Tüpraş

Q4 2021 Earnings Presentation

Koç | 16 February 2022

Disclaimer

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2021 Highlights – Getting back to 2019…

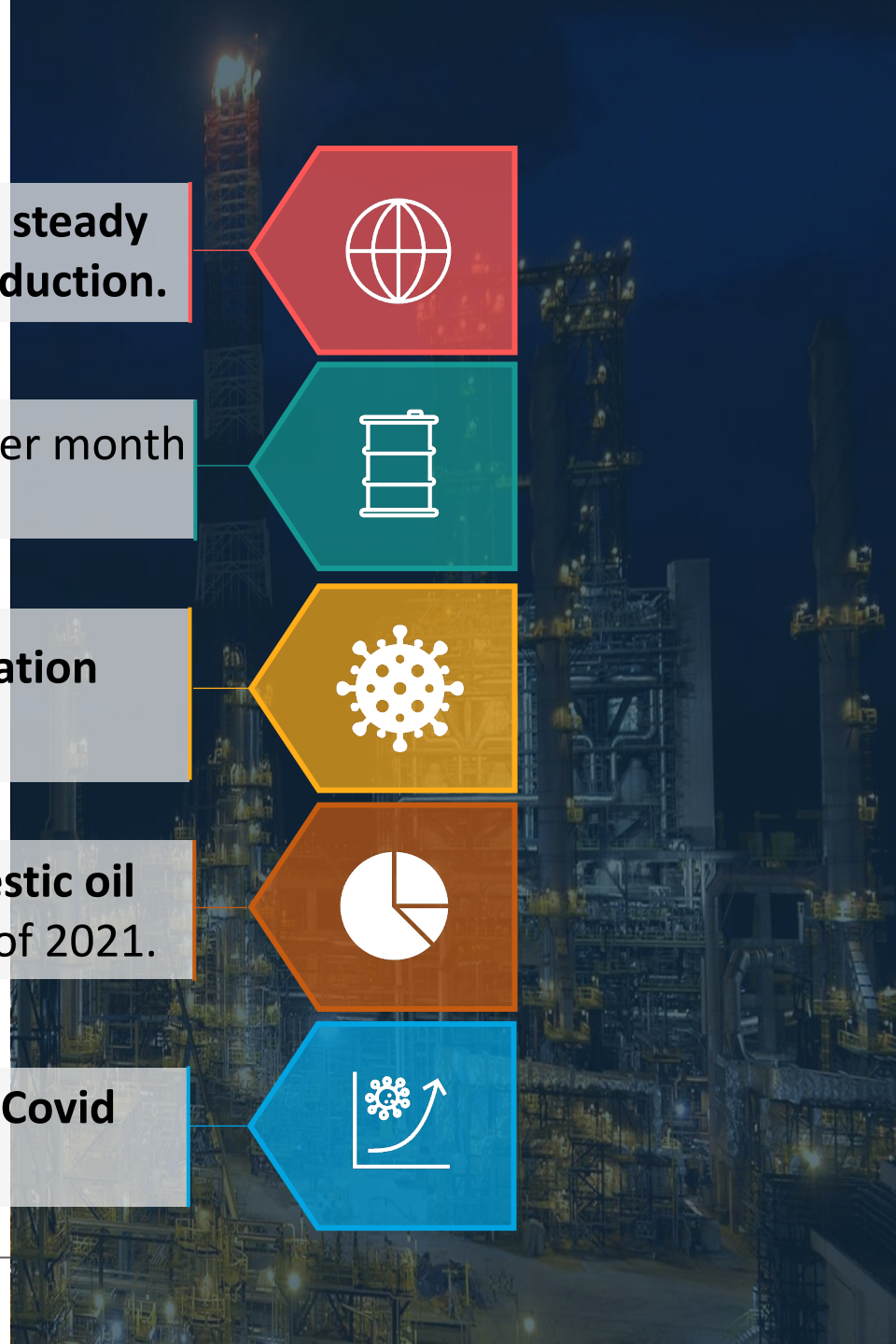
Brent price increased by 49% y-o-y on average in 2021 with **steady draws from global oil inventories** and **OPEC+'s reduced production.**

OPEC+ increased production by ~400 k bbl/d since May 2021 per month and **is only 6% below of 2019 production in Q4'21.**

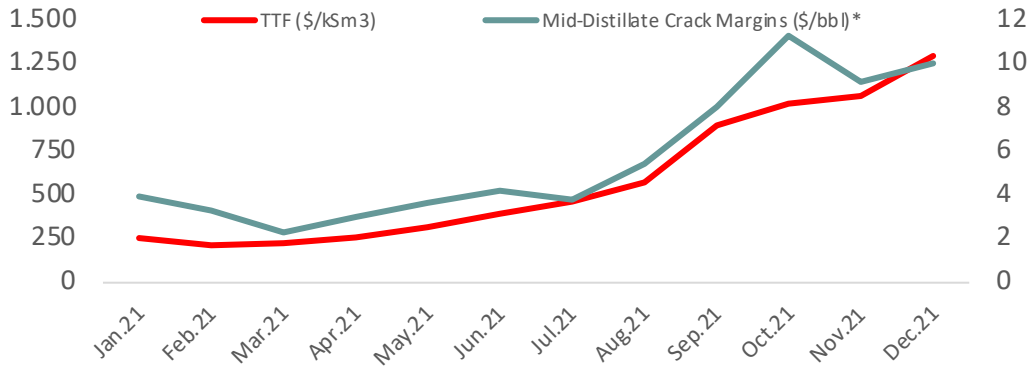
Covid-19 impact on mobility continued to wane with global **vaccination reaching above 60% in Q4'21** and milder variant Omicron.

Fuel demand continued to be resilient in Turkey with **total domestic oil products' demand increased by 5% y-o-y** in the first 11 months of 2021.

Crack margins continued their **upward trend towards pre-Covid levels, reaching this target** in December.



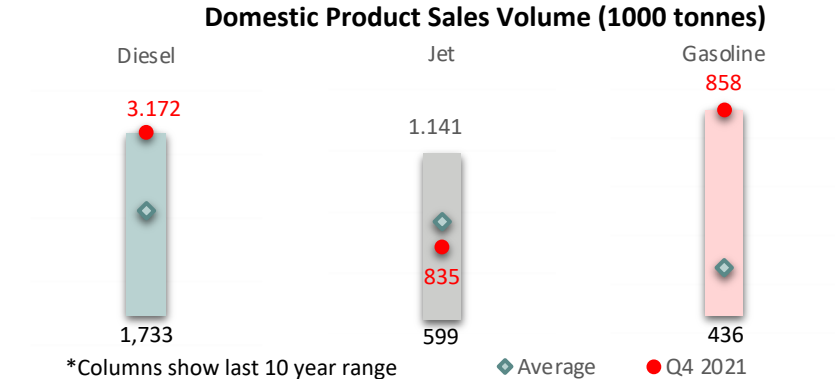
Q4 2021 Tüpraş Highlights



*Calculated based on 50% jet, 50% diesel cracks

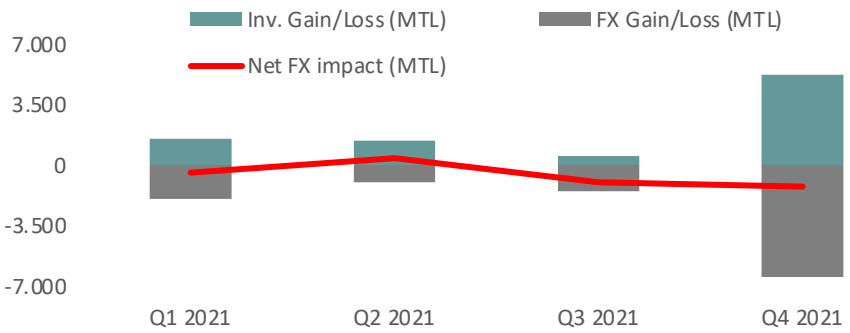
Price surge in natural gas reflected to cracks

- Energy costs of hydrocracking in Europe were materially elevated with the increase in natural gas prices
- This has almost fully reflected in the cracks in Europe



Historically high domestic product sales for gasoline and diesel in Q4

- Historically high 4q domestic sales were recorded for gasoline and diesel, with the increased passenger car use and high industrial activity
- Strong recovery in jet fuel sales continued, flight numbers in Turkey stood at only 15% below 2019 in Q4'21



