

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2022**

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2022

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

ASSETS	Notes	Unaudited	Audited
		31 March 2022	31 December 2021
Current Assets		78,450,795	65,428,752
Cash and cash equivalents	4	19,315,983	20,400,235
Financial investments		262,819	-
Trade receivables	6	19,190,824	13,516,823
Due from related parties	6, 25	1,830,998	1,668,264
Trade receivables from third parties		17,359,826	11,848,559
Other receivables		24,383	20,541
Other receivables from third parties		24,383	20,541
Derivative instruments	15	549,717	3,817,972
Inventories	7	34,126,130	23,755,862
Prepaid expenses	11	419,609	186,381
Other current assets	12	4,561,330	3,730,938
Non-Current Assets		38,200,966	37,106,249
Financial investments		8,180	5,389
Investments accounted for using the equity method	8	2,154,377	2,150,156
Property, plant and equipment	9	26,313,569	26,288,463
Right of use asset		181,142	182,156
Intangible assets	10	60,661	66,801
Other intangible assets		60,661	66,801
Derivative instruments	15	88,019	44,213
Prepaid expenses	11	109,259	94,639
Deferred tax assets	23	7,304,483	6,377,848
Other non-current assets	12	1,981,276	1,896,584
Total Assets		116,651,761	102,535,001
LIABILITIES			
Current liabilities		80,726,466	64,001,571
Short-term financial liabilities	5	626,803	563,221
Current portion of long term financial liabilities	5	12,165,042	10,835,745
Trade payables	6	56,954,375	43,704,239
Due to related parties	6, 25	123,476	165,021
Trade payables, third parties		56,830,899	43,539,218
Liabilities for employee benefits	14	177,741	134,471
Other payables		77,072	90,127
Due to related parties	25	-	43,328
Other payables to third parties		77,072	46,799
Derivative instruments	15	5,032,842	3,302,177
Deferred income		36,760	32,315
Current income tax liabilities	23	-	38,393
Short-term provisions	13	347,731	200,116
Short-term provisions for employee benefits		87,633	19,387
Other provisions		260,098	180,729
Other current liabilities	12	5,308,100	5,100,767
Non-current liabilities		19,960,298	20,705,913
Long-term financial liabilities	5	19,448,893	20,218,575
Long-term provisions	13	489,575	447,560
Long-term provisions for employee benefits		489,575	447,560
Deferred income		8,422	9,987
Derivative Instruments	15	12,753	29,117
Other non-current liabilities		655	674
Total liabilities		100,686,764	84,707,484
Equity		15,964,997	17,827,517
Share capital	17	250,419	250,419
Adjustment to share capital	17	1,344,243	1,344,243
not to be reclassified to profit or loss		11,033,759	11,033,759
Gains/ losses on revaluation and remeasurement		10,944,761	10,944,761
Gain on revaluation of properties		10,957,223	10,957,223
Actuarial gain/(loss) arising from defined benefit plans using equity method that will not be reclassified to profit or loss		(12,462)	(12,462)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		88,998	88,998
Currency translation differences		(5,474,436)	(2,678,176)
Hedging gains/(losses)		402,660	297,679
Cash flow hedge gains/(losses)		(6,512,526)	(3,575,726)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(6,512,526)	(3,575,726)
Restricted reserves	17	635,430	599,871
Retained earnings		503,343	503,343
Net income		7,103,622	3,784,488
		895,661	3,319,134
Total equity attributable to equity holders of the parent		15,656,611	17,557,210
Non-controlling interests		308,386	270,307
Total equity and liabilities		116,651,761	102,535,001

These interim condensed consolidated financial statements as of and for the year ended 31 March 2022 have been approved for issue by the Board of Directors on 6 May 2022.

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2022

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

	Notes	Unaudited 1 January - 31 March 2022	Unaudited 1 January - 31 March 2021
Revenue	18	76,541,226	19,820,990
Cost of sales	18	(71,236,895)	(18,293,664)
Gross profit (loss)		5,304,331	1,527,326
General administrative expenses	19	(592,418)	(353,932)
Marketing expenses	19	(443,417)	(193,450)
Research and development expenses	19	(14,455)	(9,712)
Other operating income	20	805,549	175,207
Other operating expenses	20	(2,303,250)	(1,759,656)
Operating profit (loss)		2,756,340	(614,217)
Income/ (expenses) from investment activities	21	1,296	222
Income (loss) from investments accounted by equity method	8	208,662	9,542
Operating profit before financial income (expense)		2,966,298	(604,453)
Financial income	22	2,436,181	2,222,063
Financial expense	22	(4,340,317)	(2,577,662)
Profit (loss) before tax from continued operations		1,062,162	(960,052)
Tax income (expense)		(125,751)	218,982
Taxes on income	23	(11,970)	(5,353)
Deferred tax income (expense)	23	(113,781)	224,335
Net income (loss) from continued operations		936,411	(741,070)
Other comprehensive income:			
Items to be reclassified to profit or loss			
Currency translation differences		(2,798,931)	(183,756)
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		104,981	23,790
Gain (loss) from translation of foreign currency of investments using equity method	8	35,559	1,178
Income (expense) relating to avoidance of risk of cash flow		(3,979,887)	(253,881)
Income (loss) of avoidance of risk cash flow		(3,979,887)	(253,881)
Tax effect of other comprehensive income (loss) to be reclassified to profit or loss		1,040,416	45,157
Deferred tax income (expense)	23	1,040,416	45,157
Other comprehensive income (expense)		(2,798,931)	(183,756)
Total comprehensive income (expense)		(1,862,520)	(924,826)
Distribution of income for the period:			
Non-controlling interests		40,750	19,425
Attributable to equity holders of the parent		895,661	(760,495)
Distribution of total comprehensive income			
Non-controlling interests		38,079	8,937
Attributable to equity holders of the parent		(1,900,599)	(933,763)
Earnings (loss) per share from continued operations			
Earnings per share with nominal value Kr1 each (Kr)	24	3,58	(3,04)

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2022

(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				Total retained earnings					
	Share Capital	Adjustments to share capital	Gain on revaluation of properties	Actuarial gains/(losses) arising from defined benefit plans	Share of other comprehensive income of investments accounted for using equity method that will be not reclassified to profit or loss	Currency translation differences	Hedge gains/ (losses)	Cash flow hedge gains/(losses)	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net income/(expense)	Equity holders of parent	Non controlling interest	Total equity
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)	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	
Unaudited															
1 January 2021	250,419	1,344,243	10,957,223	(12,462)	88,998	297,679	(3,575,726)	599,871	503,343	3,784,488	3,319,134	17,557,210	270,307	17,827,517	
Transfers	-	-	-	-	-	-	-	-	-	3,319,134	(3,319,134)	-	-	-	
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Net profit for the period	-	-	-	-	-	-	-	-	-	-	895,661	895,661	40,750	936,411	
- Other comprehensive income	-	-	-	-	-	104,981	(2,936,800)	35,559	-	-	(2,796,260)	(2,671)	(2,798,931)		
Total comprehensive income	-	-	-	-	-	104,981	(2,936,800)	35,559	-	-	895,661	(1,900,599)	38,079	(1,862,520)	
31 March 2022	250,419	1,344,243	10,957,223	(12,462)	88,998	402,660	(6,512,526)	635,430	503,343	7,103,622	895,661	15,656,611	308,386	15,964,997	

