans	Currency translation differences								Cash flow hedge gains/ (losses)
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)	(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)	(2,348,134)	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
Unaudited														
1 January 2021	250,419	1,344,243	7,447,028	(7,841)	48,051	(9,822)	(2,243,649)	330,141	503,343	6,277,999	(2,493,511)	11,446,401	226,124	11,672,525
Transfers	-	-	-	-	-	-	-	-	-	(2,493,511)	2,493,511	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(20,020)	(20,020)
- Net profit for the period	-	-	-	-	-	-	-	-	-	(760,495)	(760,495)	(760,495)	19,425	(741,070)
- Other comprehensive income	-	-	-	-	-	23,790	(198,236)	1,178	-	-	-	(173,268)	(10,488)	(183,756)
Total comprehensive income	-	-	-	-	-	23,790	(198,236)	1,178	-	(760,495)	(933,763)	(933,763)	8,937	(924,826)
31 March 2021	250,419	1,344,243	7,447,028	(7,841)	48,051	13,968	(2,441,885)	331,319	503,343	3,784,488	(760,495)	10,512,638	215,041	10,727,679

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 2021

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

	Notes	Unaudited 1 January 31 March 2021	Unaudited 1 January 31 March 2020
Cash flows from operating activities		(449,583)	(2,342,625)
Profit/(loss)		(741,070)	(2,249,085)
Adjustment for reconciliation of profit/(loss)		2,362,139	2,042,807
Adjustment for depreciation and amortisation expense	10, 11	192,934	186,165
Adjustments for stock impairment(cancelation)		-	1,003,880
Adjustments for stock impairment	8	-	1,003,880
Adjustment for provisions	14	70,632	55,215
Adjustment for interest (income) and expense	24	54,280	203,301
Adjustment for unrealized foreign currency translation differences		(65,011)	(496,073)
Adjustment for fair value (gain) or loss		347,810	199,859
Adjustment for income of investments accounted by equity method	9	(9,542)	168,432
Adjustment for tax expenses(income)		(218,982)	(548,718)
Adjustment for (gain) / loss on sales of property, plant and equipment	23	(222)	45
Adjustment for other items related with cash flow of investment or financial activities	24	1,936,081	1,227,704
Other adjustments for reconciliation of profit/(loss)		54,159	42,997
Changes in working capital		(2,000,884)	(2,108,431)
Adjustment for decrease/(increase) in trade receivables		(2,028,057)	370,711
Adjustment for decrease/(increase) in other receivables related with operations		(59,722)	1,253,932
Adjustment for decrease/(increase) in assets of derivative instruments		(1,261,993)	(457,490)
Adjustment for decrease/(increase) in inventories		(3,684,488)	3,164,236
Adjustment for increase/(decrease) in trade payables		6,382,277	(6,142,795)
Adjustment for increase/(decrease) in other payables related with operations		(761,798)	(448,186)
Adjustment for decrease/(increase) in liabilities of derivative instruments		(587,103)	151,161
Cash flows from operating activities		(379,815)	(2,314,709)
Tax returns/(payments)		(7,650)	(4,616)
Other cash inflow/(outflow)		(62,119)	(23,300)
Cash flows from investing activities		(173,908)	(199,401)
Cash inflows from the sales of property, plant and equipment and intangible assets		306	-
Cash outflows from the purchase of property, plant and equipment and intangible assets		(253,814)	(319,401)
Dividends received	9	80,000	120,000
Cash outflows from the purchase of shares in other businesses or funds		(400)	-
Finansman faaliyetlerinden nakit akışları		1,740,966	2,361,976
Cash inflows from financial liabilities	5	10,343,922	9,654,728
Cash outflows from financial liabilities	5	(8,270,806)	(7,052,976)
Cash inflows from derivative instruments		244,735	79,352
Cash outflows from derivative instruments		(566,406)	(171,497)
Cash outflows from payments of rent agreements	5	(20,761)	(18,710)
Dividends paid		(20,020)	-
Interest paid		(493,811)	(305,470)
Interest received		524,113	176,549
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		1,117,474	(180,050)
Impact of foreign currency translation differences on cash and cash equivalents	24	64,881	495,705
Net increase/(decrease) in cash and cash equivalents		1,182,355	315,655
Cash and cash equivalents at beginning of period		17,506,177	8,740,795
Cash and cash equivalents at end of period	4	18,688,532	9,056,450

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 2021

(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 , petroleum products trade and transportation.

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 of 31 March 2021, the shares quoted on the BIST are 49% of the total shares. As of 31 March 2021, 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 2021

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

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

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

Subsidiaries	Country of Incorporation	Nature of business
Ditaş Deniz İşletmeciliği ve Tankerciliği A.Ş. ("Ditaş")	Turkey	Crude oil and petroleum products transportation
Üsküdar Tankercilik A.Ş. ("Üsküdar")	Turkey	Crude oil and petroleum products transportation
T Damla Denizcilik A.Ş. ("Damla")	Turkey	Mooring and tug service
Kadıköy Tankercilik A.Ş. ("Kadıköy")	Turkey	Crude oil and petroleum products transportation
Beykoz Tankercilik A.Ş. ("Beykoz")	Turkey	Crude oil and petroleum products transportation
Sarıyer Tankercilik A.Ş. ("Sarıyer")	Turkey	Crude oil and petroleum products transportation
Kartal Tankercilik A.Ş. ("Kartal")	Turkey	Crude oil and petroleum products transportation
Maltepe Tankercilik A.Ş. ("Maltepe")	Turkey	Crude oil and petroleum products transportation
Salacak Tankercilik A.Ş. ("Salacak")	Turkey	Crude oil and petroleum products transportation
Karşıyaka Tankercilik A.Ş. ("Karşıyaka")	Turkey	Crude oil and petroleum products transportation
Bakırköy Tankercilik A.Ş. ("Bakırköy")	Turkey	Crude oil and petroleum products transportation
Karaköy Tankercilik A.Ş. ("Karaköy")	Turkey	Crude oil and petroleum products transportation
Çengelköy Tankercilik A.Ş. ("Çengelköy")	Turkey	Crude oil and petroleum products transportation
Pendik Tankercilik A.Ş. ("Pendik")	Turkey	Crude oil and petroleum products transportation
Tuzla Tankercilik A.Ş. ("Tuzla")	Turkey	Crude oil and petroleum products transportation
Göztepe Tankercilik A.Ş. ("Göztepe")	Turkey	Crude oil and petroleum products transportation
Körfez Ulaştırma A.Ş. ("Körfez")	Turkey	Air carriage and transportation
Tupras Trading Ltd. ("Tupras Trading")	England	Crude oil and petroleum products trade
Joint ventures	Country of Incorporation	Nature of business
OPET Petrolcülük A.Ş. ("Opet")	Turkey	Petroleum products retail distribution
THY Opet Havacılık Yakıtları A.Ş.	Turkey	Jet fuel supply services
Opet International Limited	England	Petroleum products trading
Opet Trade B.V.	The Netherlands	Petroleum products trading
Opet Trade Singapore (In liquidation) (*)	Singapore	Petroleum products trading
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş.	Turkey	Petroleum products trading
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.	Turkey	Lube oil trading
Op Ay Akaryakıt Ticaret Ltd. Şti.	Turkey	Petroleum products trading
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.	Turkey	Petroleum products trading
Opet Aygaz Gayrimenkul A.Ş.	Turkey	Real estate

(*) Ceased its activities since 15 July 2015.

The average number of employees of the Group as at 31 March 2021 is 5,968. (31 December 2020 – 6,129).