Inventory Gain offsetting FX impact

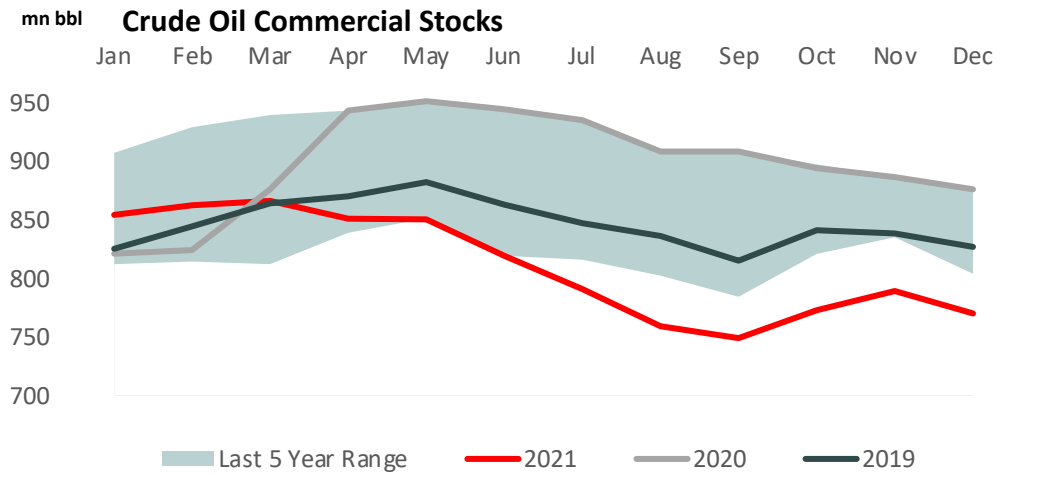
- Brent price increase and TL depreciation led to strong inventory gains in Q4
- Net FX loss largely offset by this inventory gain

Market

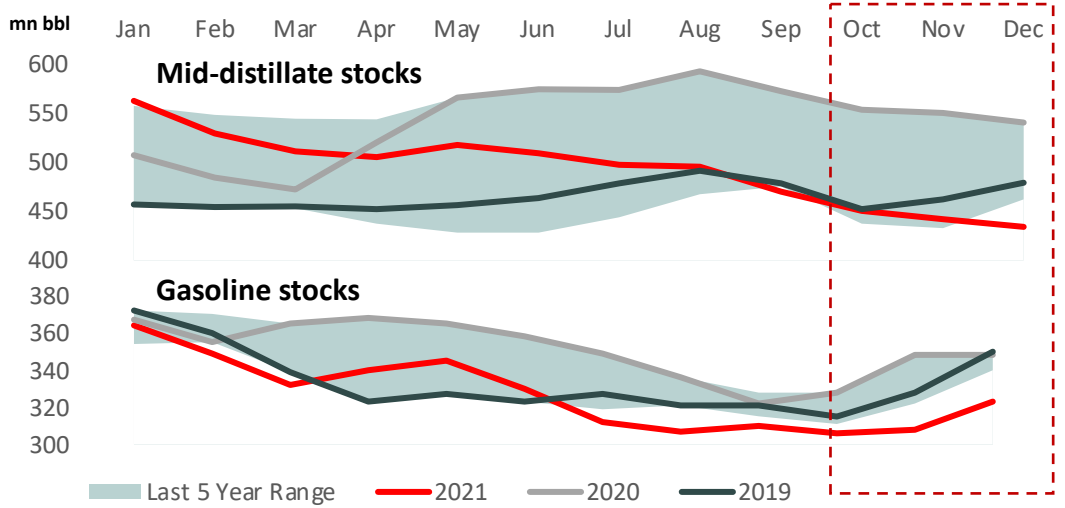
Q4 2021 – Key Market Highlights

Global Oil Market

Global crude oil inventories continued to decline while moving Brent prices up with demand recovery expectations



Global refined product stocks were at historically low levels, supporting cracks



Turkish Market

Resilient fuel market dynamics amid volatility in macro indicators

TL depreciated by **51%** against **USD q-o-q**

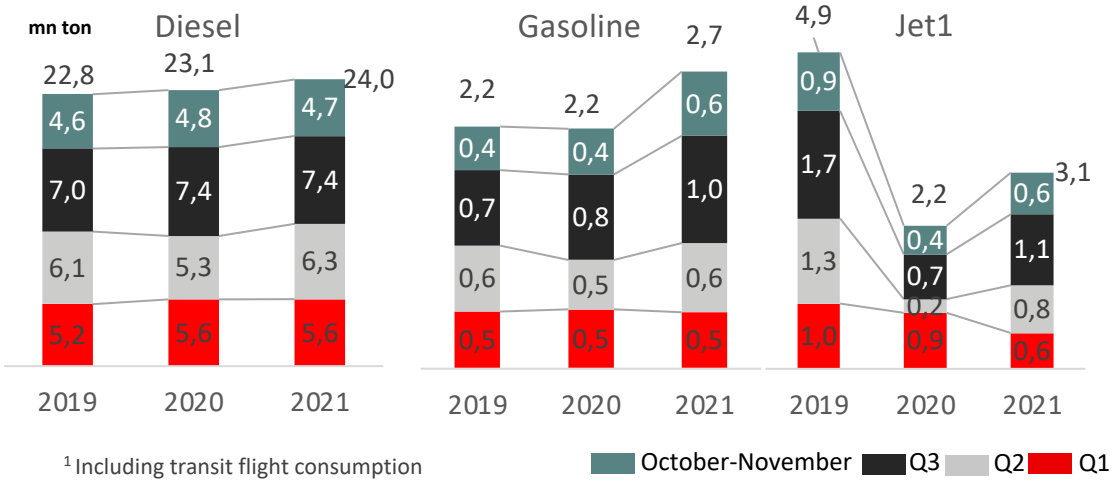
Year on Year Change in **CPI** at **36.08%** in 2021

Number of flights in Turkey, only **15%** lower than 2019 levels

Driving in Turkey as of 2021 **2x** of January 2020*

*Indexed 100 as of 13.01.2020

Gasoline and Diesel continues to improve gradually while post-pandemic recovery in jet fuel demand goes on



[1] Including transit flight consumption

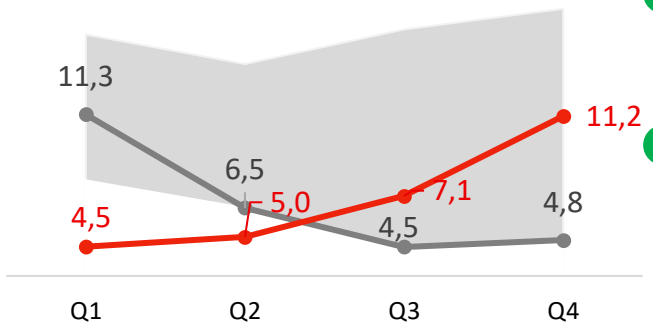
Source: DHMİ, EMRA, Apple

Quarterly Crack Margin Comparison ($/bbl) 2016 - 2021

Ongoing recovery in demand and low inventory levels led crack margins to reach pre-covid levels in Q4'21.

2021 2020 2016-2020 Min - Max

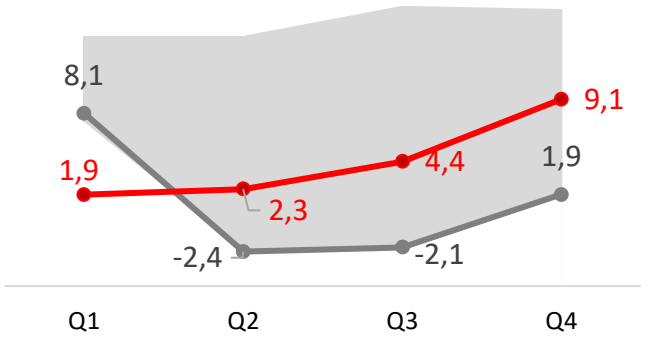
Diesel



+ Better demand dynamics and low inventory levels supported diesel cracks

+ Improving jet fuel demand also helped volume normalization for diesel

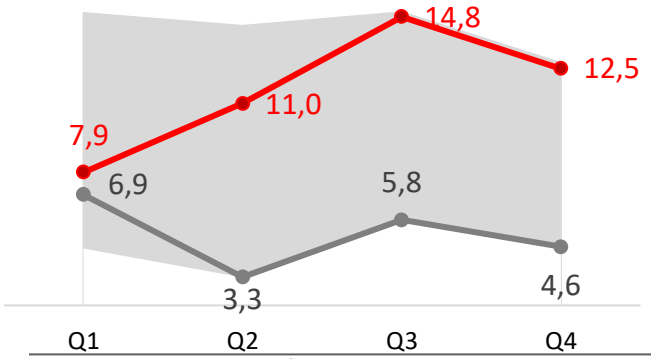
Jet Fuel



+ Air traffic continues to gain momentum, no serious impact is anticipated due to Omicron

- Full recovery needs normalization in long haul traffic, such as Transatlantic and Europe to Asia