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2022

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

	Notes	Unaudited	
		1 January - 31 March 2022	1 January - 31 March 2021
Cash flows from operating activities		2,290,313	(449,584)
Profit/(loss) for the period		936,411	(741,070)
Adjustment for reconciliation of profit/(loss) for the period		560,757	2,362,139
Adjustment for depreciation and amortisation expense	9, 10	212,803	192,934
Adjustment for provisions	13	158,450	70,632
Adjustment for interest (income) and expense	22	517,458	54,280
Adjustment for unrealized foreign currency translation differences		(2,313,446)	(65,011)
Adjustment for fair value (gain) or loss		13,838	347,810
Adjustment for undistributed profit accounted by equity method	8	(208,662)	(9,542)
Adjustment for tax expenses(income)	23	125,751	(218,982)
Adjustment for (gain)/loss on sales of property, plant and equipment	21	(1,296)	(222)
Adjustment for other items related with cash flow of investment or financial activities	22	1,860,950	1,936,081
Other adjustments for reconciliation of profit/(loss)		194,911	54,159
Changes in working capital		877,909	(2,000,884)
Adjustment for decrease/(increase) in trade receivables		(5,722,146)	(2,028,057)
Adjustment for decrease/(increase) in other receivables related with operations		(1,408,033)	(59,722)
Adjustment for decrease/(increase) in derivative assets		3,224,449	(1,261,993)
Adjustment for decrease/(increase) in inventories		(10,370,268)	(3,684,488)
Adjustment for increase/(decrease) in trade payables		13,277,349	6,382,277
Adjustment for increase/(decrease) in other payables related with operations		162,257	(761,798)
Adjustment for decrease/(increase) in derivative liabilities		1,714,301	(587,103)
Cash flows from operating activities		2,375,077	(379,815)
Tax returns/(payments)		(11,970)	(7,650)
Other cash inflow/(outflow)		(72,794)	(62,119)
Cash flows from investing activities		1,405	(173,908)
Dividends received	8	240,000	80,000
Cash inflows from the sales of property, plant and equipment and intangible assets		1,558	306
Cash outflows from the purchase of property, plant and equipment and intangible assets		(240,153)	(253,814)
Cash outflows from the purchase of shares in other businesses or funds		-	(400)
Cash flows from financing activities		(11,080,276)	1,740,966
Cash inflows from financial liabilities	5	5,930,792	10,343,922
Cash outflows from financial liabilities	5	(7,152,780)	(8,270,806)
Cash inflows from derivative instruments		137,437	244,735
Cash outflows from derivative instruments		(9,531,983)	(566,406)
Cash outflows from payments of rent agreements	5	(22,265)	(20,761)
Dividends paid		-	(20,020)
Interest paid		(592,967)	(493,811)
Interest received		151,490	524,113
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		(8,788,558)	1,117,474
Impact of foreign currency translation differences on cash and cash equivalents		2,313,446	64,881
Net increase/(decrease) in cash and cash equivalents		(6,475,112)	1,182,355
Cash and cash equivalents at the beginning of the period	4	16,139,029	17,506,177
Cash and cash equivalents at the end of the period	4	9,663,917	18,688,532

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

1. Organization and nature of operations of the Group

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

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

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

The Company is registered at the Capital Markets Board (“CMB”) of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. (“BIST”) since 1991. As at 31 March 2022, the shares quoted on the BIST are 49% of the total shares. As of 31 March 2022, the principal shareholders and their respective shareholdings in the Company are as follow (Note 17):

	(%)
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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(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 2022 is 5,837 (31 December 2021 - 5,923).

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

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(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 15 April 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 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 consolidated financial statements as at 31 March 2022 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 2022. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

a) *Standards, amendments and interpretations applicable as at 31 March 2022:*

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(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)

a) *Standards, amendments and interpretations applicable as at 31 March 2022 (Continued)*

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b) *Standards, amendments and interpretations that are issued but not effective as at 31 March 2022:*

- **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;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial Instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(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)

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2022 (Continued)

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.1.3 Financial statements of subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and 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 subsidiaries’ and 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 statements of other comprehensive income and shareholders’ equity.

2.1.4 Principles of consolidation

- a) The consolidated financial statements for the year ended 31 March 2022 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2021 and include financial statements of Tüpraş, and its Subsidiaries.
- b) At 31 March 2022, 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 2021.

	31 March 2022		31 December 2021	
	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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(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)

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

- c) Joint ventures are companies in which the Group has joint control. Joint control is the contractually agreed sharing of control. The control, exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group’s interest in joint ventures is accounted for with equity method. Investments accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value.

The table below shows the total interest of the Group in its joint ventures accounted by using the equity method as at 31 March 2022 and 31 December 2021:

	31 March 2022		31 December 2021	
	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
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.

(**) Ceased its activities since 15 July 2015.

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(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

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

The Group presented the consolidated statement of financial position as of 31 March 2022 comparatively with the consolidated statement of financial position as of 31 December 2021. 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 year ended 31 March 2022 are presented comparatively with the consolidated financial statements for the year ended 31 December 2021.

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 2022, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 2022 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 2021. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2021.

3. Business combinations

No business combinations occurred during the period ended 31 March 2022.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

4. Cash and cash equivalents

	31 March 2022	31 December 2021
Cash at banks		
Demand deposits	1,805,545	466,143
Time deposits	7,858,372	15,672,886
Demand deposits (blocked)	6,794,197	1,527,549
Revenue share (blocked)	2,852,068	2,720,305
Time deposit interest accruals	5,801	13,352
Total	19,315,983	20,400,235

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 2022 and 2021 (Note 12). In addition, demand blocked deposits amounting to TRY6,794,197 thousand are available for derivative transactions carried out in foreign exchanges. (31 December 2021 – TRY1,527,549).

Time deposits and other cash and cash equivalents

As at 31 March 2022 and 31 December 2021, the maturity and the currency information of the time deposits, are as follows:

31 March 2022

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TRY	10.51	1,167,367	-	1,167,367
USD	1.36	6,542,491	54,222	6,596,713
EUR	0.05	94,292	-	94,292
Total time deposits		7,804,150	54,222	7,858,372

31 December 2021

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TRY	28.53	6,255,080	46,909	6,301,989
USD	1.16	8,687,202	673,878	9,361,080
EUR	0.03	7,742	-	7,742
GBP	0.05	2,075	-	2,075
Total time deposits		14,952,099	720,787	15,672,886

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 31 March 2022 and 2021 are as follows:

	31 March 2022	31 March 2021
Cash and cash equivalents	19,315,983	21,144,505
Less: Blocked deposits (Revenue share)	(2,852,068)	(2,312,405)
Less: Blocked deposits (Revenue share)	(6,794,197)	-
Less: Time deposit interest accruals	(5,801)	(143,568)
Cash and cash equivalents	9,663,917	18,688,532

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

5. Financial liabilities

	31 March 2022	31 December 2021
Short-term borrowings:		
Short-term bank borrowings	626,803	563,221
Total	626,803	563,221
Short-term portion of long-term borrowings:		
Short-term portion of long-term bank borrowings	9,780,004	9,918,217
Bonds issued	1,890,000	500,000
Interest accruals of bank borrowings	215,924	251,163
Interest accruals of bonds issued	250,715	131,944
Lease liabilities	28,399	34,421
Total	12,165,042	10,835,745
Long-term borrowings:		
Bonds issued	8,964,476	9,269,544
Long-term bank borrowings	10,249,779	10,720,300
Lease liabilities	234,638	228,731
Total	19,448,893	20,218,575
Total borrowings	32,240,738	31,617,541

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 3MTLREF 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. Tüpraş has issued a bond on 30 November 2020 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.