The address of the registered office of the Company is shared as of the date financial tables are approved:

Türkiye Petrol Rafinerileri A.Ş.
Gülbahar Mahallesi
Büyükdere Caddesi No: 101A
Şişli, İstanbul

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

The consolidated financial statements are presented in accordance with the formats specified in the "Announcement on TMS Taxonomy" published by the POA on April 15, 2019 and the Financial Table Examples and User Guide published by the CMB.

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

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2021 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 2021. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

New standards in force as of 31 March 2021 and changes and comments on existing previous standards:

- Amendments to IAS 1 and IAS 8 on the definition of material
- Amendments to IFRS 3 - definition of a business

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

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

The mentioned amendments’ impact on the financial position and performance of the Group is being evaluated.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.1. Basis of presentation (Continued)

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

The new standards, amendments and interpretations (Continued)

Standards and changes that have been published as of 31 March 2021 but have not yet come into force:

- Amendment to IFRS 16 – ‘Leases’ – Covid-19 related rent concessions
- IFRS 17 – ‘Insurance contracts’
- Amendments to IAS 1 – ‘Presentation of financial statements’ on classification of liabilities
- Amendments to IFRS 3 – ‘Business combinations’
- Amendments to IAS 16 – ‘Property, plant and equipment’
- Amendments to IAS 37 – ‘Provisions, contingent liabilities and contingent assets’
- Amendments to IAS 1 – ‘Practice statement 1’
- Amendments to IAS 8 – ‘Changes in accounting estimates and accounting policies (changes)’
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – ‘Interest Rate Benchmark Reform Phase 2’
- Amendments to IFRS 17 and IFRS 4 – ‘Insurance contracts’ and ‘Deferral of IFRS 9’

The mentioned amendments’ impact on the financial position and performance of the Group is being evaluated.

Standards and changes that have been published by International Accounting Standards Board (IASB) but have not yet come into force by Public Oversight Accounting and Standards Authority (KGK)

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- Amendments to IAS 1 – ‘Practice statement 1’
- Amendments to IAS 8 – ‘Changes in accounting estimates and accounting policies (changes)’

2.1.3 Financial statements of joint ventures operating in foreign countries

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation

- a) The condensed consolidated financial statements for the interim period ended 31 March 2021 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2020 and include financial statements of Tüpraş, and its Subsidiaries.
- b) At 31 March 2021, other than Tupras Trading there are no changes in voting rights or proportion of effective interest on subsidiaries and joint ventures that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2020.

	31 March 2021		31 December 2020	
	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	100.00	100.00

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 31 March 2021 and 31 December 2020:

	31 March 2021		31 December 2020	
	Direct and indirect voting right possessed by the company (%)	Proportion of effective interest (%)	Direct and indirect voting right possessed by the company (%)	Proportion of effective interest (%)
Joint ventures accounted by equity method				
Opet	50.00	40.00	50.00	40.00
Opet International Limited (*)	50.00	40.00	50.00	40.00
Opet Trade B.V.(*)	50.00	40.00	50.00	40.00
Opet Trade Singapore (In liquidation)(*) (**)	50.00	40.00	50.00	40.00
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş. (*)	50.00	40.00	50.00	40.00
THY Opet Havacılık Yakıtları A.Ş.(*)	25.00	20.00	25.00	20.00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	25.00	20.00	25.00	20.00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	25.00	20.00	25.00	20.00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	16.65	13.32	16.65	13.32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(***)	-	-	-	-
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.

(***) All shares of Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti. were sold and excluded from the scope of consolidation as of 20 November 2020.

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

2.1.5 Other principles regarding presentation

The possible impacts of COVID 19 on the Group financials are closely monitored from all perspectives, and the Group has taken the necessary actions rapidly in order to minimize the possible outcomes of the pandemic. Several actions have been taken to minimize the operational expenses and a dynamic cash management strategy has been implemented to strengthen the liquidity position. Although the situation of the pandemic is not clear yet, the Group has evaluated the possible effects of the COVID-19 outbreak while preparing its consolidated financial statements as of 31 March 2021 and has reviewed the estimations and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairment in the consolidated financial statements as of 31 March 2021 has been evaluated and no material impact has been identified.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 March 2021 comparatively with the consolidated statement of financial position as of 31 December 2020. 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 2021 are presented comparatively with the consolidated financial statements for the interim period ended 31 March 2020.

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 2021, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 2021 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 2020. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2020.

3. Business Combinations

No business combinations occurred during the period 31 March 2021.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

4. Cash and cash equivalents

	31 March 2021	31 December 2020
Cash at banks		
Demand deposits	547,882	141,440
Time deposits	18,088,620	17,354,252
Demand deposits (blocked)	52,030	10,485
Revenue share (blocked)	2,312,405	2,204,004
Time deposit interest accruals	143,568	115,111
Total	21,144,505	19,825,292

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 2021 and 31 December 2020 (Note 13). There are blocked demand deposits of TRY52,030 thousand for additional banking transactions (31 December 2020 – TRY10,485 thousand).

Time deposits and other cash and cash equivalents

As at 31 March 2021 and 31 December 2020, the maturity and the currency information of the time deposits are as follows:

31 March 2021

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	18.49	15,231,372	654,700	15,886,072
USD	1.89	1,060,860	1,118,017	2,178,877
EUR	0.84	21,840	-	21,840
GBP	0.05	1,831	-	1,831
Time deposit		16,315,903	1,772,717	18,088,620

31 December 2020

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	17.78	13,287,465	3,393,695	16,681,160
USD	3.66	124,297	516,405	640,702
EUR	1.16	30,268	-	30,268
GBP	0.20	2,122	-	2,122
Time deposit		13,444,152	3,910,100	17,354,252

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 31 March 2021 and 31 March 2020 are as follows:

	31 March 2021	31 March 2020
Cash and cash equivalents	21,144,505	10,995,278
Less: Blocked deposits (Revenue share)	(2,312,405)	(1,928,336)
Less: Time deposit interest accruals	(143,568)	(10,492)
Cash and cash equivalents	18,688,532	9,056,450

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

5. Financial liabilities

	31 March 2021	31 December 2020
Short-term financial liabilities:		
Short-term bank borrowings	4,494,201	2,084,018
Interest accruals of bank borrowings	8,274	13,790
Total	4,502,475	2,097,808
Short-term portion of long-term financial liabilities:		
Short-term portion of long-term bank borrowings	8,911,336	5,423,700
Bonds issued	-	650,000
Interest accruals of bank borrowings	266,127	227,494
Interest accruals of bonds issued	168,730	72,909
Lease liabilities	35,672	29,834
Total	9,381,865	6,403,937
Long-term financial liabilities:		
Long-term bank borrowings	11,859,409	14,882,553
Bonds issued	7,718,200	5,638,350
Interest accruals of bank borrowings	-	23,364
Lease liabilities	196,338	199,056
Total	19,773,947	20,743,323
Total financial liabilities	33,658,287	29,245,068

Tüpraş has issued a bond on 3 February 2021 with a nominal value of TRY1,100 million, with a maturity of 728 days, coupon payment every 3 months and repayment of principal and coupon at maturity, with 140 bps additional yields on TLREF reference rate.

Tüpraş has issued a bond on 21 January 2021 with a nominal value of TRY290 million, with a maturity of 728 days, coupon payment every 3 months and repayment of principal and coupon at maturity, with 140 bps additional yields on TLREF reference rate.