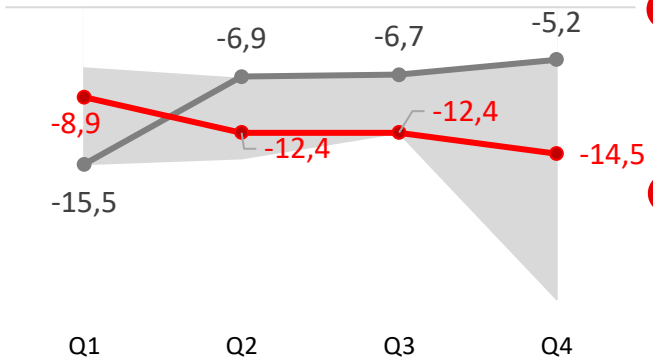
Gasoline



+ Low inventory levels resulted in strong gasoline cracks

+ Strong private car use continues to support gasoline cracks

High Sulphur Fuel Oil

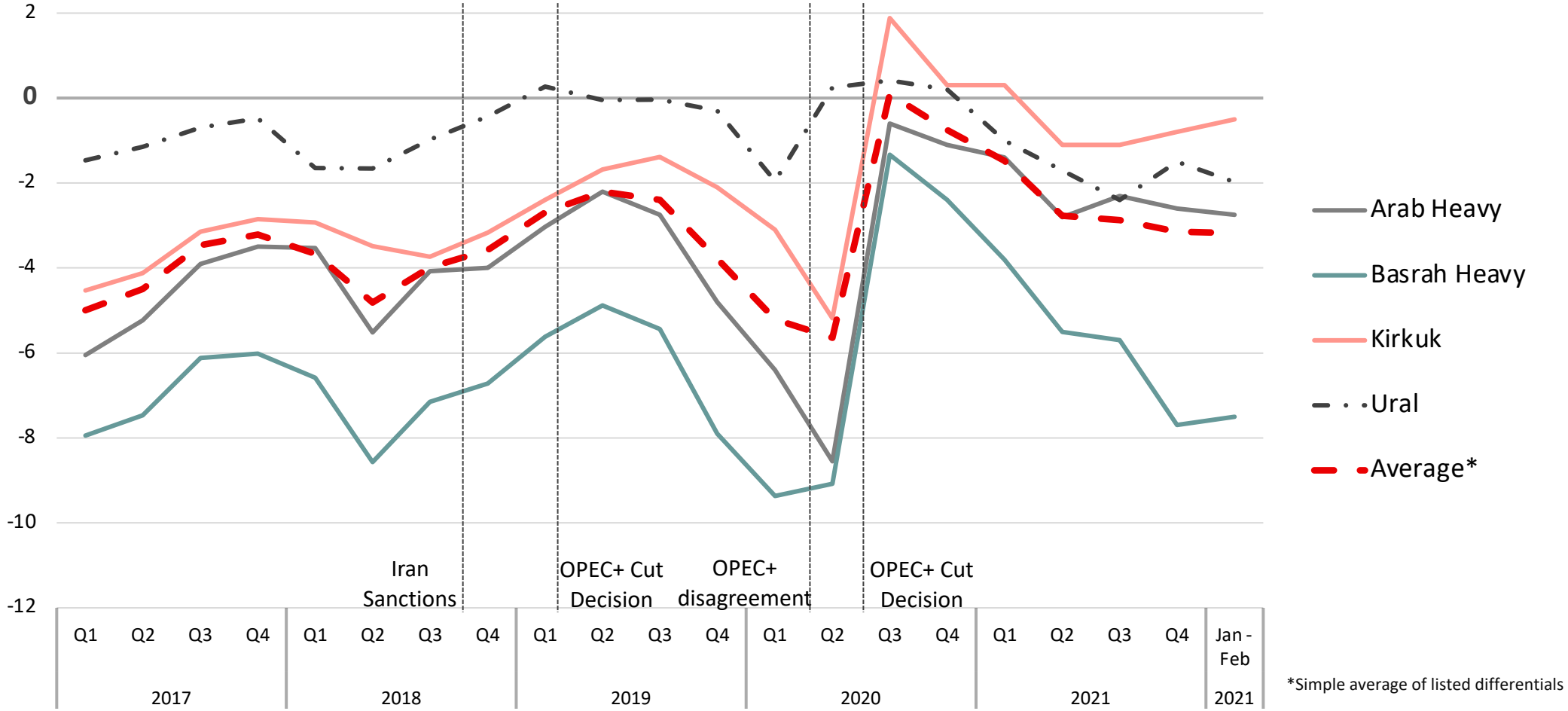


- Lower CURs due to increase in natural gas prices, also resulted in lower demand for HSFO

- Elevated Brent price continues to put pressure on HSFO cracks

Heavy Crude Price Differentials to Brent ($/bbl)

Differentials continued to widen in Q4 as OPEC+ remains committed to its decision on easing cuts.



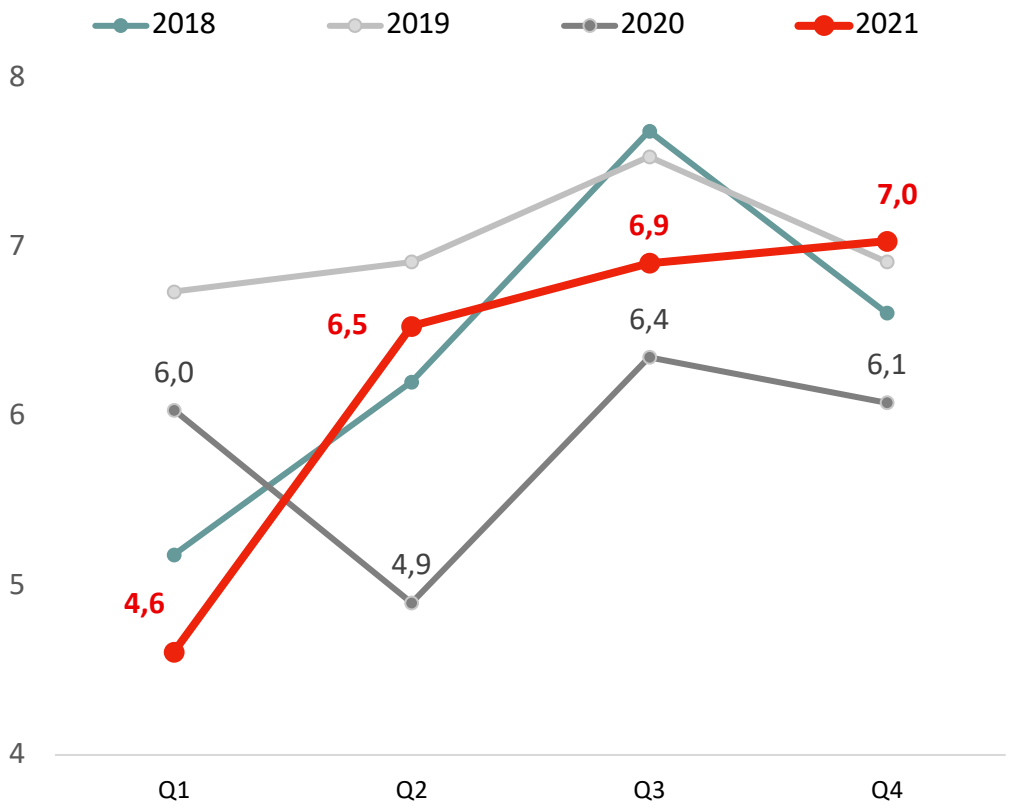
*Simple average of listed differentials

Operations

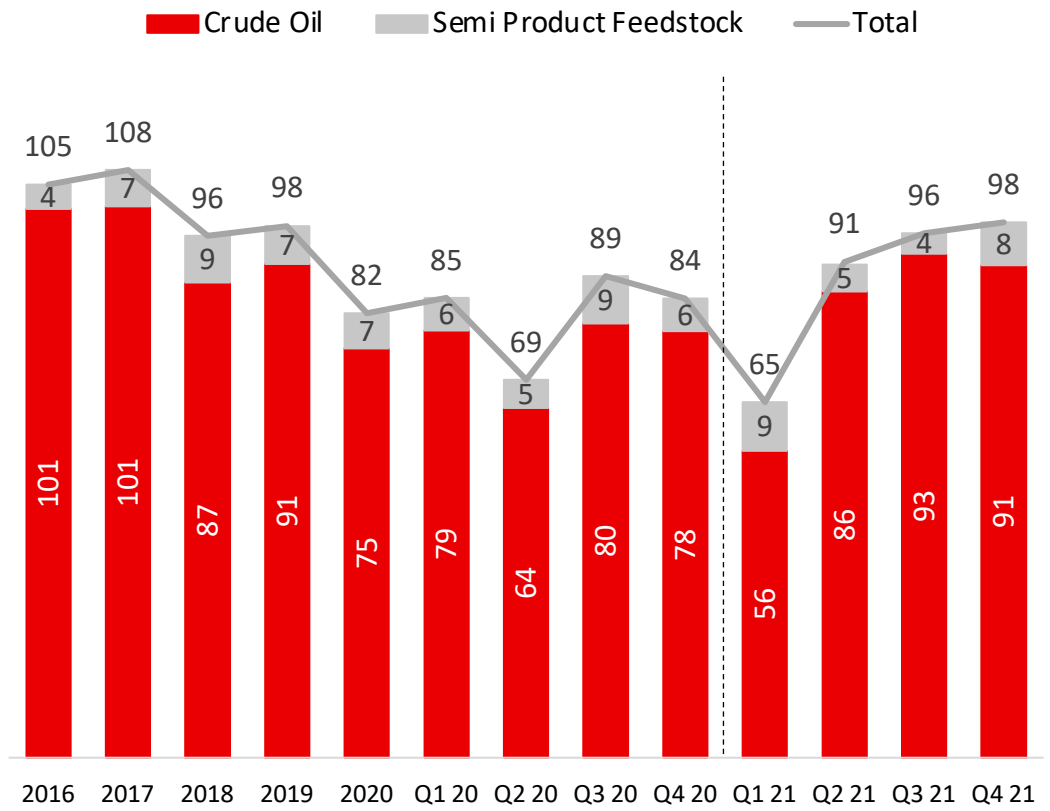
Capacity Utilization and Quarterly Production Volume