Tüpraş has issued a bond on 12 October 2017 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.

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) and further to the agreements the loans amounting to USD1,998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 31 December 2021 the outstanding amount of the loans is USD385 million (31 December 2021 – USD385 million).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

5. Financial liabilities (Continued)

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 31 March 2022 and 31 December 2021 are as follows:

		31 March 2022	
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term borrowings:			
TRY bank borrowings (*)	11.00	70,262,579	70,263
USD bank borrowing	3.85	38,000,000	556,540
Total short-term financial liabilities			626,803
Short-term portion of long-term borrowings			
TRY borrowings	12.86	5,890,128,000	5,890,128
TRY bonds issued	16.02	1,890,000,000	1,890,000
USD bank borrowings	2.40	265,596,708	3,889,876
TRY lease liabilities	18.08	17,219,927	17,220
EUR lease liabilities	2.99	351,716	5,736
GBP lease liabilities	4.16	283,299	5,443
Total			11,698,403
Interest accruals			466,639
Total short term portion of long-term borrowings			12,165,042
Long-term borrowings:			
TRY borrowings	17.38	3,659,121,000	3,659,121
USD borrowings	2.55	362,088,399	5,303,074
USD bonds issued	4.50	700,000,000	10,252,060
TRY lease liabilities	21.91	123,104,470	123,104
EUR lease liabilities	3.23	6,497,063	105,958
GBP lease liabilities	4.20	290,222	5,576
Total long-term borrowings			19,448,893

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY30,263 thousand as of 31 March 2022 (31 December 2021 – TRY30,061 thousand).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

5. Financial liabilities (Continued)

			31 December 2021
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term borrowings:			
TRY bank borrowings (*)	-	30,060,564	30,061
USD bank borrowing	2.77	40,000,000	533,160
Total short-term financial liabilities			563,221
Short-term portion of long-term borrowings:			
TRY borrowings	12.63	6,384,319,000	6,384,319
TRY bonds issued	18.49	500,000,000	500,000
USD bank borrowings	2.28	265,128,551	3,533,898
TRY lease liabilities	18.75	23,635,846	23,636
EUR lease liabilities	2.98	354,087	5,342
GBP lease liabilities	4.16	302,963	5,443
Total			10,452,638
Interest accruals			383,107
Total short-term portion of long-term borrowings			10,835,745
Long-term borrowings:			
TRY borrowings	17.16	4,140,927,053	4,140,927
TRY bonds issued	18.35	1,390,000,000	1,390,000
USD borrowings	2.47	384,771,311	5,128,617
USD bonds issued	4.50	700,000,000	9,330,300
TRY lease liabilities	21.08	123,799,862	123,799
EUR lease liabilities	3.23	6,585,668	99,356
GBP lease liabilities	4.20	310,352	5,576
Total long-term borrowings			20,218,575

As at 31 March 2022 and 31 December 2021, the redemption schedule of long-term bank borrowings is as follows:

	31 March 2022	31 December 2021
1-2 years	7,647,686	9,067,558
2-3 years	10,924,137	10,385,532
3-4 years	186,536	203,188
4-5 years	47,122	35,866
Over 5 years	643,412	526,431
Total	19,448,893	20,218,575

The movement of borrowings as of 31 March 2022 and 2021 is as follows:

	2022	2021
1 January	31,617,541	29,245,068
New financial borrowings	5,921,564	10,343,922
Principal payments	(7,152,780)	(8,270,806)
Increase due to lease liabilities	9,228	9,634
Decrease due to payment of lease liabilities	(22,265)	(20,761)
Changes in interest accruals	83,532	113,039
Changes in foreign exchange rates	1,783,918	2,238,191
31 March	32,240,738	33,658,287

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

6. Trade receivables and payables

Short-term trade receivables:

	31 March 2022	31 December 2021
Trade receivables	17,455,562	11,896,404
Due from related parties (Note 25)	1,830,998	1,668,264
Doubtful trade receivables	5,663	5,528
Other trade receivables	13	29
Less: Unearned credit finance income	(95,749)	(47,874)
Less: Expected credit loss	(5,663)	(5,528)
Total short-term trade receivables (net)	19,190,824	13,516,823

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

As at 31 March 2022, Tüpraş has offsetted TRY3,174,087 thousand (31 December 2021 – TRY642,051 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring and TRY1,649,822 thousand (31 December 2021 – TRY353,725 thousand) deducted supplier financing transaction from trade receivables.

Movement of the provision for doubtful receivables for the years ended 31 March 2022 and 2021 is as follows:

	2022	2021
1 January	5,528	5,264
Charge for the period	135	7
Payments during the period	-	(135)
31 March	5,663	5,264

Short-term trade payables:

	31 March 2022	31 December 2021
Trade payables	56,866,365	43,547,471
Due to related parties (Note 25)	123,476	165,021
Less: Unrealised credit finance charges trade payables	(35,466)	(8,253)
Total short-term trade receivables (net)	56,954,375	43,704,239

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

7. Inventories

	31 March 2022	31 December 2021
Raw materials and supplies	3,077,511	2,859,390
Work-in-progress	7,124,340	4,416,821
Finished goods	10,018,886	5,844,006
Trade goods	697,595	156,062
Goods in transit	13,074,190	10,376,545
Other inventories	133,608	103,038
Total	34,126,130	23,755,862

As of 31 March 2022, no impairment has been detected in the stock amount as a result of the impairment tests.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

8. Investments accounted for using the equity method

	31 March 2022		31 December 2021	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40.00	2,154,377	40.00	2,150,156
		2,154,377		2,150,156

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 2022 and 2021 is as follows:

	2022	2021
1 January	2,150,156	1,326,490
Investments accounted for using the equity method;		
Shares in current year profit	208,662	9,542
Dividend payment	(240,000)	(80,000)
Currency translation differences	35,559	1,178
31 March	2,154,377	1,257,210

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

	31 March 2022	31 December 2021
Current assets	17,432,291	5,059,935
Non-current assets	4,740,450	3,701,575
Total assets	22,172,741	8,761,510
Short term liabilities	11,434,110	2,829,607
Long term liabilities	5,825,364	3,088,361
Equity	4,913,267	2,843,542
Total liabilities	22,172,741	8,761,510

	1 January - 31 March 2022	1 January - 31 March 2021
Sales (net)	27,002,843	9,583,319
Gross profit	1,410,954	583,670
Operating profit	905,660	275,643
Net income for the period	521,655	23,855

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. TRY 325,450, which is three-fourths of the administrative fine calculated within the framework of article 17 of the Misdemeanor Law No.5326, was paid by Opet to the Large Taxpayers Tax Office, without prejudice to all legal rights regarding the relevant decision. A lawsuit was filed by Opet for the annulment of the aforementioned decision, and a stay of execution decision was made in the aforementioned case. As a result of the trial, the Court decided to cancel the administrative fine and return it to Opet together with its legal interest. In September 2021, a penalty of TRY325,450 and legal interest of TRY 22,550 were withdrawn. The Competition Authority has applied to the court of appeal for the annulment of the annulment decision of the first instance court, and the trial is still ongoing.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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9. Property, Plant and Equipment

The movements of property, plant and equipment and related accumulated depreciation for the period ended 31 March 2022 and 2021 is as follows:

	1 January 2022	Revaluation gains	Currency translation differences	Additions	Transfers	Disposals	31 March 2022
Cost:							
Lands	12,194,383	-	-	-	-	-	12,194,383
Land improvements	4,057,385	-	-	139	-	-	4,057,524
Buildings	1,023,096	-	-	1,084	-	-	1,024,180
Machinery and equipment	13,895,052	-	205	8,779	-	-	13,904,036
Motor vehicles	2,251,000	-	-	127,235	-	(152)	2,378,083
Furniture and fixtures	209,991	-	104	1,869	-	(99)	211,865
Construction in progress	1,134,350	-	20	73,406	-	-	1,207,776
Special costs	63,845	-	478	-	-	-	64,323
Other tangible assets	14,063	-	-	10,000	-	(2,357)	21,706
	34,843,165	-	807	222,512	-	(2,608)	35,063,876
Accumulated depreciation:							
Land improvements	(1,902,880)	-	-	(41,355)	-	-	(1,944,235)
Buildings	(262,466)	-	-	(5,329)	-	-	(267,795)
Machinery and equipment	(5,862,896)	-	(20)	(115,375)	-	-	(5,978,291)
Motor vehicles	(394,555)	-	-	(24,029)	-	152	(418,432)
Furniture and fixtures	(118,126)	-	(8)	(7,788)	-	98	(125,824)
Special costs	(11,229)	-	(32)	(2,951)	-	-	(14,212)
Other tangible assets	(2,550)	-	-	(1,064)	-	2,096	(1,518)
	(8,554,702)	-	(60)	(197,891)	-	2,346	(8,750,307)
Net book value	26,288,463						26,313,569
	1 January 2021	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

Total depreciation expense amounting to TRY197,891 thousand (31 March 2021 – TRY178,400 thousand) related to tangible fixed assets in the comprehensive consolidated income statement for the period ended as of 31 March 2022 has been allocated to cost of goods sold amounting to TRY140,412 thousand (31 March 2021 – TRY137,726 thousand), to marketing, amounting to TRY22,539 thousand (31 March 2021 – TRY21,185 thousand), to general administration expenses amounting to TRY31,431 thousand (31 March 2021 – TRY15,885 thousand), to research and development expenses amounting to TRY3,509 thousand (31 March 2021 - TRY3,604).

The depreciation expense related to right-of-use assets in the consolidated statement of comprehensive income for the period ended as of 31 March 2022 at TRY8,768 thousand (31 March 2021 – TRY8,976 thousand), is classified to general administrative expenses amounting to TRY6,122 thousand (31 March 2021 – TRY6,253 thousand), to marketing, amounting to TRY1,689 thousand (31 March 2021 TRY1,244), and to cost of goods sold amounting to TRY957 thousand (31 March 2021 – TRY1,479).

As of 31 March 2021, there are no pledge on property, plant and equipment (31 March 2021 : None).

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10. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 31 March 2022 and 2021 are as follows:

	1 January 2022	Additions	Transfers	Disposals	31 March 2022
Cost:					
Rights and software	127,665	1	-	-	127,666
Development expenses	124,602	3	-	-	124,605
	252,267	4	-	-	252,271
Accumulated amortisation:					
Rights and software	(92,716)	(3,464)	-	-	(96,180)
Development expenses	(92,750)	(2,680)	-	-	(95,430)
	(185,466)	(6,144)	-	-	(191,610)
Net book value	66,801				60,661

	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

Total amortisation expenses amounting to TRY6,144 thousand (31 March 2021: TRY5,558 thousand) in the consolidated statement of comprehensive income for the period ended 31 March 2022 have been allocated to the general administration expenses amounting to TRY6,129 thousand (31 March 2021: TRY5,542 thousand) and the cost of sales amounting to TRY15 thousand (31 March 2021: TRY16 thousand).

11. Prepaid expenses

Short term prepaid expenses

	31 March 2022	31 December 2021
Insurance and other expenses	239,550	154,876
Advances given	174,567	31,505
Total	414,303	186,615

Long term prepaid expenses:

	31 March 2022	31 December 2021
Advances given to third parties for property, plant and equipment	101,527	79,670
Advances given to related parties for property, plant and equipment (Note 25)	2,719	5,643
Other prepaid expenses	5,013	9,326
Total	109,259	94,639

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12. Other assets and liabilities

	31 March 2022	31 December 2021
Deferred VAT	4,013,047	2,686,223
Deferred Special Consumption Tax (“SCT”)	246,010	239,502
Taxes and funds to be offsetted	110,133	99,073
Income accruals	91,233	81,537
Spare parts and material stocks	67,259	60,131
Deferred Value Added Tax (“VAT”)	5,434	533,242
Other current assets	28,214	31,230
	4,561,330	3,730,938

Other non-current assets:

	31 March 2022	31 December 2021
Spare parts and material stocks	1,978,757	1,877,980
Other	2,519	18,604
	1,981,276	1,896,584

Other short-term liabilities:

	31 March 2022	31 December 2021
Revenue share	2,863,407	2,730,078
SCT payable	1,565,414	794,803
Expense accruals from commodity hedge (*)	432,619	528,339
Deferred Special Consumption Tax (“SCT”)	264,544	239,502
VAT payable	89,421	65,872
Other taxes and liabilities	77,775	116,201
Deferred Value Added Tax (“VAT”)	5,434	533,243
Other	9,486	92,729
	5,308,100	5,100,767

(*) As of 31 March 2022 and 31 December 2021, expense accruals consist of commodity derivative transactions for inventory of Tüpraş which are exposed to commodity price risk. The expense accruals recognized under cost of goods sold and paid on April 7, 2022 (31 December 2021 - Paid on January 7, 2022).

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12. Other assets and liabilities (Continued)

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 TRY2,863,407 thousand accumulated as at 31 March 2022 (31 December 2021: TRY2,730,078 thousand) which is not recognized in the comprehensive income statement, has been classified as “Revenue Share” within “Other short-term liabilities”. TRY2,852,068 thousand is (31 December 2021: TRY2,720,305 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).

13. Provisions

Provision for employee benefits:

Short-term provision for employee benefits:

	31 March 2022	31 December 2021
Seniority incentive bonus provision	60,169	6,558
Personnel bonus accruals	27,464	12,829
Total	87,633	19,387

Long-term employee benefits:

	31 March 2022	31 December 2021
Provision for employment termination benefits	374,203	364,287
Provision for unused vacation	101,314	68,208
Seniority incentive bonus provision	14,058	15,065
Total	489,575	447,560

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

13. Provisions (Continued)

Seniority incentive bonus provision:

Seniority incentive bonus is paid to personnel together with their monthly salary when certain seniority levels are reached. The bonus amounts to 45 days of salary for 5 years of seniority level, 55 days of salary for 10 years of seniority level, 70 days of salary for 15 years of seniority level, 80 days of salary for 20 years of seniority level, 90 days of salary for 25 years of seniority level, 100 days of salary for 30 years of seniority level, 105 days of salary for 35 years of seniority level and 110 days of salary for 40 years of seniority level, paid once for each seniority level.

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

	2022	2021
1 January	27,894	23,383
Charge for the period	17,592	3,345
Payments during the period	(3,964)	(2,935)
31 March	41,522	23,793

Provision for employment termination benefits:

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

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

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

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

	31 March 2022	31 December 2021
Discount rate (%)	4.45%	4.45%
Turnover rate to estimate probability of retirement (%)	99.30%	99.30%

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 TRY10,848.59 which is effective as at 1 January 2022 (31 December 2021: TRY10,848.59).