Tüpraş has issued a bond on 30 November 2021 with a nominal value of TRY500 million, with a maturity of 728 days, coupon payment every 3 months and repayment of principal and coupon at maturity, with 140 bps additional yields on TLREF reference rate.

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

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) and further to the agreements the loans amounting to USD1,998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as of 31 March 2021 the outstanding amount of the loans is USD576 million (31 December 2020 – USD576 million).

Tüpraş has issued a bond on 8 February 2019 with a nominal value of TRY400 million, with a maturity of 728 days, coupon payment every 3 months and repayment of principal and coupon at maturity, with 75 bps additional yields on 3MTRLIBOR reference rate. The payment has been completed on 5 February 2021.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

5. Financial liabilities (Continued)

Tüpraş has issued a bond on 25 January 2019 with a nominal value of TRY250 million, with a maturity of 728 days, coupon payment every 3 months and repayment of principal and coupon at maturity, with 75 bps additional yields on 3MTRLIBOR reference rate. The payment has been completed on 22 January 2021.

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 31 March 2021 and 31 December 2020 are as follows:

		31 March 2021	
	Effective interest rate (%)	Original Currency	Thousand TRY
Short-term financial liabilities:			
TRY borrowings (*)	7.51	897,368,804	897,369
USD borrowings	0.61	432,000,000	3,596,832
Interest accruals			8,274
Total short-term financial liabilities			4,502,475
Short-term portion of long-term financial liabilities:			
TRY borrowings	12.23	3,961,967,000	3,961,967
USD borrowings	2.19	586,649,326	4,884,442
EUR borrowings	3.30	6,642,750	64,927
TRY lease liabilities	20.48	28,094,848	28,095
EUR lease liabilities	2.96	431,548	4,218
GBP lease liabilities	4.16	293,817	3,359
			8,947,008
Interest accruals			434,857
Total short-term portion of long-term financial liabilities:			9,381,865
Long-term financial liabilities:			
TRY borrowings	12.68	6,854,720,777	6,854,721
TRY bonds issued	19.68	1,890,000,000	1,890,000
USD borrowings	2.48	601,046,660	5,004,688
USD bonds issued	4.50	700,000,000	5,828,200
TRY lease liabilities	20.60	123,239,746	123,240
EUR lease liabilities	3.22	6,848,712	66,940
GBP lease liabilities	4.20	538,670	6,158
			19,773,947
Interest accruals			-
Total long-term financial liabilities			19,773,947

(*) Banks provide interest-free loans to the Group for the payment of Customs and Social Security debts amounting to TRY22,369 thousand as of 31 March 2021 (31 December 2020 – TRY17,839 thousand).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

5. Financial liabilities (Continued)

		31 December 2020	
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term financial liabilities:			
TRY borrowings	8.79	1,217,838,682	1,217,839
USD borrowings	0.65	118,000,000	866,179
Interest accruals			13,790
Total short-term financial liabilities			2,097,808
Short-term portion of long-term financial liabilities			
TRY borrowings	9.89	2,715,300,000	2,715,300
TRY bonds issued	16.57	650,000,000	650,000
USD borrowings	2.34	293,917,846	2,157,504
EUR borrowings	2.11	61,157,000	550,896
TRY lease liabilities	18.32	22,677,599	22,678
EUR lease liabilities	3.27	473,363	4,264
GBP lease liabilities	4.16	290,824	2,892
			6,103,534
Interest accruals			300,403
Total short-term portion long-term financial liabilities			6,403,937
Long-term financial liabilities:			
TRY borrowings	12.31	7,899,098,000	7,899,098
TRY bonds issued	18.07	500,000,000	500,000
USD borrowings	2.34	951,359,581	6,983,455
USD bonds issued	4.50	700,000,000	5,138,350
TRY lease liabilities	20.92	130,433,740	130,434
EUR lease liabilities	3.23	6,941,129	62,524
GBP lease liabilities	4.20	613,248	6,098
			20,719,959
Interest accruals			23,364
Total long-term financial liabilities			20,743,323

As at 31 March 2021 and 31 December 2020, the redemption schedule of long-term bank borrowings is as follows:

	31 March 2021	31 December 2020
1-2 years	10,968,500	12,424,887
2-3 years	2,269,544	2,247,467
3-4 years	6,198,424	5,714,105
4-5 years	88,441	100,516
Over 5 years	249,038	256,348
Total	19,773,947	20,743,323

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

5. Financial liabilities (Continued)

The movement of borrowings as of 31 March 2021 and 2020 is as follows:

	2021	2020
1 January	29.245.068	19.075.794
New financial borrowings	10.343.922	9.654.728
Principal payments	(8.270.806)	(7.052.976)
Increase due to lease liabilities	9.634	3.431
Decrease due to payment of lease liabilities	(20.761)	(18.710)
Changes in interest accruals	113.039	34.906
Changes in foreign exchange rates	2.238.191	1.480.904
31 March	33.658.287	23.178.077

6. Trade receivables and payables

Short-term trade receivables:

	31 March 2021	31 December 2020
Trade receivables	3,247,974	1,421,103
Due from related parties (Note 27)	525,729	324,555
Doubtful trade receivables	5,136	5,264
Other trade receivables	12	7
Less: Unearned credit finance income	(16,159)	(10,116)
Less: Provision for doubtful receivables	(5,136)	(5,264)
Total short-term trade receivables (net)	3,757,556	1,735,549

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

As at 31 March 2021, Tüpraş has offsetted TRY2,704,515 thousand (31 December 2020 – TRY2,976,335 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring and TRY157,503 thousand (31 December 2020 – TRY1,127,270 thousand) deducted supplier financing transactions from trade receivables.

Movement of the provision for doubtful receivables for the periods ended 31 March 2021 and 2020 is as follows:

	2021	2020
1 January	5,264	5,243
Charge for the period	7	4
Payments during the period	(135)	(79)
31 March	5,136	5,168

Short-term trade payables:

	31 March 2021	31 December 2020
Trade payables	20,133,738	13,924,582
Due to related parties (Note 27)	391,607	218,486
Less: Unrealised credit finance charges	(3,370)	(5,600)
Total short term trade payables (net)	20,521,975	14,137,468

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

7. Other receivables and payables

Other short-term receivables:

	31 March 2021	31 December 2020
Receivable from personnel	15,308	14,284
Deposits and guarantees given	6,608	3,404
Other doubtful receivables	1,389	1,389
Receivable from insurance recoveries	674	1,002
Less: Provision for other doubtful receivables	(1,389)	(1,389)
Total	22,590	18,690

8. Inventories

	31 March 2021	31 December 2020
Raw materials and supplies	1,317,962	969,551
Work-in-progress	2,224,137	1,706,414
Finished goods	2,604,872	2,468,321
Trade goods	51,901	75,071
Goods in transit	5,106,257	2,414,477
Other inventories	79,989	66,796
Total	11,385,118	7,700,630

Movement of the provision for inventories for the periods ended 31 March 2021 and 2020 is as follows:

	2021	2020
1 January	-	-
Charge for the period	-	1,003,880
Provisions no longer required	-	-
31 March	-	1,003,880

The sudden drop in crude oil price after 31 March 2020 caused inventory sales prices to remain below unit cost and TRY1,003,880 thousand provision for inventories was written-down.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

9. Investments accounted for using the equity method

	31 March 2021		31 December 2020	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40.00	1,257,210	40.00	1,326,490
		1,257,210		1,326,490

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 2021 and 2020 is as follows:

	2021	2020
1 January	1,326,490	1,362,777
Investments accounted for using the equity method;		
Shares in current year profit/loss	9,542	(168,432)
Dividend payment	(80,000)	(120,000)
Currency translation differences	1,178	9,492
31 March	1,257,210	1,083,837