- Tüpraş produced 7.0 million tons in Q4 2021, the highest fourth quarter figure since Q4'2016.
- Capacity utilization for Q4 2021 was 98% - higher both on y-o-y and q-o-q

Quarterly Production (Million Tons)



Capacity Utilization (%)

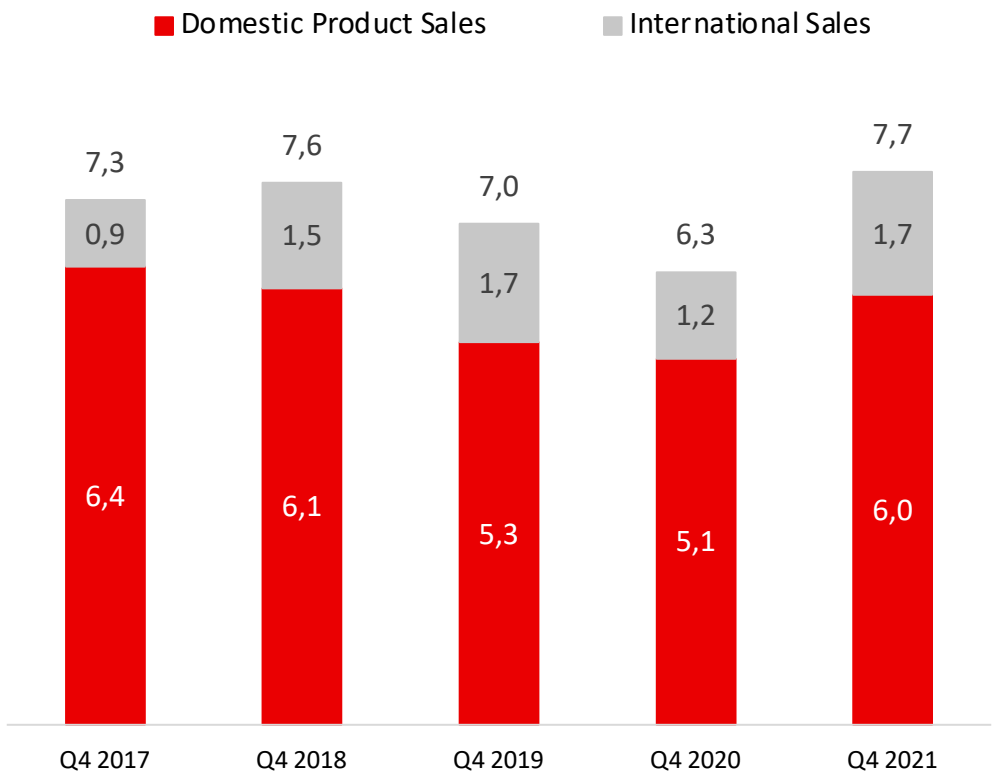


*Capacity utilization calculation is based on 30 mn tons for Q1 2019 and onwards.

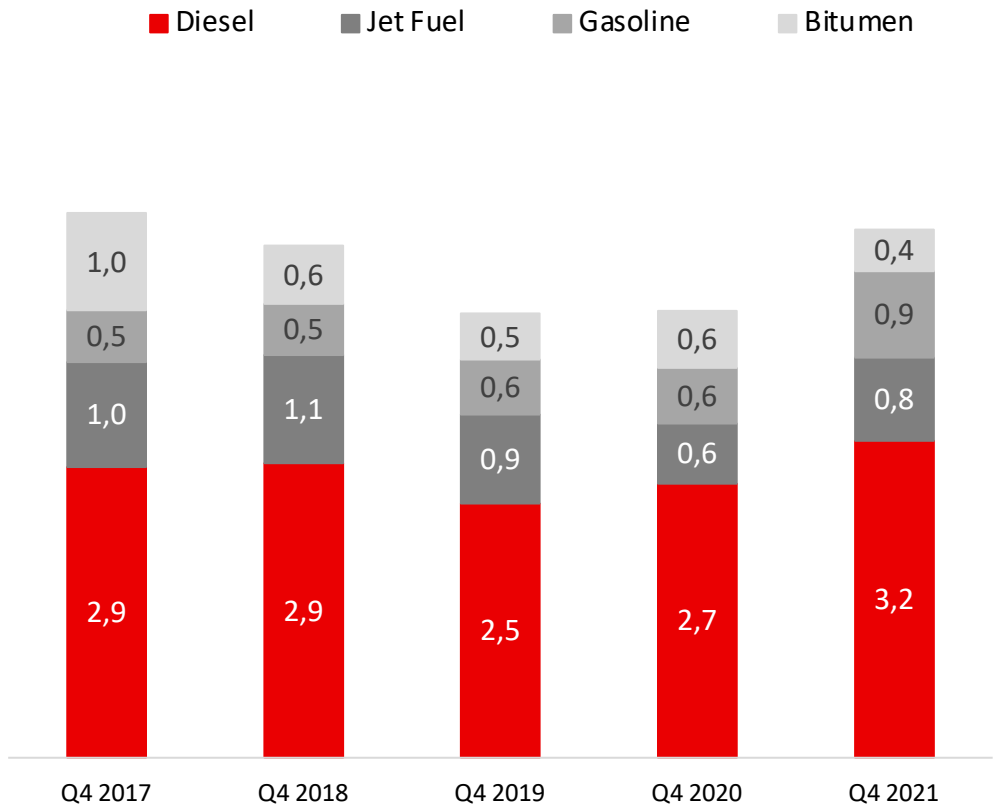
Product Sales in Q4 (Million Tons)

- Tüpraş generated 7.7 million tons of sales in Q4 2021, the highest fourth quarter figure since Q4'2015.
- Gasoline, jet fuel and diesel sales were strong with improved domestic demand.

Total Product Sales

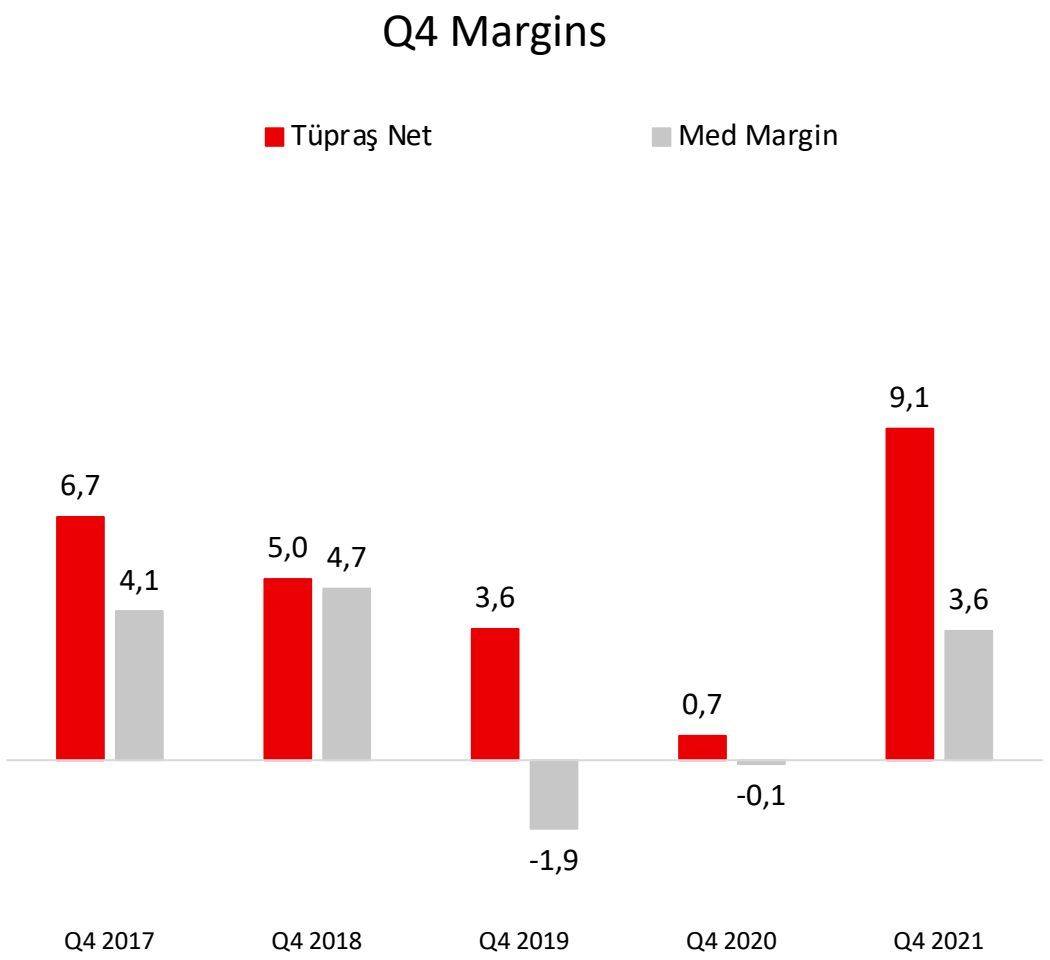


Domestic Sales of Selected Products



Financials

Tüpraş Net Margin and Med Complex Margin Comparison ($/bbl)



- Tüpraş net refining margin was significantly better y-o-y, supported with stronger crack margins and wider differentials.
- Net refining margin was further enhanced compared to Med margin due to inventory gains which is not included in the Med margin calculation

Effect of hedging operations excluded from above calculations.