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

	2022	2021
1 January	364,287	271,661
Interest expense	11,369	8,188
Increase during the period	14,340	6,170
Payments during the period	(15,793)	(30,574)
31 March	374,203	255,445

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13. Provisions (Continued)

Provision for unused vacation:

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

	2022	2021
1 January	68,208	72,866
Charge for the period	35,780	4,670
Payments during the period	(2,674)	(5,004)
31 March	101,314	72,532

Other short term provisions:

	31 March 2022	31 December 2021
EMRA participation share (*)	100,817	78,170
Provision for demurrage	101,418	72,961
Provisions for pending claims and law suits	23,184	20,087
Provisions for cost	10,245	1,827
Other	24,434	7,684
	260,098	180,729

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

Movement of the short-term provisions for the period ended 31 March 2022 and 2021 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Provision for cost	Other	Total
1 January 2022	20,087	78,170	72,961	1,827	7,684	180,729
Changes for the period, net	3,097	22,647	28,457	8,418	16,750	79,369
Payments during the period, net	-	-	-	-	-	-
31 March 2022	23,184	100,817	101,418	10,245	24,434	260,098
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

14. Liabilities for employee benefits

	31 March 2022	31 December 2021
Due to the personnel	106,011	89,007
Social security withholdings payment	71,730	45,464
Total	177,741	134,471

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15. Derivative instruments

	31 March 2022				31 December 2021			
	Purchase contract amount	Sales contract amount	Fair values		Purchase contract amount	Sales contract amount	Fair values	
			Assets	Liabilities			Assets	Liabilities
<i>Cash flow hedge</i>								
Interest rate swap	3,036,317	3,036,317	42,109	43,211	2,729,767	2,729,767	73,916	74,244
Cross currency swap	172,514	27,326	214,748	-	157,006	27,328	229,912	-
Commodity derivative	18,138,885	18,138,885	200,685	4,777,299	15,667,877	15,667,877	2,472,790	2,925,262
<i>Derivatives held for trading</i>								
Currency forwards	17,817,126	18,200,232	14,559	212,332	17,935,101	17,291,627	1,041,354	232,454
Commodity derivative	4,726,200	4,726,200	77,616	-	10,100,317	10,100,317	-	70,217
Short term derrivative instruments			549,717	5,032,842			3,817,972	3,302,177
<i>Cash flow hedge</i>								
Interest rate swap	1,607,999	1,607,999	-	12,753	1,690,745	1,690,745	-	29,117
Cross currency swap	172,514	27,327	88,019	-	157,003	27,327	44,213	-
Long term derrivative instruments			88,019	12,753			44,213	29,117
Total derrivative instruments			637,736	5,045,595			3,862,185	3,331,294

As of 31 March 2022, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY18,200,232 thousand in exchange of USD1,216,535 thousand. (As of 31 December 2021, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY17,291,627 thousand in exchange of USD1,345,570 thousand.)

As of 31 March 2022, interest rate swap consists of exchange of floating rate instalment payments of long term borrowings and bonds amounting to USD193,679 thousand (31 December 2021: USD201,104 thousand) and TRY1,740,000 (31 December 2021: TRY1,740,000 thousand) thousand with fixed rate installment payments for cash flow hedging.

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15. Derivative instruments (Continued)

As of 31 March 2022, cross currency swap transactions consist of swaps with fixed interest rate transaction of foreign currency indexed floating interest rate USD23,558 thousand (31 December 2021: USD23,558 thousand) and fixed interest rate long-term borrowings amounting to TRY54,655 thousand (31 December 2021 TRY54,655).

As of 31 March 2022 and 31 December 2021, commodity derivative transactions consists of average refinery crack margin fixing transactions and crude oil sale and purchase transactions. Average refinery crack margin fixing transactions have been executed for, gasoline stocks of 2,414 thousand barrels, jet fuel stocks of 1,411 thousand barrels, diesel stocks of 4,581 thousand barrels and fuel oil stocks of 1,125 thousand barrels for the second quarter of 2022. (31 December 2021: Gasoline stocks of 551 thousand barrels, jet fuel stocks of 214 thousand barrels, diesel stocks of 1,061 thousand barrels and fuel oil stocks of 214 thousand barrels for first quarter of 2022). Crude oil derivative transactions consist of sale and purchase transactions of crude oil amounting to 10,021 thousand barrels (31 December 2021: 10,865).

There is no ineffective portion of these derivative instrument transactions.

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

16. Commitments and contingent assets and liabilities

		31 March 2022		31 December 2021
	Original currency(*):	TRY amount:	Original currency(*):	TRY amount:
Guarantees received:				
Letter of guarantees received		3,599,014		1,900,224
- Letter of guarantees in TRY	2,936,267	2,936,267	782,663	782,663
- Letter of guarantees in USD	24,654	361,075	21,763	290,084
- Letter of guarantees in EUR	18,363	299,478	54,712	825,429
- Letter of guarantees in other currencies	-	2,194	-	2,048
Guarantee notes received		423		733
- Guarantee notes in TRY	423	423	733	733
Guarantee letters received		794,747		727,787
- Guarantee letters received in TRY	50,000	50,000	50,000	50,000
- Guarantee letters received in USD	50,851	744,747	50,851	677,787
Guarantee letters of credit		82,219		119,507
- Letters of credit in USD	5,614	82,219	8,966	119,507
Direct debiting limits		754,969		610,515
- TRY direct debiting limits	754,969	754,969	610,515	610,515
Total guarantees received		5,231,371		3,358,766
Guarantees given:				
Letter of credits given		23,241,929		15,973,754
- Letter of credits in USD	1,522,387	22,296,572	1,196,876	15,953,154
- Letter of credits in EUR	1,168	19,046	1,011	15,256
- Letter of credits in other currencies	-	926,311	-	5,344
Letter of guarantees given		5,015,887		2,656,844
- Letter of guarantees in TRY	5,012,956	5,012,956	2,642,862	2,642,862
- Letter of guarantees in USD	200	2,931	200	2,667
- Letter of guarantees in EUR	-	-	750	11,315
Letters of guarantee given to customs offices		808,072		800,740
- Letter of guarantees in TRY	710,220	710,220	710,220	710,220
- Letter of guarantees in EUR	6,000	97,852	6,000	90,520
Letters of guarantee given to banks		900,964		860,398
- Letter of guarantees in USD	61,517	900,964	64,551	860,398
Guarantess		104,000		1,386,216
- Guarantees in USD	104,000	1,523,163	104,000	1,386,216
Total guarantees given		31,490,014		21,677,952

(*) Original balance amounts are expressed in thousands of currencies

As at 31 March 2022 and 31 December 2021, 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 2022, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY848,134 thousand (31 December 2021: TRY809,367 thousand) and for derivative financial instruments amounting to TRY52,829 thousand (31 December 2021: TRY51,031 thousand).

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16. Commitments and contingent assets and liabilities (Continued)

Collaterals, pledges, mortgages given by the Group as at 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
A. CPMs given for companies in the name of its own legal personality	28,145,125	18,673,584
- TRY	5,723,176	3,353,082
- USD	21,378,741	15,198,067
- EUR	116,897	117,091
- Other	926,311	5,344
B. CPMs given on behalf of the fully consolidated companies	3,344,889	3,004,368
- USD	3,344,889	3,004,368
- EUR	-	-
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	31,490,014	21,677,952

17. Equity

The Company’s shareholders and their shareholding percentages as at 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	Share (%)	31 December 2021	Share (%)
Enerji Yatırımları A.Ş.	127,714	51	127,714	51
Publicly Owned	122,705	49	122,705	49
Paid-in Capital	250,419	100	250,419	100
Adjustments to share capital	1,344,243		1,344,243	
Total 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 2021: 1Kr) each. The authorised and paid-in share capital of the Company comprises 25,041,919,999 Group A shares with a registered nominal value of 1Kr and one Group C share with privileges belonging to the Privatisation Administration.