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

	31 March 2021	31 December 2020
Current assets	6,918,403	5,059,935
Non-current assets	3,705,543	3,701,575
Total assets	10,623,946	8,761,510
Short term liabilities	4,364,162	2,829,607
Long term liabilities	3,589,442	3,088,361
Equity	2,670,342	2,843,542
Total liabilities	10,623,946	8,761,510

	1 January - 31 March 2021	1 January - 31 March 2020
Sales (net)	9,583,319	8,728,325
Gross profit	583,670	347,176
Operating profit	275,643	71,182
Net income for the period	23,855	(421,081)

With the decision of the Competition Board dated 27 August 2018; By determining the resale price of its dealers, an investigation was initiated against Opet to determine whether Article 4 of the Law on the Protection of Competition numbered 4054 was violated, and as a result of the investigation, the Authority sentenced Opet to a fine of TRY433,932. TRY325.450, which is three-fourths of the administrative fine calculated within the framework of article 17 of the Misdemeanor Law No.5326, was paid in 2020 by Opet to the Large Taxpayers Tax Office, without prejudice to all legal rights regarding the relevant decision and penalty. A lawsuit has been filed by Opet with the request for annulment of the aforementioned decision, and a stay of execution decision has been made in the lawsuit and the trial is still ongoing.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2021

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

10. Property, plant and equipment

The movements in property, plant and equipment and related depreciation expenses as of 31 March 2021 and 2020 are as follows:

	1 January 2020	Gain on revaluation of property	Additions	Transfers	Disposals	31 March 2021
Cost:						
Lands	8,341,191	-	-	-	-	8,341,191
Land improvements	3,903,485	-	1,436	-	-	3,904,921
Buildings	903,443	-	-	-	-	903,443
Machinery and equipment	13,273,886	174	694	-	(88)	13,274,666
Motor vehicles	2,093,006	-	16,642	-	-	2,109,648
Furniture and fixtures	166,378	-	14,304	-	(19)	180,663
Construction in progress	1,050,655	-	196,867	-	-	1,247,522
Special costs	3,730	-	46,225	-	-	49,955
Other tangible assets	2,835	-	-	-	-	2,835
	29,738,609	174	276,168	-	(107)	30,014,844
Accumulated depreciation:						
Land improvements	(1,745,480)	-	(39,301)	-	-	(1,784,781)
Buildings	(244,257)	-	(4,672)	-	-	(248,929)
Machinery and equipment	(5,435,214)	(45)	(105,936)	-	10	(5,541,185)
Motor vehicles	(339,551)	-	(20,743)	-	-	(360,294)
Furniture and fixtures	(95,267)	-	(6,063)	-	13	(101,317)
Special costs	(672)	-	(1,617)	-	-	(2,289)
Other tangible assets	(2,279)	-	(68)	-	-	(2,347)
	(7,862,720)	(45)	(178,400)	-	23	(8,041,142)
Net book value	21,875,889					21,973,702
	1 January 2019	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)	-	34,124	(7,364,904)
Net book value	20,334,715					20,508,382

Total depreciation expense amounting to TRY178,400 thousand (31 March 2020 – TRY172,395 thousand) related to tangible fixed assets in the comprehensive consolidated income statement for the interim period ending on 31 March 2021 has been allocated to cost of goods sold amounting to TRY137,726 thousand (31 March 2020 – TRY128,601 thousand), to marketing, sales and distribution expenses amounting to TRY21,185 thousand (31 March 2020 – TRY21,282 thousand), to general administration expenses amounting to TRY15,885 thousand (31 March 2020 – TRY19,733 thousand), to research and development expenses amounting to TRY3,604 thousand (31 March 2020 – TRY2,779 thousand).

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10. Property, plant and equipment (Continued)

The depreciation expense related to right-of-use assets in the consolidated statement of comprehensive income for the period ended as of 31 March 2021 at TRY8,976 thousand (31 March 2020 – TRY8,715 thousand), is classified to general administrative expenses amounting to TRY6,253 thousand (31 March 2020 – TRY6,938 thousand), to cost of goods sold amounting to TRY1,244 thousand (31 March 2020 – TRY615 thousand) and to marketing, sales and distribution expenses amounting to TRY1,479 thousand (31 March 2020 – TRY1,162 thousand).

As of 31 March 2021, there are no mortgage on property, plant and equipment (31 March 2020: None). The Group has revaluated all of the lands to their fair values which assets’ cost value is amounting to TRY66,782 thousand in accordance with TAS 16, Property, Plant and Equipment as of 31 December 2020 and included the revaluation increase amounting to TRY8,274,409 thousand in consolidated financial statements (31 December 2019: TRY7,139,764 thousand).

11. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 31 March 2021 and 2020 are as follows:

	1 January 2021	Additions	Transfers	Disposals	31 March 2021
Cost:					
Rights and software	109,460	3,289	-	-	112,749
Development expenses	115,194	850	-	-	116,044
	224,654	4,139	-	-	228,793
Accumulated amortisation:					
Rights and software	(79,919)	(2,883)	-	-	(82,802)
Development expenses	(82,366)	(2,675)	-	-	(85,041)
	(162,285)	(5,558)	-	-	(167,843)
Net book value	62,369				60,950

	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

Amortization expense amounting to TRY5,558 thousand (31 March 2020 – TRY5,055 thousand) is classified to general administrative expenses amounting to TRY5,542 thousand (31 March 2020 – TRY5,055 thousand) and to cost of goods sold amounting to TRY16 thousand (31 March 2020 – None) in the comprehensive consolidated income statement for the interim period ending on 31 March 2021.

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

12. Prepaid expenses

Short term prepaid expenses:

	31 March 2021	31 December 2020
Insurance and other expenses	102,074	132,483
Advances given	22,318	101,131
Total	124,392	233,614

Long term prepaid expenses:

	31 March 2021	31 December 2020
Advances given to third parties for property, plant and equipment	100,341	130,621
Advances given to related parties for property, plant and equipment (Note 27)	5,914	2,126
Other prepaid expenses	1,883	2,039
Total	108,138	134,786

13. Other assets and liabilities

Other current assets:

	31 March 2021	31 December 2020
Deferred Value Added Tax (“VAT”)	478,433	382,032
Deferred VAT	187,450	41,516
Deferred Special Consumption Tax (“SCT”)	154,372	123,601
Taxes and funds to be offsetted	102,815	74,547
Spare parts and material stocks	83,579	89,655
Income accruals	15,881	16,793
Income accruals from commodity hedge(*)	-	22,746
Other current assets	17,205	18,352
Total	1,039,735	769,242

(*) As of 31 March 2021, commodity hedge income accruals consist of swap transactions for inventory of Tüpraş which are exposed to commodity price risk. The income accruals recognized under cost of goods sold and collected as of 8 January 2021.

Other non-current assets:

	31 March 2021	31 December 2020
Spare parts and material stocks	1,702,550	1,763,686
Other	4,988	49,145
Total	1,707,538	1,812,831

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

13. Other assets and liabilities (Continued)

Other current liabilities:

	31 March 2021	31 December 2020
Revenue share	2,320,109	2,210,451
SCT payable	852,383	1,090,914
Deferred Value Added Tax (“VAT”)	478,433	382,032
Deferred Special Consumption Tax (“SCT”)	154,372	123,601
VAT payable	62,840	269,314
Other taxes and liabilities	34,549	79,550
Expense accruals from commodity hedge (*)	-	247,432
Other	12,949	45,352
Total	3,915,635	4,448,646

(*) As of 31 December 2020, commodity hedge expense accruals consist of swap and zero cost corridor transactions for inventory of Tüpraş which are exposed to commodity price risk. The expense accruals recognition made is recognized under cost of goods sold and collected as of 8 January 2021.