Income Statement (Million TL)

Million TL	Q4 2021	Q4 2020	%	12M 2021	12M 2020	%
Net Sales	56,470	19,990	182%	150,972	63,244	139%
COGS	-48,569	-19,396	-150%	-135,521	-61,480	-120%
Gross Profit	**7,902**	**593**	**1231%**	**15,451**	**1,764**	**776%**
Operating Expenses	-1,212	-535	-126%	-3,242	-2,012	-61%
Income/Loss from other operations	-9,735	562	-	-11,744	-371	-3065%
Operating Profit	**-3,045**	**620**	**-**	**465**	**-619**	**-**
Inc./Loss from Eq. Pick ups & Inv. activities	395	120	230%	701	-28	-
Operating Profit Before Fin. Income/Loss	**-2,650**	**739**	**-**	**1,166**	**-647**	**-**
Financial Income /Expense	3,319	-852	-	996	-3,149	-
Profit Before Tax	**669**	**-113**	**-**	**2,161**	**-3,795**	**-**
Net Profit (excluding minority interest)	**1,392**	**376**	**270%**	**3,319**	**-2,494**	**-**
EBITDA *(mn. TL)	**7,267**	**383**	**1798%**	**13,688**	**545**	**2410%**
Inventory Gain/Loss (mn. TL)	5,223	127	4005%	8,659	-457	-
EBITDA* (mn. TL) CCS	**2,044**	**256**	**700%**	**5,029**	**1,003**	**402%**

Key Highlights of Income Statement

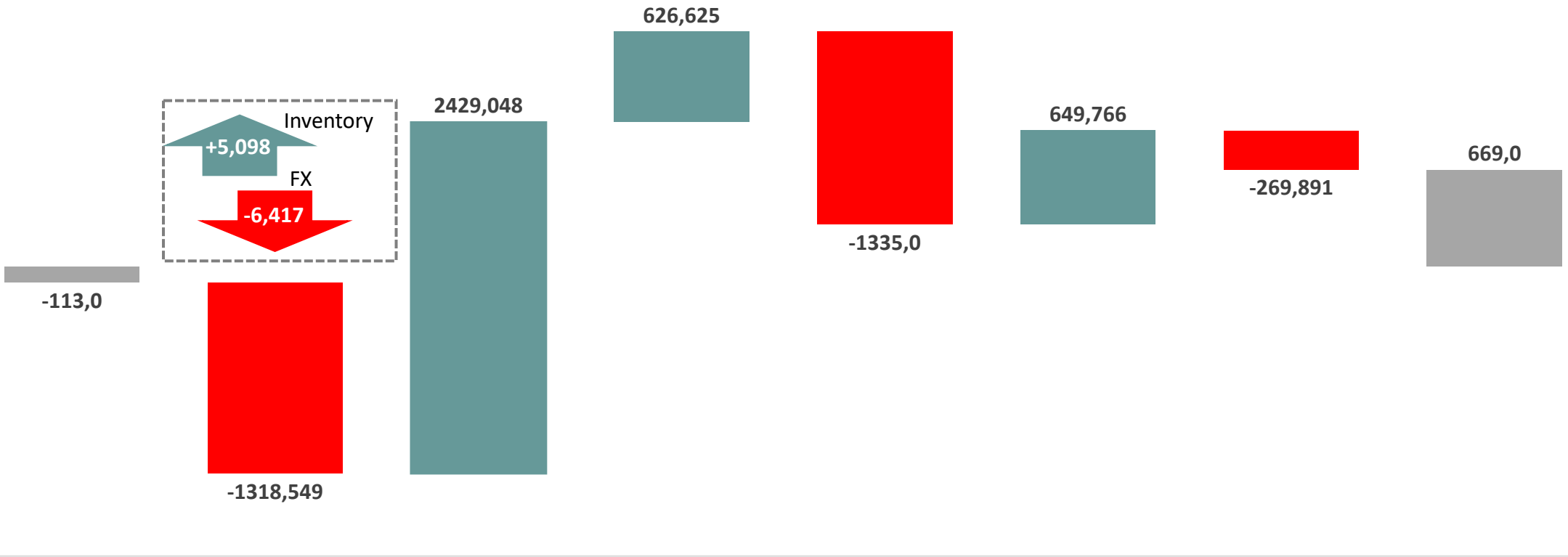
- Y-o-y increase in Opex is mainly driven with higher logistics expenses due to higher production amount in Q4'21, as well as TL depreciation.
- We have recorded 108 MTL income from Ditas' tanker sale in Q4'21.
- Opet's contribution to net income was 287 MTL, recorded under income from equity-pickup.
- Income loss from other operations and Financial Income/Expense should be considered together to calculate the actual FX impact on our P&L.
- Consolidated FX Loss is largely offset by inventory gains in Q4'21.

*On CMB reports. EBIT includes extra items such as FX impacts of trade receivables and payables. In our EBITDA calculation. FX related items are excluded from EBIT in line with international practices.

Q4 Profit Before Tax Bridge (Q4 2021- Q4 2020)

Despite devaluation in TL, PBT performance was strong in Q4 2021 with increase in total sales volume, better crack margins, widening differentials and lower interest expenses