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

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

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17. Equity (Continued)

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under “Restricted Reserves”. At 31 March 2022, the restricted reserves of the Company amount to TRY503,343 thousand (31 December 2021 - TRY503,343).

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 year end 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 30 March 2022, in the financial statements prepared in accordance with the Tax Procedural Law records; although the operations in 2021 resulted in a current year profit of TRY676,189 thousand; due to the previous year loss of TRY4,201,408 thousand, it is declared that dividends will not be distributed and the net period profit which was obtained according to the financial statements prepared in accordance with TFRS amounting to TRY3,319,134 thousand attributable to the equity holders of the parent will be transferred to the retained earnings.

18. Revenue and cost of sales

	1 January - 31 March 2022	1 January - 31 March 2021
Domestic revenue	58,403,004	15,513,699
Export revenue	19,234,228	4,549,227
Gross revenue	77,637,232	20,062,926
Less: Sales discounts	(1,055,129)	(220,394)
Less: Sales returns	(40,877)	(21,542)
Sales (net)	76,541,226	19,820,990
Cost of goods sold	(71,236,895)	(18,293,664)
Gross profit	5,304,331	1,527,326

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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18. Revenue and cost of sales (Continued)

Cost of sales:

	1 January - 31 March 2022	1 January - 31 March 2021
Raw material, manufactured and consumable material	67,779,589	17,273,505
Energy expenses	2,211,995	467,405
Personnel expenses	442,031	251,248
Depreciation and amortization (Note 9-10)	141,384	138,986
Other production expenses	661,896	162,520
Cost of sales	71,236,895	18,293,664

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

General administrative expenses:

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses	276,868	164,560
Office expenses	39,913	13,904
Insurance expenses	68,442	53,837
Tax duties and fees	51,319	26,986
Depreciation and amortization (Note 9-10)	43,682	27,680
Outsourced services	42,020	21,370
Subscription fees	24,865	13,991
Lawsuit and consultancy expenses	14,190	6,406
Donations	10,499	5,389
Transportation and travel expenses	2,314	672
Other	18,306	19,137
Total general administrative expenses	592,418	353,932

Marketing expenses:

	1 January - 31 March 2022	1 January - 31 March 2021
Transportation, storage and insurance expenses	266,422	93,431
Personnel expenses	70,121	41,195
Outsourced services	24,616	10,792
Depreciation and amortization (Note 10)	24,228	22,664
Energy expenses	23,984	5,517
Advertising expenses	10,862	4,408
Other	23,184	15,443
Total marketing expenses	443,417	193,450

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

Research and development expenses:

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses	7,934	5,063
Depreciation and amortization (Note 9)	3,509	3,604
Lawsuit and consultancy expenses	76	40
Outsourced services	174	213
Licence expenses	30	52
Other	2,732	740
Total research and development expenses	14,455	9,712

20. Other operating income/(expenses)

	1 January - 31 March 2022	1 January - 31 March 2021
Other operating income:		
Credit finance gains	533,562	103,133
Foreign exchange gain from trade receivables	244,256	57,959
Provisions no longer required	-	432
Rent expenses	2,374	-
Other	25,357	13,683
Total other operating income	805,549	175,207

	1 January - 31 March 2022	1 January - 31 March 2021
Esas faaliyetlerden diğer giderler:		
Foreign exchange loss from trade payables	(2,131,740)	(1,723,942)
Credit finance charges	(135,780)	(18,887)
Other	(35,730)	(16,827)
Total other operating expense	(2,303,250)	(1,759,656)

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21. Income/(expense) from investment activities

	1 January - 31 March 2022	1 January - 31 March 2021
Maddi ve maddi olmayan duran varlık satış (zararları)/karları, net	1,296	222
Toplam yatırım faaliyetlerinden (giderler)/gelirler	1,296	222

22. Financial income/(expenses)

	1 January - 31 March 2022	1 January - 31 March 2021
Financial income:		
Foreign exchange gains on deposits	2,277,140	64,881
Interest income on deposits	159,041	552,570
Türev araçlardan kaynaklanan karlar	-	1,604,612
Total financial income	2,436,181	2,222,063
Financial expense:		
Foreign exchange losses on borrowings	(1,860,950)	(1,936,081)
Interest expenses	(676,499)	(606,850)
Losses on derivative instruments	(1,759,583)	(33,716)
Other	(43,285)	(1,015)
Total financial expense	(4,340,317)	(2,577,662)

23. Tax assets and liabilities

	31 March 2022	31 December 2021
Current period corporate tax provision	11,970	47,972
Current year tax assets	(11,970)	(9,579)
	-	38,393

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

The corporation tax rate for the fiscal year 2022 is 23% (2021: 25%). The corporate tax rate for the 2022 year has been determined as 23%. Corporation tax is payable on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

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23. 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 2022 and 31 December 2021 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax (liability)/asset	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Investment incentives(*)	(34,989,814)	(34,664,738)	6,319,008	6,264,162
Fair value difference of derivative instruments	(4,393,977)	632,642	1,156,272	(145,508)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	(3,451,456)	3,820,612	656,078	614,257
Inventories	(599,727)	(149,788)	137,937	(34,451)
Employment termination benefits	(375,385)	379,579	75,589	71,784
Accumulated deductible financial losses (**)	(329,889)	2,403,799	65,978	480,760
Provision for unused vacation liability	(79,807)	55,089	15,961	11,035
Deferred financial income (expense), net	(67,488)	1,073,031	15,522	246,797
Provision lawsuits	(23,184)	38,491	5,332	8,853
Gain on revaluation of tangibles	12,127,667	12,127,601	(1,212,767)	(1,212,767)
Other	(281,809)	296,383	64,815	68,168
			7,304,483	6,377,848

(*) 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%. The company has performed the revaluation of the unutilized investment incentives for both certificates by using the 36.20% revaluation rate, which was announced for the second provisional tax period of 2021 by the Ministry of Finance. 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.

There are two priority and one regional comprehensive incentive certificates for the expansion investments made by Körfez, one of the company's subsidiaries. Within the scope of these 3 incentive certificates, in order to continue its main activities, investment expenditures were made for technical machinery as well as locomotives and wagon investments. With these documents, the company benefits from a 40% investment contribution rate, 80% corporate tax reduction, VAT exemption, customs tax exemption, employer's insurance premium support and interest support incentives

(**) Deferred tax assets amounting to TRY329,889 thousand which is to be used within 5 years consist of Group's financial losses amounting to TRY65,978 thousand (31 December 2021 – TRY480,760 thousand).

The company has assessed that the necessary taxable profit will arise in the following periods, the deferred tax asset has been recognised in the current period.