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

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

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

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

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

As a result of these regulations, the revenue share amounting to TRY2,320,109 thousand accumulated as at 31 March 2021 (31 December 2020: TRY2,210,451 thousand) which is not recognized in the comprehensive income statement, has been classified as “Revenue Share” within “Other short-term liabilities”. TRY2,312,405 thousand is (31 December 2020: TRY2,204,004 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 2021	31 December 2020
Personnel bonus accruals	42,500	13,067
Seniority incentive bonus provision	9,649	11,505
Total	52,149	24,572

Long-term employee benefits:

	31 March 2021	31 December 2020
Provision for employment termination benefits	255,445	271,661
Provision for unused vacation	72,532	72,866
Seniority incentive bonus provision	14,144	11,878
Total	342,121	356,405

Seniority incentive bonus provision:

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

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

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

	2021	2020
1 January	23,383	20,600
Charge for the period	3,345	4,250
Payments during the period	(2,935)	(2,623)
31 March	23,793	22,227

Provision for employment termination benefits:

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

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

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

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14. Provisions (Continued)

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

	31 March 2021	31 December 2020
Discount rate (%)	4.63	4.63
Turnover rate to estimate probability of retirement (%)	99.37	99.38

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Employment termination benefits of the joint ventures of the Group, which are registered in Turkey are calculated from the maximum amount of TRY7,638.96 which is effective as at 1 January 2021 (31 December 2020: TRY7,638.96).

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

	2021	2020
1 January	271,661	232,075
Interest rate	8,188	7,074
Increase during the period	6,170	494
Payments during the period	(30,574)	(16,962)
31 March	255,445	222,681

Provision for unused vacation:

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

	2021	2020
1 January	72,866	71,754
Increase during the period	4,670	10,850
Payments during the period	(5,004)	(3,716)
31 March	72,532	78,888

Other short term provisions:

	31 March 2021	31 December 2020
EMRA participation share (*)	52,013	41,458
Provision for demurrage	33,911	48,820
Provisions for pending claims and law suits	24,713	21,981
Provisions for cost	16,241	1,135
Other	15,291	4,122
Total	142,169	117,516

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

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14. Provisions (Continued)

Other short term provisions (Continued)

Movement of the short-term provisions for the period ended 31 March 2021 and 2020 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Provision for cost	Other	Total
1 January 2021	21,981	41,458	48,820	1,135	4,122	117,516
Changes for the period, net	2,836	10,555	8,593	15,106	11,169	48,259
Payments during the period, net	(104)	-	(23,502)	-	-	(23,606)
31 March 2021	24,713	52,013	33,911	16,241	15,291	142,169
1 January 2020	21,195	37,054	41,924	1,010	192	101,375
Changes for the period, net	(596)	9,007	4,551	(1,010)	19,585	32,547
Payments during the period, net	-	-	-	-	-	-
31 March 2020	20,599	46,061	46,475	-	19,777	133,922

15. Liabilities for employee benefits

	31 March 2021	31 December 2020
Due to the personnel	60,851	113,713
Social security withholdings payment	41,585	38,214
Total	102,436	151,927

16. Other payables

	31 March 2021	31 December 2020
Deposits and guarantees received	43,295	33,350
Other payables to related parties (Note 27)	-	30,763
Total	43,295	64,113

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17. Derivative instruments

	31 March 2021				31 December 2020			
	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	801,872	801,872	19,020	57,036	729,500	729,500	-	46,563
Cross currency swap	171,215	96,969	132,113	11,737	885,015	613,238	318,377	18,222
Commodity derivative	86,962	86,962	-	13,671	51,015	51,017	20,939	32,067
Forward foreign exchange transactions	97,112	89,239	8,119	-	-	-	-	-
<i>Derivatives held for trading</i>								
Currency forwards	18,958,303	17,582,229	1,458,084	23,228	15,125,099	16,070,341	40,366	665,976
Commodity derivative	691,678	691,678	-	53,398	-	-	-	-
Interest rate swap	-	-	-	-	-	-	447	-
Short term derivative financial instruments			1,617,336	159,070			380,129	762,828
<i>Cash flow hedge</i>								
Interest rate swap	3,391,076	3,391,076	11,692	62,145	2,126,201	2,126,201	-	45,490
Cross currency swap	196,144	54,654	100,977	-	172,928	54,654	87,313	-
<i>Derivatives held for trading</i>								
Interest rate swap	-	-	-	-	750,000	750,000	570	-
Long term derivative financial instruments			112,669	62,145			87,883	45,490
Total			1,730,005	221,215			468,012	808,318

As of 31 March 2021, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY17,671,468 thousand in exchange of USD2,288,664 thousand which will expire in 2021. (As of 31 December 2020, forward, swap, futures and options market transactions consist of forward transactions which generate a sales obligation of TRY16,070,341 thousand in exchange of USD2,060,500 thousand which has expired on January 2021).

As of 31 March 2021, interest rate swap consists of exchange of floating rate instalment payments of long term borrowings and bonds amounting to USD286,815 thousand (31 December 2020: USD289,615 thousand), EUR6,643 thousand (31 December 2020: EUR8,857 thousand) and TRY1,740,000 thousand (31 December 2020: TRY750,000 thousand) with fixed rate instalment payments for cash flow hedging.

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17. Derivative instruments (Continued)

As of 31 March 2021, cross currency swap transactions consist of swaps with fixed interest rate transaction of foreign currency indexed floating interest rate USD35,337 thousand (31 December 2020: USD66,837 thousand) and fixed interest rate long-term borrowings amounting to TRY81,982 thousand (31 December 2020: TRY253,690 thousand) and indexed to Turkish Lira, foreign currency indexed interest rate swap transactions EUR2,214 thousand (31 December 2020: EUR4.429 thousand) with Turkish Lira indexed long term borrowings and fixed interest payments amounting to TRY8,215 thousand (31 December 2020: TRY16.429 thousand), and fixed interest payments amounting to TRY8,215 thousand (31 December 2020: TRY16.429 thousand) with fixed interest payments with total of USD2,334 thousand (31 December 2020: USD4,668 thousand), and swap transaction of EUR4,429 thousand (31 December 2020: EUR4.429 thousand) foreign currency indexed fixed interest rate of long-term borrowing and USD5,043 thousand (31 December 2020: USD5.043 thousand) USD indexed fixed interest payments.

There are commodity transactions for commercial purposes among the futures purchase and sale transactions as of 31 March 2021 and 31 December 2020.