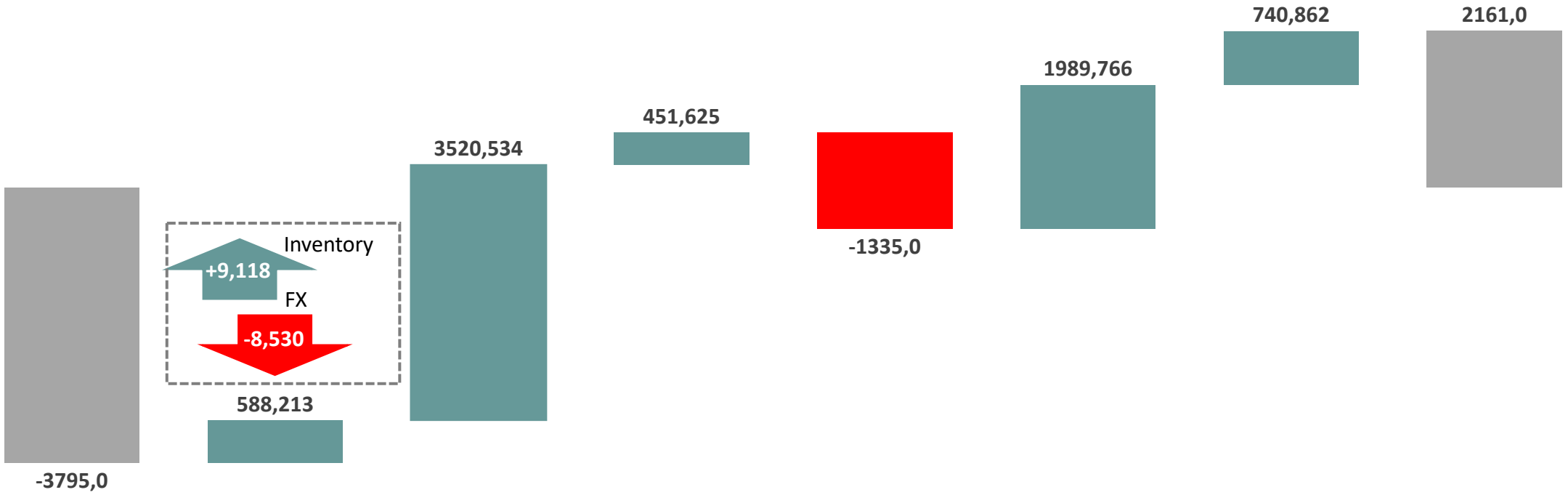
Million TL



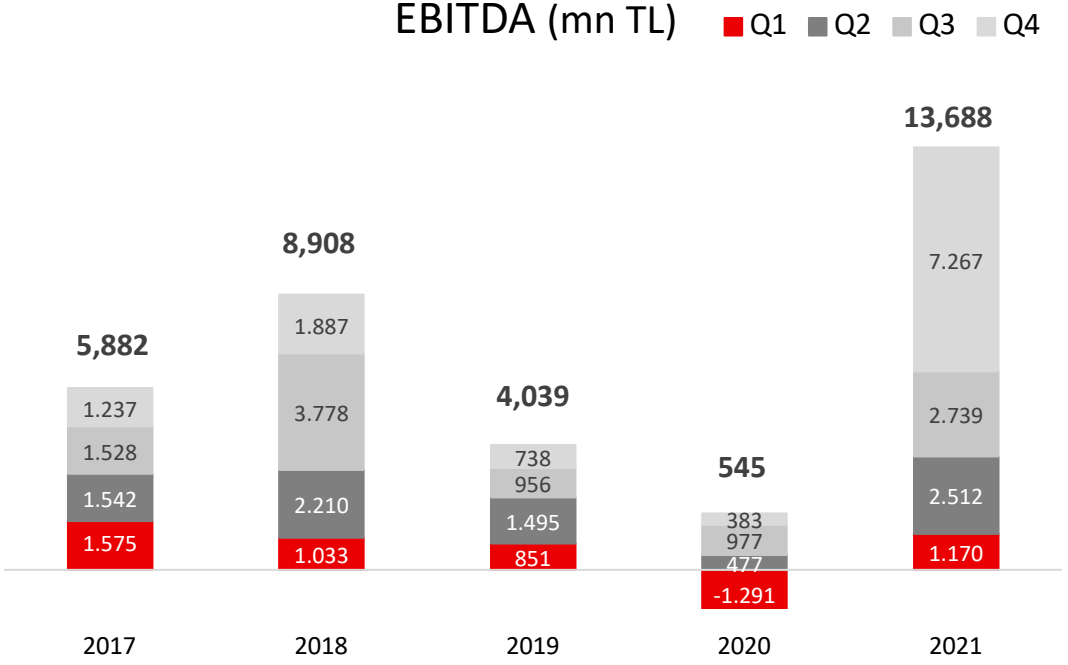
Profit Before Tax Bridge (2021-2020)

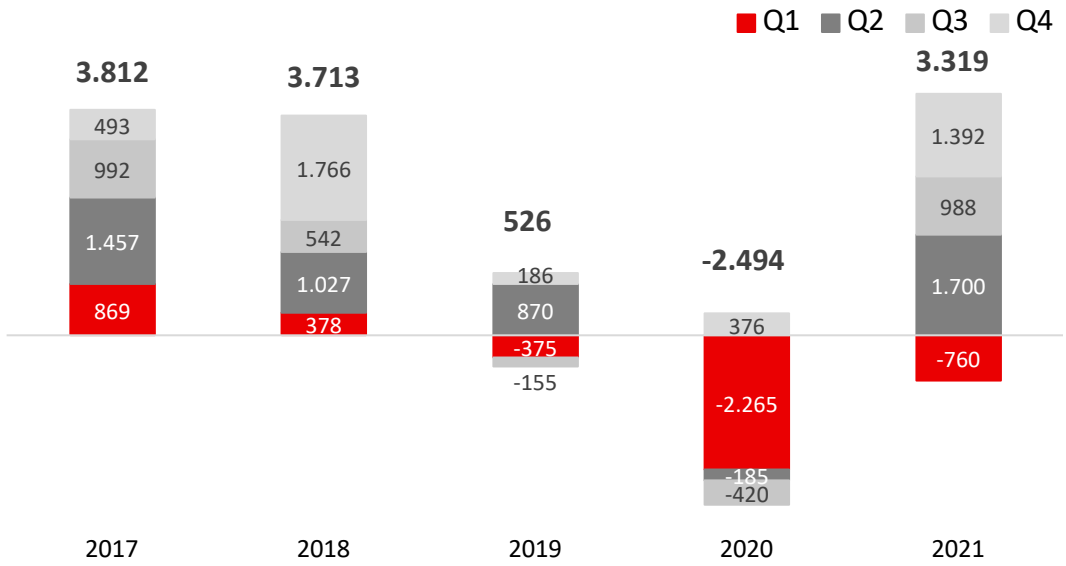
PBT performance was strong in 2021 with better operational performance and lower interest expenses as net FX impact mostly matched with inventory gains