The movement of deferred taxes is as follows:

	2022	2021
Deferred tax asset/(liability), net		
1 January	6,377,848	5,002,427
Charge for the period	(113,781)	224,335
Charge to equity:		
- Hedging cash flow gains/(losses)	1,040,416	45,157
31 March	7,304,483	5,271,919

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24. Earnings per share

	1 January 31 March 2022	1 January 31 March 2021
(Loss) profit for the year attributable to shareholders of the Group	895,661	(760,495)
Weighted average number of Shares with nominal value of Kr1 each	25,041,920,000	25,041,920,000
Basic and diluted (loss) earnings per share in Kr	3.58	(3.04)

25. 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 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (2)	1,334,710	7,012,655
Total	1,334,710	7,012,655

b) Due from related parties:

	31 March 2022	31 December 2021
Opet Petrolcülük A.Ş. (1)	1,476,638	1,382,904
THY OPET Havacılık Yakıtları A.Ş. (1)	46,183	75,814
Aygaz A.Ş. (2)	299,942	186,648
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	5,676	21,765
Diğer (2)	2,559	1,133
Total	1,830,998	1,668,264

As of 31 March 2022, Tüpraş has derecognized TRY113,000 thousand TL (31 December 2021: TRY70,000 thousand) which has been collected from factoring companies and TRY769,882 thousand (31 December 2021: TRY153,100 thousand) which has been collected via supplier financing, from trade receivables from related parties.

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25. Related party transactions (Continued)

c) Trade payables:

	31 March 2022	31 December 2021
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	38,656	27,801
Opet Petrolcülük A.Ş. (1)	38,092	41,542
Aygaz A.Ş. (2)	15,159	16,170
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	13,147	3,399
Koç Sistem Bilgi ve İletişim A.Ş. (2)	12,228	37,183
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	2,264	4,988
Setur Servis Turistik A.Ş. (2)	324	3,082
Ark İnşaat A.Ş. (2)	-	23,540
Diğer (2)	3,606	7,416
Total	123,476	165,021

d) Other payables:

	31 March 2022	31 December 2021
Koç Holding A.Ş. (3)	-	43,328
Total	-	43,328

e) Advances given for property, plant and equipment

	31 March 2022	31 December 2021
Ark İnşaat A.Ş. (2)	2,719	5,643
Total	2,719	5,643

f) Bank loans:

	31 March 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (2)	813,776	815,729
Total	813,776	815,729

g) Lease liabilities:

	31 March 2022	31 December 2021
Koç Ailesi (3)	68,134	67,827
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	16,541	16,427
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	13	20
Total	84,688	84,274

h) Product and service sales:

	1 January - 31 March 2022	1 January - 31 March 2021
Opet Petrolcülük A.Ş. (1)	14,572,361	3,264,216
Aygaz A.Ş. (2)	1,114,287	204,141
THY OPET Havacılık Yakıtları A.Ş. (1)	659,911	430,680
Opet Fuchs Madeni Yağ A.Ş. (1)	61,878	23,393
Diğer (2)	9,795	11,004
Total	16,418,232	3,933,434

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i) Product and service purchases:

	1 January - 31 March 2022	1 January - 31 March 2021
Opet Petrolcülük A.Ş. (1)	721,747	38,266
Opet Fuchs	120,512	-
Aygaz A.Ş. (2)	89,548	23,828
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	47,764	26,965
Koç Sistem Bilgi ve İletişim A.Ş. (2)	15,490	8,668
Koç Holding A.Ş. (3) (*)	8,567	7,364
THY OPET Havacılık Yakıtları A.Ş. (1)	7,135	14
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	6,993	5,921
Setur Servis Turistik A.Ş. (2)	1,518	-
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	-	395
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	-	180,550
Diğer (2)	8,868	9,082
Total	1,028,142	301,053

(*) 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.

(**) It includes the paid and accrued premium amounts within the scope of policies signed with insurance companies which are not related parties, via Ram Sigorta Aracılık Hizmetleri A.Ş. which operates as an insurance agency.

j) Fixed asset purchases:

	1 January - 31 March 2022	1 January - 31 March 2021
Ark İnşaat A.Ş. (2)	24,073	28,204
Koç Sistem Bilgi ve İletişim A.Ş. (2)	12,342	-
Diğer (2)	111	283
Total	36,526	28,487

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25. Related party transactions (Continued)

k) Remuneration of board of directors and executive management:

The senior management of the Group 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 TRY6,678 thousand as of period ending on 31 March 2022 (31 March 2021 – TRY4,586 thousand). All of this amount consists of short term benefits. (2021: All of this amount consists of short term benefits).

l) Financial expenses paid to related parties:

	1 January - 31 March 2022	1 January - 31 March 2021
Yapı ve Kredi Bankası A.Ş. (2)	23,560	21,817
Yapı Kredi Faktoring A.Ş. (2)	4,788	2,056
Total	28,348	23,873

m) Time deposit interest income:

	1 January - 31 March 2022	1 January - 31 March 2021
Yapı ve Kredi Bankası A.Ş. (2)	75,816	250,987
Total	75,816	250,987

n) Donations:

As of 31 March 2022, total donation amount paid to related parties is TRY1,131 thousand (31 March 2021 – TRY2 thousand).

26. 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.

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26. Financial instruments and financial risk management (Continued)

Credit risk:

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

Credit risks of the Group for each financial instrument type as at 31 March 2022 and 31 December 2021 are as follows:

31 March 2022	Receivables				Bank deposits	Derivative instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
Maximum exposed credit risk as of reporting date	1,830,998	17,359,826	-	24,383	19,315,983	637,736	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	1,766,882	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,830,998	15,978,785	-	24,383	19,315,983	637,736	-
B. Net book value of overdue but not impaired financial assets	-	1,381,041	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,528	-	2,612	-	-	-
- Impairment (-)	-	(5,528)	-	(2,612)	-	-	-
- 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 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	1,668,264	11,848,559	-	20,541	20,400,235	3,862,185	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	803,208	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,668,264	11,727,020	-	20,541	20,400,235	3,862,185	-
B. Net book value of overdue but not impaired financial assets	-	121,539	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,528	-	2,612	-	-	-
- Impairment (-)	-	(5,528)	-	(2,612)	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

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26. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

31 March 2022	Receivables		Bank deposits	Derivative instruments	Other
	Trade Receivables	Other Receivables			
Overdue (1-30 days)	1,327,440	-	-	-	-
Overdue (1-3 months)	5,598	-	-	-	-
Overdue (3-12 months)	39,870	-	-	-	-
Overdue (1-5 years)	8,133	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

31 December 2021	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other Receivables			
Overdue (1-30 days)	68,106	-	-	-	-
Overdue (1-3 months)	6,081	-	-	-	-
Overdue (3-12 months)	36,404	-	-	-	-
Overdue (1-5 years)	10,948	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

During the impairment test of financial assets, the Group has considered the indicators regarding uncollectibility of receivables that are due. The Group has guarantees received amounting to TRY75,730 thousand (31 December 2021: TRY70,726 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 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Group 1	24,070	24,306
Group 2	3,471,015	3,329,855
Group 3	13,622,699	9,648,375
Group 4	691,999	392,748
Total	17,809,783	13,395,284

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.

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26. Financial instruments and financial risk management (Continued)

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 15).

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 15).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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26. Financial instruments and financial risk management (Continued)

Foreign exchange risk

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

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 31 March 2022 and 31 December 2021:

	31 March 2022		31 December 2021	
	TRY	USD(*)	TRY	USD(*)
Monetary assets	22,510,766	1,537,012	16,145,074	1,211,274
Monetary liabilities	(80,334,305)	(5,485,143)	(63,749,820)	(4,782,791)
Monetary assets / (liabilities) foreign currency position	(57,823,539)	(3,948,131)	(47,604,746)	(3,571,517)
Non-monetary assets	86,891	5,933	14,358	1,077
Net foreign currency position of derivative financial instruments	-	-	-	-
	18,162,159	1,240,093	18,249,110	1,369,128
Net foreign currency asset / (liability) position	(39,574,489)	(2,702,105)	(29,341,278)	(2,201,311)
Cash flow hedging (**)	4,915,792	335,645	5,170,028	387,878
Net foreign currency position after cash flow hedging	(34,658,697)	(2,366,460)	(24,171,250)	(1,813,433)
Inventory in natural hedge scope (***) Ödeme taahhütleri (-)	34,954,937	2,386,687	24,197,942	1,815,436
	-	-	-	-
Net foreign currency position after cash flow hedging and natural hedge	296,240	20,227	26,692	2,002

(*) 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 USD335,645 thousand, which is equivalent to TRY4,915,792 thousand (USD387,878 thousand / TRY5,170,028 thousand in 31 December 2021) 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 2022, TRY3,992,600 thousand of (31 December 2021: TRY4,108,543) 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 2022, the foreign exchange loss amounting to TRY656,266 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 2022, foreign exchange loss of these loans in 2022 amounting to TRY540,248 were added to the "Cash flow hedge gains (losses)" account under equity.