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18. Commitments and contingent assets and liabilities

	31 March 2021		31 December 2020	
	Original currency:	TRY amount:	Original currency:	TRY amount:
Guarantees received:				
Letter of guarantess received		1,143,265		1,329,871
- Letter of guarantees in TRY	597,241	597,241	658,781	658,781
- Letter of guarantees in USD	26,086	217,194	36,186	265,624
- Letter of guarantees in EUR	33,216	324,655	44,517	401,005
- Letter of guarantees in other currencies	-	4,175	-	4,461
Guarantee notes received		779		679
- Guarantee notes in TRY	779	779	679	679
Guarantee letters received		467,277		417,926
- Guarantee letters received in TRY	50,000	50,000	50,000	50,000
- Guarantee letters received in USD	50,000	416,300	50,000	367,025
- Guarantee letters received in EUR	100	977	100	901
Guarantee letters of credit		126,584		205,520
- Letters of credit in USD	15,203	126,584	27,998	205,520
Direct debiting limits		402,849		407,475
- TRY direct debiting limits	402,849	402,849	407,475	407,475
Total guarantees received		2,140,754		2,361,471
Guarantees given:				
Letter of credits given		6,043,723		3,953,337
- Letter of credits in USD	724,952	6,035,950	535,781	3,932,903
- Letter of credits in EUR	795	7,773	2,268	20,434
Letter of guarantees given		1,490,229		1,423,999
- Letter of guarantees in TRY	1,309,825	1,309,825	1,264,460	1,264,460
- Letter of guarantees in USD	20,200	168,186	20,200	148,279
- Letter of guarantees in EUR	1,250	12,218	1,250	11,260
Letters of guarantee given to customs offices		806,990		897,796
- Letter of guarantees in TRY	748,345	748,345	843,749	843,749
- Letter of guarantees in EUR	6,000	58,645	6,000	54,047
Letters of guarantee given to banks		757,466		753,762
- Letter of guarantees in USD	81,388	677,636	89,322	655,667
- Letter of guarantees in EUR	8,167	79,830	10,890	98,095
Total guarantees given		9,098,408		7,028,894

(*) Original balance is stated in thousands.

As at 31 March 2021 and 31 December 2020, 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 2021, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY701,726 thousand (31 December 2020: TRY695,723 thousand) and for derivative financial instruments amounting to TRY55,740 thousand (31 December 2020: TRY58,039 thousand).

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18. Commitments and contingent assets and liabilities (Continued)

Collaterals, pledges, mortgages (CPMs) given by the Group as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
A. CPMs given for companies in the name of its own legal personality	8,340,942	6,275,132
- TRY	2,058,170	2,108,209
- USD	6,204,136	4,081,182
- EUR	78,636	85,741
- Other	-	-
B. CPMs given on behalf of the fully consolidated companies	757,466	753,762
- USD	677,636	655,667
- EUR	79,830	98,095
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	9,098,408	7,028,894

19. Equity

The Company’s shareholders and their shareholding percentages as at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	Share (%)	31 December 2020	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 2020: 1Kr) each, The authorised and paid-in share capital of the Company comprises 25,041,919,999 Group A shares with a registered nominal value of 1Kr and one Group C share with privileges belonging to the Privatisation Administration.

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19. Equity (Continued)

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

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

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under “Restricted Reserves”. At 31 March 2021, the restricted reserves of the Company amount to TRY503,343 thousand (31 December 2020 – TRY503,343 thousand).

Dividend distribution

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

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

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

At the Ordinary General Assembly Meeting dated 31 March 2021, in the financial statements prepared in accordance with the Tax Procedural Law records; due to loss of amounting TRY3,070,278 thousand in the current year result of 2020, it was decided to dividends will not be distributed and transfer the net period loss amounting to TRY2,493,511 thousand attributable to equity holders of the parent to the retained earnings in the related financial statements.

At the Ordinary General Assembly Meeting dated 1 April 2020, in the financial statements prepared in accordance with the Tax Procedural Law records; due to loss of amounting TRY1,139,413 thousand in the current year result of 2019, it was decided to dividends will not be distributed and transfer the net period profit amounting to TRY525,837 thousand attributable to equity holders of the parent to the retained earnings in the related financial statements.

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20. Revenue and cost of sales

	1 January - 31 March 2021	1 January - 31 March 2020
Domestic revenue	15,513,699	13,015,335
Export revenue	4,549,227	4,135,323
Gross sales	20,062,926	17,150,658
Less: Sales discounts	(220,394)	(164,749)
Eksi: Sales returns	(21,542)	(46,372)
Sales (net)	19,820,990	16,939,537
Cost of goods sold	(18,293,664)	(17,848,663)
Gross profit	1,527,326	(909,126)

Cost of Sales:

	1 January - 31 March 2021	1 January - 31 March 2020
Raw material, manufactured and consumable material	17,273,505	16,534,327
Energy expenses	467,405	628,427
Personnel expenses	251,248	241,393
Depreciation and amortization (Note 11)	138,986	129,216
Other production expenses	162,520	315,300
Cost of sales	18,293,664	17,848,663

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

General administrative expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Personnel expenses	164,560	138,339
Insurance expenses	53,837	41,054
Depreciation and amortization (Note 10-11)	27,680	31,726
Tax duties and fees	26,986	33,542
Outsourced services	21,370	22,892
Subscription fees	13,991	9,984
Office expenses	13,904	14,665
Lawsuit and consultancy expenses	6,406	8,961
Donations	5,389	10,570
Transportation and travel expenses	672	1,862
Other	19,137	14,642
Total general administrative expenses	353,932	328,237

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

Marketing expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Transportation, storage and insurance expenses	93,431	21,467
Personnel expenses	41,195	39,246
Depreciation and amortization (Note 11)	22,664	22,444
Outsourced services	10,792	8,551
Energy expenses	5,517	6,886
Advertising expenses	4,408	5,640
Other	15,443	15,053
Total marketing expenses	193,450	119,287

Research and development expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Personnel expenses	5,063	5,308
Depreciation and amortization (Not 11)	3,604	2,779
Outsourced services	213	297
Licence expenses	52	1,078
Lawsuit and consultancy expenses	40	49
Other	740	584
Total research and development expenses	9,712	10,095

22. Other operating income/(expenses)

	1 January - 31 March 2021	1 January - 31 March 2020
Other operating income:		
Credit finance gains	103,133	39,548
Foreign exchange gain from trade receivables	57,959	16,694
Provisions no longer required	432	75
Other	13,683	78,710
Total other operating income	175,207	135,027

	1 January - 31 March 2021	1 January - 31 March 2020
Other operating expense:		
Foreign exchange loss from trade payables	(1,723,942)	(189,969)
Credit finance charges	(18,887)	(273,990)
Other	(16,827)	(20,461)
Total other operating expense	(1,759,656)	(484,420)

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23. Income/(expense) from investment activities

	1 January - 31 March 2021	1 January - 31 March 2020
Gain/(loss) on sales of property plant and equipment and intangible assets	222	(45)
Total income/(expense) from investment activities	222	(45)

24. Financial income/(expenses)

	1 January - 31 March 2021	1 January - 31 March 2020
Financial income:		
Income on derivative instruments	1,604,612	101,164
Interest income on deposits	552,570	137,075
Foreign exchange gains on deposits	64,881	495,705
Total financial income	2,222,063	733,944
Financial expenses:		
Foreign exchange losses on borrowings	(1,936,081)	(1,227,704)
Interest expenses	(606,850)	(340,376)
Losses on derivative instruments	(33,716)	(74,270)
Other	(1,015)	(4,782)
Total financial expenses	(2,577,662)	(1,647,132)

25. Tax assets and liabilities

i) Corporate tax:

	31 March 2021	31 December 2020
Current period corporate tax provision	5,353	13,310
Current year tax assets	(5,191)	(10,851)
Corporation tax provision	162	2,459