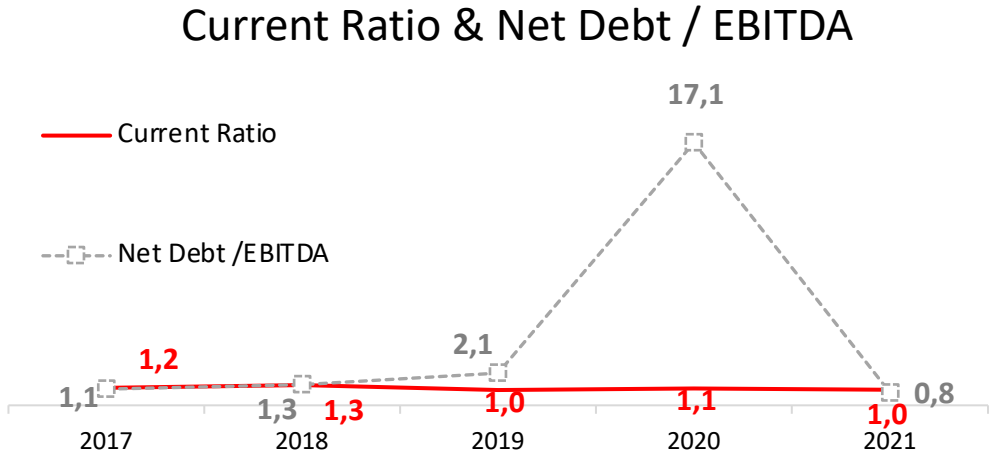
Million TL

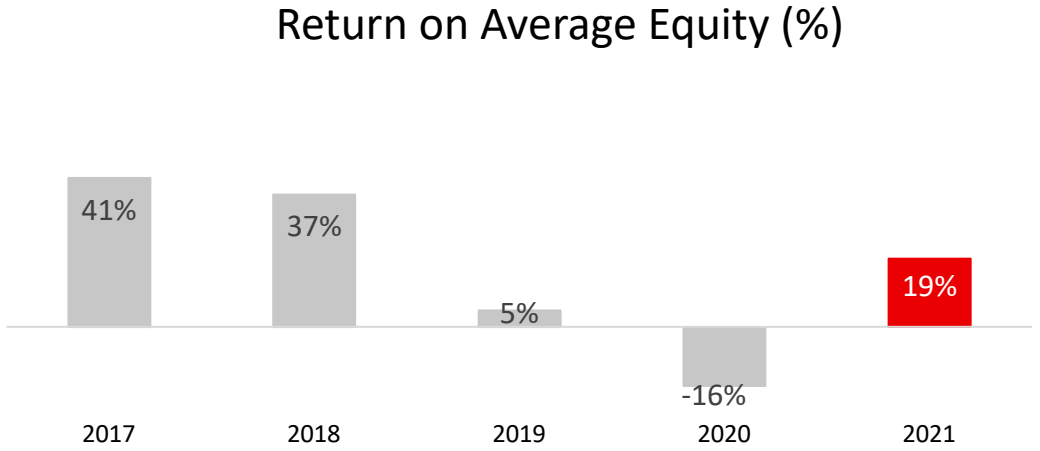


Financial Highlights



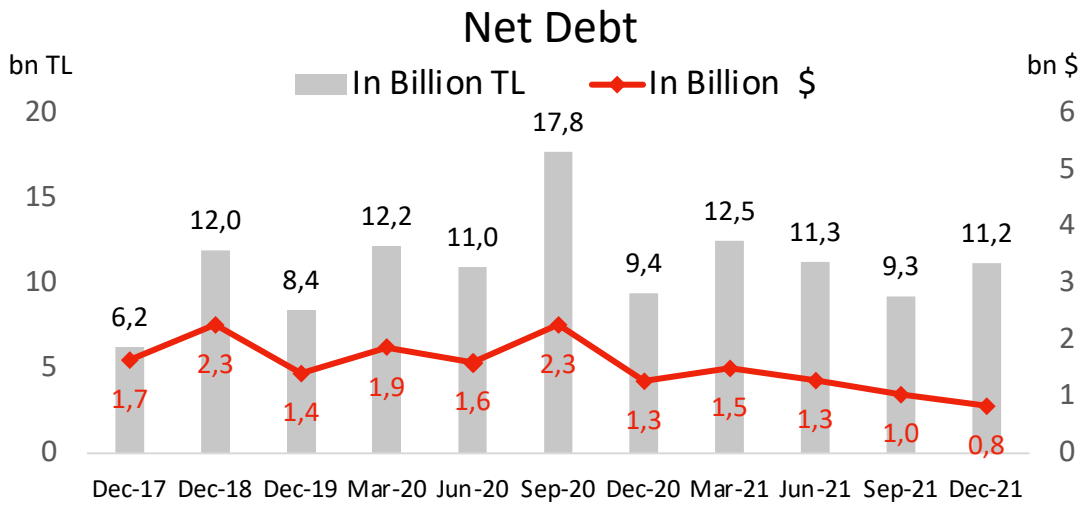


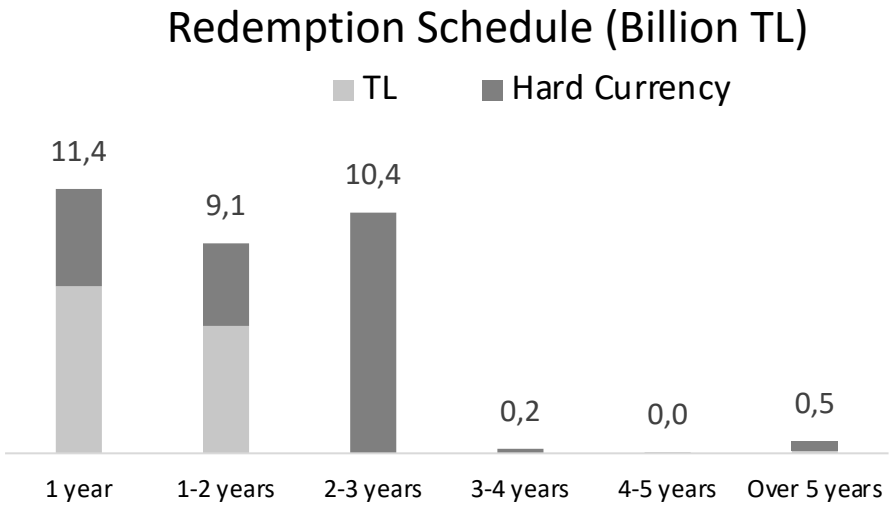


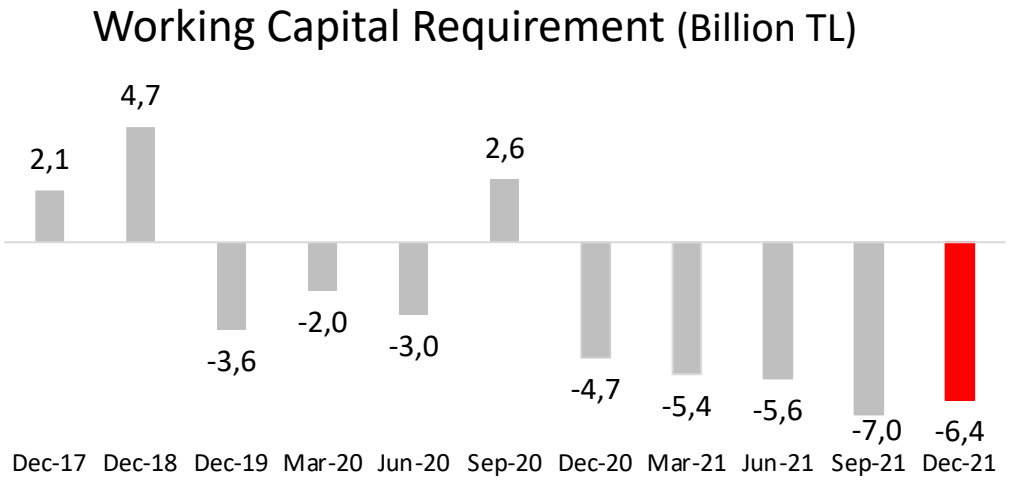


(1) Excluding minority interest

Balance Sheet Analysis





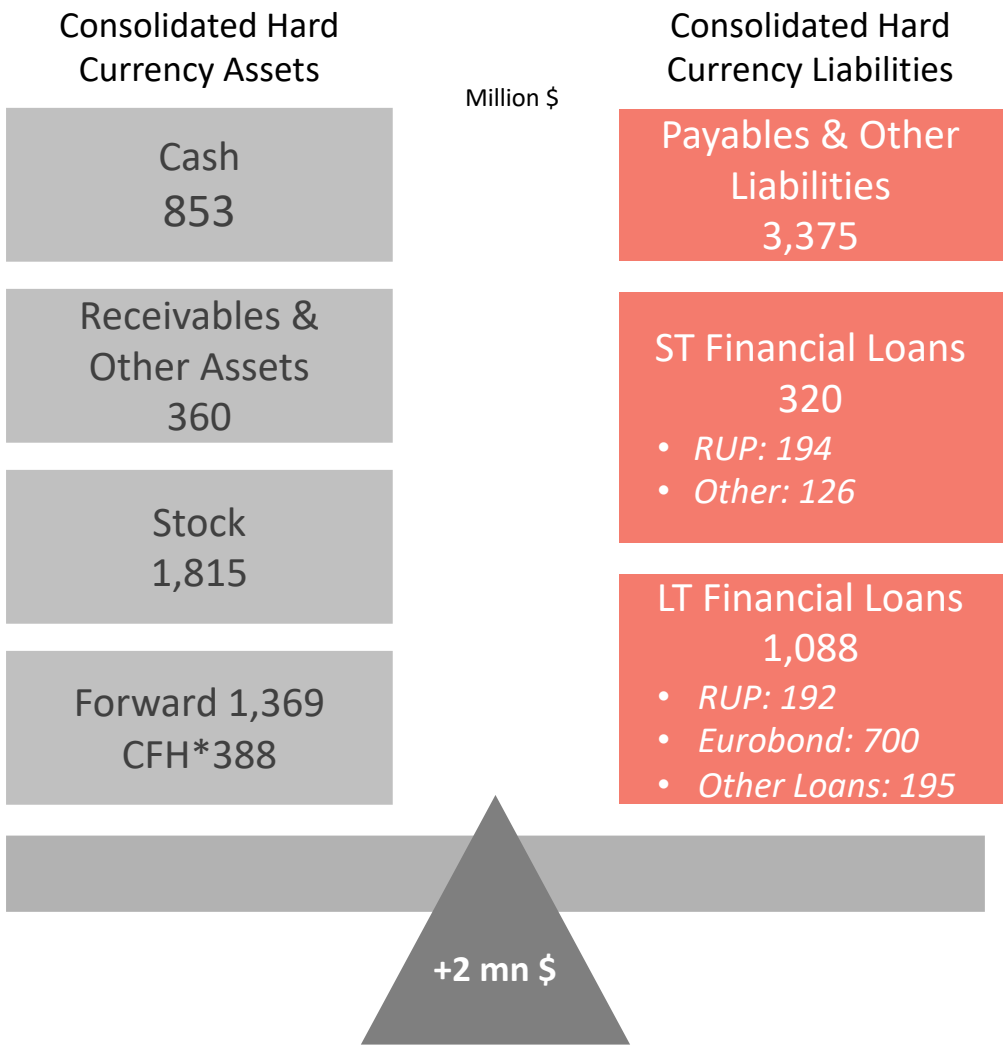


Financial Management

- Ongoing strict working capital management continues to lower funding needs
- Improved operational profit generation further helps deleveraging

FX Exposure Management (31 December 2021)

Tüpraş continues to employ strict FX policies to mitigate currency risks stemming from volatility.



*Cash Flow Hedge

Outlook for 2022

2022 Refinery Maintenance Schedule

Refinery	Unit	Starting Quarter	Duration (weeks)	Purpose	Status
Batman	Crude Oil & Vacuum	Q1	13	Seasonal	Ongoing
	Crude Oil & Vacuum	Q4	4		Planned
İzmir	Vacuum	Q1	6	Periodic Maintenance	Ongoing
	Lube Complex	Q1	6		Ongoing
	Crude Unit	Q4	9	Revamp	Planned
	CCR & Isomerization	Q4	9		Planned
	Desulphurizer	Q4	9		Planned
	HYC	Q4	4		Planned
İzmit	Isomerization	Q1	5	Periodic Maintenance	Ongoing
	Vacuum	Q1	3		Planned
	Desulphurizer	Q1	3		Planned
	Crude Oil & Vacuum	End of Q3	6		Planned
	HYC	End of Q3	6		Planned

2022 Expectations

Med Complex Refining Margin **2-3 $/bbl**

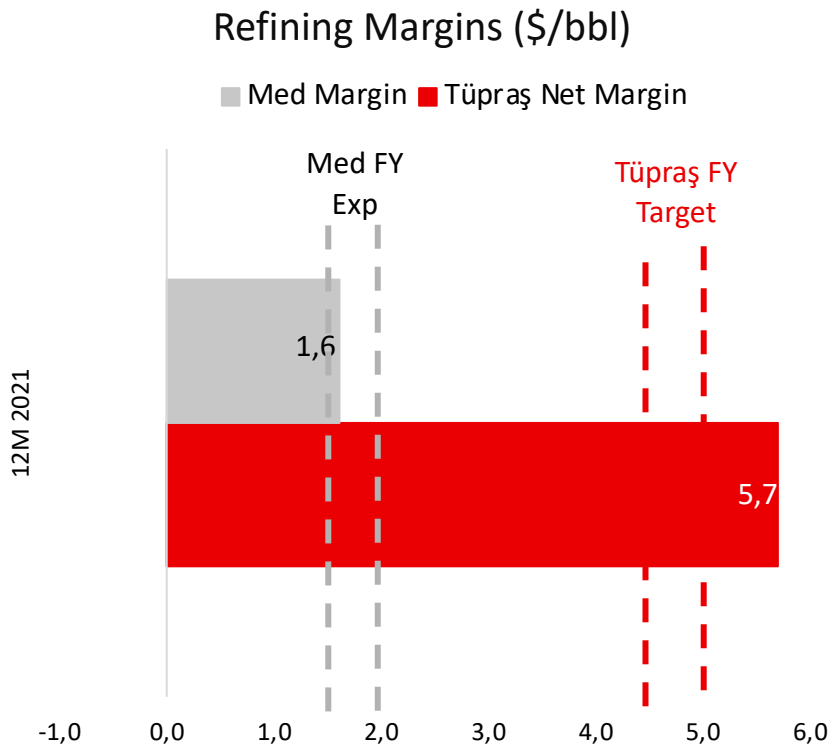
Tüpraş Net Refining Margin **4-5 $/bbl**