(***) The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 31 March 2022, the Group has crude oil and petroleum products inventories amounting to TRY34,954,937 thousand (31 December 2021: TRY24,197,942 thousand).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

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

26. Financial instruments and financial risk management (Continued)

	Foreign exchange position table									
	31 March 2022					31 December 2021				
	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	7,548,560	515,396	10	-	-	2,286,540	171,534	11	-	-
Monetary financial assets (including cash, banks)	14,962,206	1,013,441	6,192	967	-	13,858,534	1,014,354	729	18,212	-
Other	81,543	4,669	394	351	-	9,491	237	108	262	(6)
Current assets	22,592,309	1,533,506	6,596	1,318	-	16,154,565	1,186,125	848	18,474	(6)
Monetary financial assets	-	-	-	-	-	-	-	-	-	-
Other	5,348	-	-	278	-	4,867	-	-	271	-
Non-current assets	5,348	-	-	278	-	4,867	-	-	271	-
Total assets	22,597,657	1,533,506	6,596	1,596	-	16,159,432	1,186,125	848	18,745	(6)
Trade payables	54,509,078	3,715,426	5,563	153	11	41,249,784	3,077,863	14,123	-	11,879
Financial liabilities	4,737,264	322,692	352	283	-	4,274,587	319,889	354	303	-
Other monetary liabilities	5,369,521	366,367	86	124	-	3,596,305	269,811	-	-	-
Current liabilities	64,615,863	4,404,485	6,001	560	11	49,120,676	3,667,563	14,477	303	11,879
Financial liabilities	15,705,689	1,064,753	6,497	290	-	14,605,610	1,087,904	6,586	310	-
Other monetary liabilities	12,753	871	-	-	-	23,534	1,766	-	-	-
Non-current liabilities	15,718,442	1,065,623	6,497	290	-	14,629,144	1,089,670	6,586	310	-
Total liabilities	80,334,305	5,470,108	12,498	850	11	63,749,820	4,757,233	21,063	613	11,879
Net asset/(liability) position of off-balance sheet foreign currency derivatives	18,162,159	1,240,093	-	-	-	18,249,110	1,369,128	-	-	-
Total amount of off-balance sheet derivative financial assets	38,540,989	2,631,539	-	-	-	35,955,537	2,697,542	-	-	-
Total amount of off-balance sheet derivative financial liabilities	(20,378,830)	(1,391,445)	-	-	-	(17,706,427)	(1,328,414)	-	-	-
Net foreign currency asset/(liability) position	(39,574,489)	(2,696,509)	(5,902)	746	(11)	(29,341,278)	(2,201,980)	(20,215)	18,132	(11,885)
Cash flow hedging	4,915,792	335,645	-	-	-	5,170,028	387,878	-	-	-
Net foreign currency position after cash flow hedging	(34,658,697)	(2,360,864)	(5,902)	746	(11)	(24,171,250)	(1,814,102)	(20,215)	18,132	(11,885)
Net monetary foreign currency asset/(liability) position	(57,823,539)	(3,941,272)	(6,296)	117	(11)	(47,604,746)	(3,571,345)	(20,323)	17,599	(11,879)
Fair value of derivative instruments Used for hedging	104,994	7,169	-	-	-	1,083,025	81,253	-	-	-

As at 31 March 2022, the Group has TRY296,240 thousand as net foreign currency deficit after natural hedging (31 December 2021: TRY26,692 thousand net foreign currency deficit).

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

26. 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 2022 and 31 December 2021.

Statement of foreign currency risk sensitivity				
31 March 2022				
	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	(5,772,308)	5,772,308	(479,878)	479,878
Amount hedged for USD risk (-)	1,708,014	(1,708,014)	-	-
USD net effect	(4,064,294)	4,064,294	(479,878)	479,878
10% change in EUR rate				
Euro net assets/ liabilities	(9,221)	9,221	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(9,221)	9,221	-	-
TOTAL	(4,073,515)	4,073,515	(479,878)	479,878

Statement of foreign currency risk sensitivity				
31 December 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	(4,760,246)	4,760,246	(500,711)	500,711
Amount hedged for USD risk (-)	2,325,623	(2,325,623)	-	-
USD net effect	(2,434,623)	2,434,623	(500,711)	500,711
10% change in EUR rate				
Euro net assets/ liabilities	(30,660)	30,660	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(30,660)	30,660	-	-
TOTAL	(2,465,283)	2,465,283	(500,711)	500,711

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

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26. Financial instruments and financial risk management (Continued)

Export and import

	1 January - 31 March 2022	1 January - 31 March 2021
Export		
USD (equivalent of thousand TRY)	13,493,808	2,927,271
Total	13,493,808	2,927,271
Import		
USD (equivalent of thousand TRY)	60,671,530	16,049,491
Total	60,671,530	16,049,491

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 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Total financial liabilities (Note 5)	32,240,738	31,617,541
Less: Cash and cash equivalents (Note 4)	(9,669,718)	(16,152,381)
Net financial liabilities	22,571,020	15,465,160
Total shareholders’ equity	15,964,997	17,827,517
Total capital invested	38,536,017	33,292,677
Gearing ratio	58.57%	46.45%

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.

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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26. 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: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other variables used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 March 2022 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	637,736	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	5,045,595	-

Fair value hierarchy table as at 31 December 2021 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	3,862,185	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	3,331,294	-

27. Subsequent events

In line with Tüpraş's Strategic Transition Plan, which was approved and publicly announced on November 24, 2021; Entek Elektrik Üretim A.Ş. ("Entek") shares with a nominal value of 942,727,458.04 TL, corresponding to 99.24% of the capital of Entek registered in the assets of Koç Holding A.Ş. ("Koç Holding") and Aygaz A.Ş. ("Aygaz"), will be acquired by partial demerger.

The demerger is based on the parties of this transaction's financial statements dated 31.12.2021, which have been prepared within the framework of the relevant regulations of the CMB and which have undergone independent audit. Due to the takeover by demerger, the issued capital of Tüpraş will be increased by TL 24,837.314.00, in exchange for Tüpraş's shares to be issued for this transaction, shares of Koc Holding and Aygaz in Entek, will be taken over by Tüpraş. It has been decided that, issued shares with a nominal value of 12,418,655 TL will be given to Koç Holding through a partial demerger with the participation model, and issued shares with a nominal value of 12,418,659 TL will be given to Aygaz's shareholders through a partial demerger with the share transfer model. As a result of the transaction Tüpraş shares with a nominal value of 0.02635 TL will be given to Koç Holding and Aygaz partners in exchange for Entek shares with a nominal value of 1 TL.

The application has been made to the Capital Markets Board for the approval on 29 April 2022.