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 31 March 2021 is 20% (2020: 22%). Corporation tax payable is calculated 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 2021 and 31 December 2020 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax (liability)/asset	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Investment incentive income (*)	(29,724,926)	(29,724,926)	4,546,105	4,546,105
Carry forward tax losses (**)	(6,942,633)	(4,176,390)	1,388,527	835,278
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	(1,604,451)	(1,290,035)	320,890	258,007
Employment termination benefits and seniority incentive bonus provision	(249,662)	(268,153)	49,932	53,631
Inventories	(214,242)	(185,705)	42,848	37,141
Provision for unused vacation liability	(61,784)	(62,013)	12,357	12,403
Deferred financial income (expense), net	(30,457)	(22,500)	6,091	4,500
Provisions for claims and lawsuits	(29,741)	(21,981)	5,948	4,396
Prepaid expenses	16,484	19,630	(3,297)	(3,926)
Fair value difference of derivatives instruments	1,538,951	(313,375)	(307,790)	62,675
Gain on revaluation of property	8,274,475	8,274,475	(827,448)	(827,448)
Other	(188,780)	(98,325)	37,756	19,665
Deferred tax asset – net			5,271,919	5,002,427

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

(**) Deferred tax assets amounting to TL 1,388,527 thousand is related to the Group's financial losses amounting to TRY6,942,633 thousand. (31 December 2020 – TRY835,278 thousand)

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

The movement of deferred taxes is as follows:

	2021	2020
Deferred tax asset/(liability), net		
1 January	5,002,427	3,767,503
Charge for the period	224,335	551,078
Charge to equity:		
- Hedging cash flow gains/(losses)	45,157	22,178
31 March	5,271,919	4,340,759

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26. Earnings per share

	1 January - 31 March 2021	1 January - 31 March 2020
Profit for the year attributable to shareholders of the Company	(760,495)	(2,265,010)
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	(3.04)	(9.04)

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 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (2)	8,448,968	6,253,361
Total	8,448,968	6,253,361

b) Trade receivables:

	31 March 2021	31 December 2020
Opet Petrolcülük A.Ş. (1)	512,439	226,065
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	5,859	19,093
Aygaz A.Ş. (2)	4,713	24,516
THY OPET Havacılık Yakıtları A.Ş. (1)	418	51,113
Other (2)	2,300	3,768
Total	525,729	324,555

As of 31 March 2021, Tüpraş has offset TRY223,100 thousand (31 December 2020: TRY250,000 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 2021	31 December 2020
Opet Petrolcülük A.Ş. (1)	269,931	16,910
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	73,550	75,733
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	19,685	16,368
Aygaz A.Ş. (2)	4,910	8,104
Ark İnşaat A.Ş. (2)	4,886	44,880
Koç Sistem Bilgi ve İletişim A.Ş. (2)	3,339	22,479
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	2,680	4,922
Setur Servis Turistik A.Ş. (2)	267	2,996
THY OPET Havacılık Yakıtları A.Ş. (1)	-	1,137
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş. (2)	-	189
Other (2)	3,635	10,499
Total	391,607	218,486

d) Other payables:

	31 March 2021	31 December 2020
Koç Holding A.Ş. (3)	-	30,763
Total	-	30,763

e) Advances given for property, plant and equipment:

	31 March 2021	31 December 2020
Ark İnşaat A.Ş. (2)	5,898	2,126
Other (2)	16	-
Total	5,914	2,126

f) Bank loans:

	31 March 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (2)	1,230,206	821,310
Total	1,230,206	821,310

g) Lease liabilities:

	31 March 2021	31 December 2020
Koç Ailesi (3)	72,771	63,286
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	18,802	22,477
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	29	31
Total	18,831	85,794

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27. Related party transactions (Continued)

h) Product and service sales:

	1 January - 31 March 2021	1 January - 31 March 2020
Opet Petrolcülük A.Ş. (1)	3,264,216	2,699,199
THY OPET Havacılık Yakıtları A.Ş. (1)	430,680	498,147
Aygaz A.Ş. (2)	204,141	168,001
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	23,393	10,265
Other (2)	11,004	3,187
Total	3,933,434	3,378,799

i) Product and service purchases:

	1 January - 31 March 2021	1 January - 31 March 2020
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	180,550	230,641
Opet Petrolcülük A.Ş. (1)	38,266	35,395
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	26,965	21,763
Aygaz A.Ş. (2)	23,828	19,878
Koç Sistem Bilgi ve İletişim A.Ş. (2)	8,668	7,580
Koç Holding A.Ş. (3) (*)	7,364	8,123
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	5,921	4,261
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	395	2,570
THY OPET Havacılık Yakıtları A.Ş. (1)	14	2,532
Other (2)	9,082	10,412
Total	301,053	343,155

(*) 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 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 2021	1 January - 31 March 2020
Ark İnşaat A.Ş. (2)	28,204	23,608
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş (2)	-	103,595
Other (2)	283	2,955
Total	28,487	130,158

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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 and General Manager Deputies, The total amount of benefits provided to senior management is TRY4,586 thousand as of period ending on 31 March 2021 (31 March 2020 – TRY3,994 thousand). All of this amount consists of short term benefits. (31 March 2020 – all of this amount consists of short term benefits)

l) Financial expenses paid to related parties:

	1 January - 31 March 2021	1 January - 31 March 2020
Yapı ve Kredi Bankası A.Ş. (2)	21,817	8,567
Yapı Kredi Faktoring A.Ş. (2)	2,056	228
Yapı Kredi Bank Nederland N.V.(2)	-	413
Total	23,873	9,208

m) Time deposit interest income:

	1 January - 31 March 2021	1 January - 31 March 2020
Yapı ve Kredi Bankası A.Ş. (2)	250,987	26,420
Total	250,987	26,420

n) Donations:

As of 31 March 2021, total donation is amounting to TRY2 thousand (31 March 2020 – TRY14,082 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 risks of the Group for each financial instrument type as at 31 March 2021 and 31 December 2020 are as follows:

31 March 2021	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	525,729	3,231,827	-	22,590	21,144,505	1,730,005	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	302,456	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	525,729	3,162,113	-	22,590	21,144,505	1,730,005	-
B. Net book value of overdue but not impaired financial assets	-	69,714	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,136	-	1,389	-	-	-
- Impairment (-)	-	(5,136)	-	(1,389)	-	-	-
- 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 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	324,555	1,410,994	-	18,690	19,825,292	468,012	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	367,278	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	324,555	1,221,413	-	18,690	19,825,292	468,012	-
B. Net book value of overdue but not impaired financial assets	-	189,581	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,264	-	1,389	-	-	-
- Impairment (-)	-	(5,264)	-	(1,389)	-	-	-
- 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 2021	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	35,153	-	-	-	-
Overdue (1-3 months)	7,700	-	-	-	-
Overdue (3-12 months)	22,707	-	-	-	-
Overdue (1-5 years)	4,154	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

31 December 2020	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	150,374	-	-	-	-
Overdue (1-3 months)	22,675	-	-	-	-
Overdue (3-12 months)	11,475	-	-	-	-
Overdue (1-5 years)	5,057	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

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28. Financial instruments and financial risk management (continued)

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 TRY64,815 thousand (31 December 2020: TRY89,116 thousand) for trade receivables overdue but not impaired, Major part of receivables without guarantees are from government entities which regularly made sales, any collection risk is not projected.

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are examined under four groups. The details of credit quality of such trade receivables as at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Group 1	326,872	-
Group 2	1,576,505	589,771
Group 3	1,680,622	783,457
Group 4	83,843	172,740
Toplam	3,667,842	1,545,968

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).

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28. Financial instruments and financial risk management (continued)

Product crack risk

Besides the fluctuations in crude oil prices, in order to eliminate fluctuation risk in product prices profit margins of the products (crack) can be fixed by using various derivative instruments (hedging). Therefore, a hedging policy has been created by comparing historical price levels and by hedging a certain percentage of the total sales volume at certain crack levels (Note 17).

Foreign exchange risk

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

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 2021 and 31 December 2020:

	31 March 2021		31 December 2020	
	TRY	USD(*)	TL karşılığı	Dolar karşılığı(*)
Monetary assets	3,834,518	460,547	1,173,619	159,883
Monetary liabilities	(39,349,362)	(4,726,082)	(29,337,009)	(3,996,595)
Monetary assets / (liabilities) foreign currency position	(35,514,844)	(4,265,535)	(28,163,390)	(3,836,712)
Non-monetary assets	31,571	3,792	105,732	14,404
Net foreign currency position of derivative financial instruments	19,353,135	2,324,422	16,095,327	2,192,674
Net foreign currency asset / (liability) position	(16,130,138)	(1,937,321)	(11,962,331)	(1,629,634)
Cash flow hedging (**)	4,498,637	540,312	4,360,123	593,982
Net foreign currency position after cash flow hedging	(11,631,501)	(1,397,009)	(7,602,208)	(1,035,652)
Inventory in natural hedge scope (***)	12,305,074	1,477,909	7,220,776	983,690
Net foreign currency position after cash flow hedging and natural hedge	673,573	80,900	(381,432)	(51,962)

(*) 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 USD540,312 thousand, which is equivalent to TRY4,498,637 thousand (USD593,982 thousand / TRY4,360,123 thousand in 31 December 2020) 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 2021, TRY3,016,875 (31 December 2020 - TRY2,736,854 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 2021, the foreign exchange loss amounting to TRY372,537 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 2021, foreign exchange loss of these loans in 2021 amounting to TRY652,557 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 of 31 March 2021, the Group has crude oil and petroleum products inventories amounting to TRY12,305,074 thousand (31 December 2020: TRY7,220,776 thousand).

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28. Financial instruments and financial risk management (Continued)

	Foreign exchange position table									
	31 March 2021					31 December 2020				
	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	1,022,138	122,752	10	-	-	358,951	45,743	2,568	1	40
Monetary financial assets (including cash, banks)	2,812,380	332,783	3,719	461	-	814,668	105,636	3,962	357	-
Other	28,560	2,754	375	172	-	103,077	13,540	255	139	-
Current assets	3,863,078	458,289	4,104	633	-	1,276,696	164,919	6,785	497	40
Monetary financial assets	-	-	-	-	-	-	-	-	-	-
Other	3,011	-	-	263	-	2,655	-	-	267	-
Non-current assets	3,011	-	-	263	-	2,655	-	-	267	-
Total assets	3,866,089	458,289	4,104	897	-	1,279,351	164,919	6,785	764	40
Trade payables	19,456,592	2,326,066	9,083	4	946	13,026,055	1,759,069	12,127	74	3,642
Financial liabilities	8,763,502	1,043,791	7,115	294	-	3,676,865	424,446	61,982	291	-
Other monetary liabilities	177,171	20,534	23	523	-	379,918	50,265	36	1,068	-
Current liabilities	28,397,265	3,390,391	16,221	821	946	17,082,838	2,233,780	74,145	1,433	3,642
Financial liabilities	10,905,985	1,301,091	6,849	539	-	12,208,681	1,653,846	6,941	613	-
Other monetary liabilities	46,112	5,538	-	-	-	45,490	6,197	-	-	-
Non-current liabilities	10,952,097	1,306,630	6,849	539	-	12,254,171	1,660,043	6,941	613	-
Total liabilities	39,349,362	4,697,021	23,070	1,360	946	29,337,009	3,893,823	81,086	2,046	3,642
Net asset/(liability) position of off-balance sheet foreign currency derivatives	19,353,135	2,316,624	6,643	-	-	16,095,327	2,117,625	61,157	-	-
Total amount of off-balance sheet derivative financial assets	22,103,283	2,646,932	6,643	-	-	17,901,631	2,363,699	61,157	-	-
Total amount of off-balance sheet derivative financial liabilities	(2,750,148)	(330,308)	-	-	-	(1,806,304)	(246,074)	-	-	-
Net foreign currency asset/(liability) position	(16,130,138)	(1,922,108)	(12,323)	(463)	(946)	(11,962,331)	(1,611,279)	(13,144)	(1,282)	(3,602)
Cash flow hedging	4,498,637	540,312	-	-	-	4,360,123	593,982	-	-	-
Net foreign currency position after cash flow hedging	(11,631,501)	(1,381,796)	(12,323)	(463)	(946)	(7,602,208)	(1,017,297)	(13,144)	(1,282)	(3,602)
Net monetary foreign currency asset/(liability) position	(35,514,844)	(4,241,485)	(19,340)	(898)	(946)	(28,163,390)	(3,742,444)	(74,556)	(1,688)	(3,602)
Fair value of derivative instruments Used for hedging	1,656,209	198,961	-	-	-	(238,142)	(32,442)	-	-	-

As of 31 March 2021, the Group has TRY673,573 thousand as net foreign currency surplus after natural hedging (31 December 2020: TRY381,432 thousand net foreign currency deficit.) (Page 41).

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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 2021 and 31 December 2020.

Statement of foreign currency risk sensitivity				
31 March 2021				
	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	(3,531,461)	3,531,461	(413,727)	413,727
Amount hedged for USD risk (-)	2,342,548	(2,342,548)	-	-
USD net effect	(1,188,913)	1,188,913	(413,727)	413,727
10% change in EUR rate:				
Euro net assets/ liabilities	(18,904)	18,904	-	-
Amount hedged for Euro risk (-)	6,493	(6,493)	-	-
EUR net effect	(12,411)	12,411	-	-
Total	(1,201,324)	1,201,324	(413,727)	413,727
31 December 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	(2,747,141)	2,747,141	(420,058)	420,058
Amount hedged for USD risk (-)	1,974,501	(1,974,501)	-	-
USD net effect	(772,640)	772,640	(420,058)	420,058
10% change in EUR rate:				
Euro net assets/ liabilities	(67,159)	67,159	-	-
Amount hedged for Euro risk (-)	55,090	(55,090)	-	-
EUR net effect	(12,069)	12,069	-	-
TOTAL	(784,709)	784,709	(420,058)	420,058

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 2021	1 January - 31 March 2020
Export		
USD (equivalent of thousand TRY)	2,927,271	4,135,323
Toplam	2,927,271	4,135,323
Import		
USD (equivalent of thousand TRY)	16,049,491	12,624,144
Total	16,049,491	12,624,144

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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 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Total financial liabilities (Note 5)	33,658,287	29,245,068
Less: Cash and cash equivalents (Note 4)	(18,832,100)	(17,621,288)
Net financial liabilities	14,826,187	11,623,780
Total shareholders’ equity	10,727,679	11,672,525
Total capital invested	25,553,866	23,296,305
Gearing ratio	58.02%	49.90%

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 2021 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	1,730,005	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	221,215	-

Fair value hierarchy table as at 31 December 2020 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	468,012	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	808,318	-

29. Subsequent events

According to Amendment to the Corporate Tax Law was published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate, which was 20% as of 31 March 2021 in Turkey, will be applied as 25% for the corporate earnings for the year 2021 and 23% for the corporate earnings for the year 2022. This application will be valid starting from January 1, 2021. This amendment, which came after the reporting period, is evaluated as events that do not require correction in accordance with TAS 10, and the tax rate in the financial statements of the Company dated March 31, 2021 is 20%. The effect of the change will be evaluated in the financial statements dated June 30, 2021.

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