- 26-27 mt production, 28-29 mt sales and 90 - 95% capacity utilization

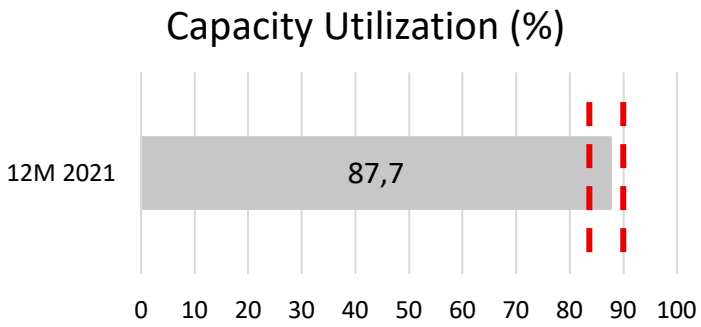
Consolidated Capex ~**300 million $**

- ~45% of capex for sustainability focused energy efficiency and environmental projects
- ~80 mn USD of capex is for logistics investments

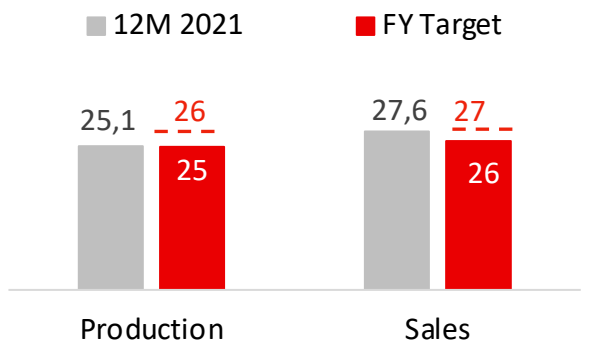
12M 2021 Results



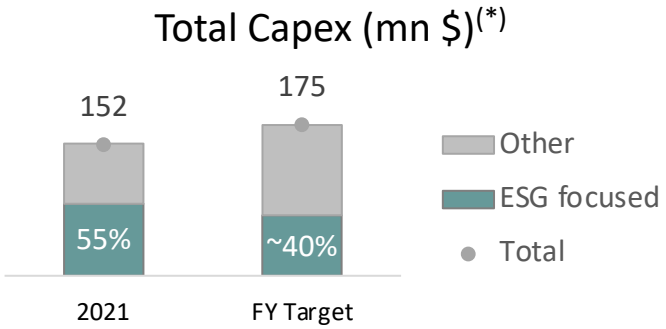
5.7 $/bbl net refining margin in 12M 2021



88% total capacity utilization in 12M 2021



27.6 mn tons of sales and 25.1 mn tons of production in 12M 2021



152 mn $ total CAPEX in 2021, with 55% spent on ESG related investments

(*) Investments in Sustainable Refining under the areas of Process Improvement, Energy Efficiency, HSE and Environmental projects are considered as ESG focused investments. Investments in Sustainable Aviation Fuel, Zero Carbon Electricity and Green Hydrogen fields are considered as ESG focused investments. Investments for electrical train cars and HSFO scrubbers for ships are considered as ESG focused investments.

Strategic Transition Plan – Latest Updates

SUSTAINABLE REFINING

Value Added Products

- Signed basic engineering design agreement for alkylation project in İzmir Refinery.
- Finalizing basic engineering design for polymer-grade propylene production in İzmir & İzmit Refinery

Energy Efficiency

- Energy Intensity decreased from 99.1 to 93.5 y-o-y in 2021.

SUSTAINABLE AVIATION FUEL

Feedstock & Basic Engineering

- In talks with feedstock suppliers for potential collaboration.
- Identifying bio-feedstock alternatives.
- Finalizing basic engineering design agreement with selected licensor for 400kton bioprocessing facility.

ZERO CARBON ELECTRICITY

Solar PV & Wind Power

- Applications for license amendment has been made in our Izmir, Kirikkale and Batman refineries.
- Following our PV installation in Batman in 2021, we are planning to initiate installation of Solar PVs in Kirikkale, Izmir and Izmit in 2022

GREEN HYDROGEN

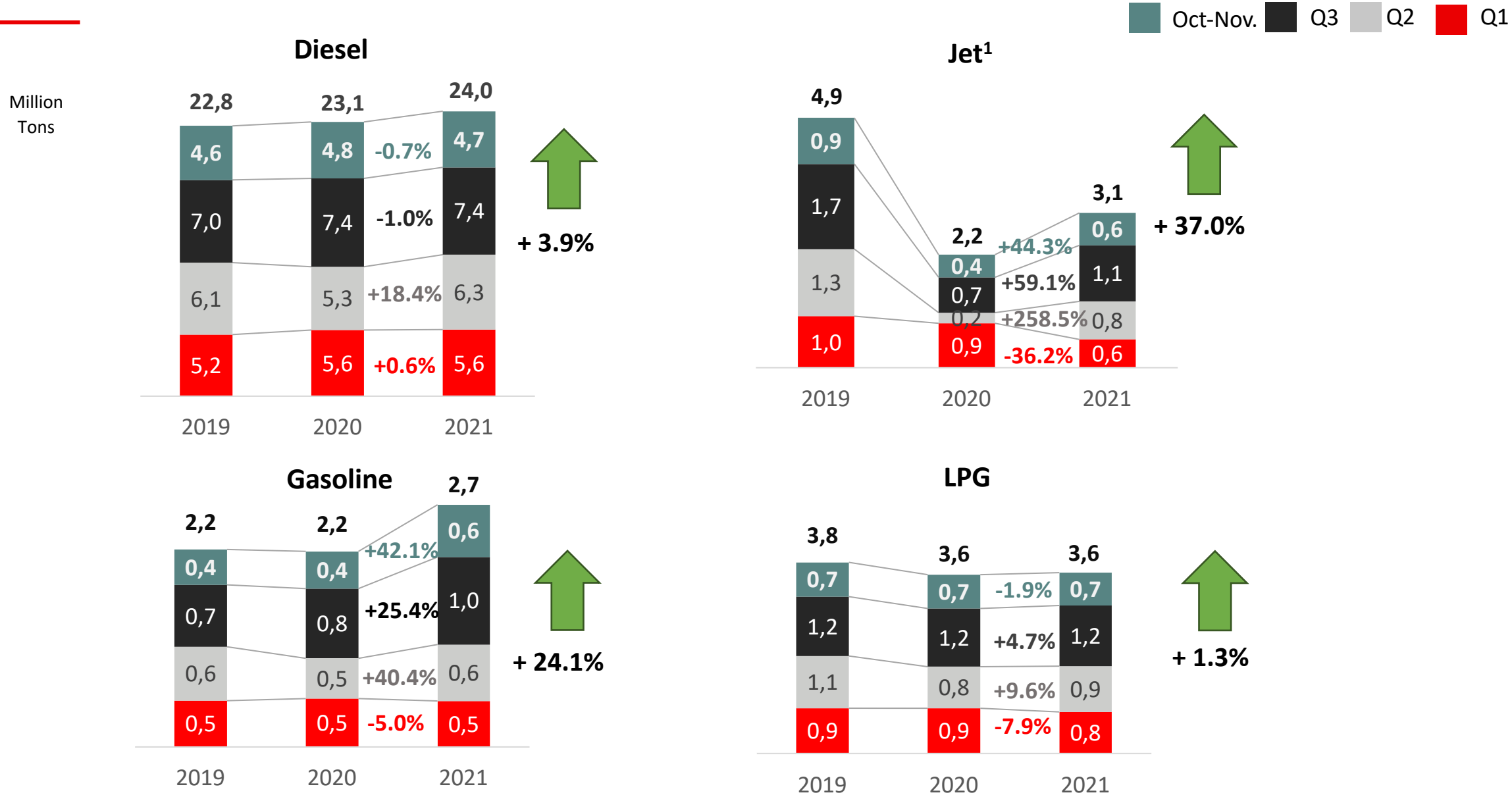
Test site & Equipment

- Test site selection for 20 MW electrolyzer for Green H2 projects.
- In contact with main manufacturers for the configuration and equipment selection.

www.tupras.com.tr

Appendix

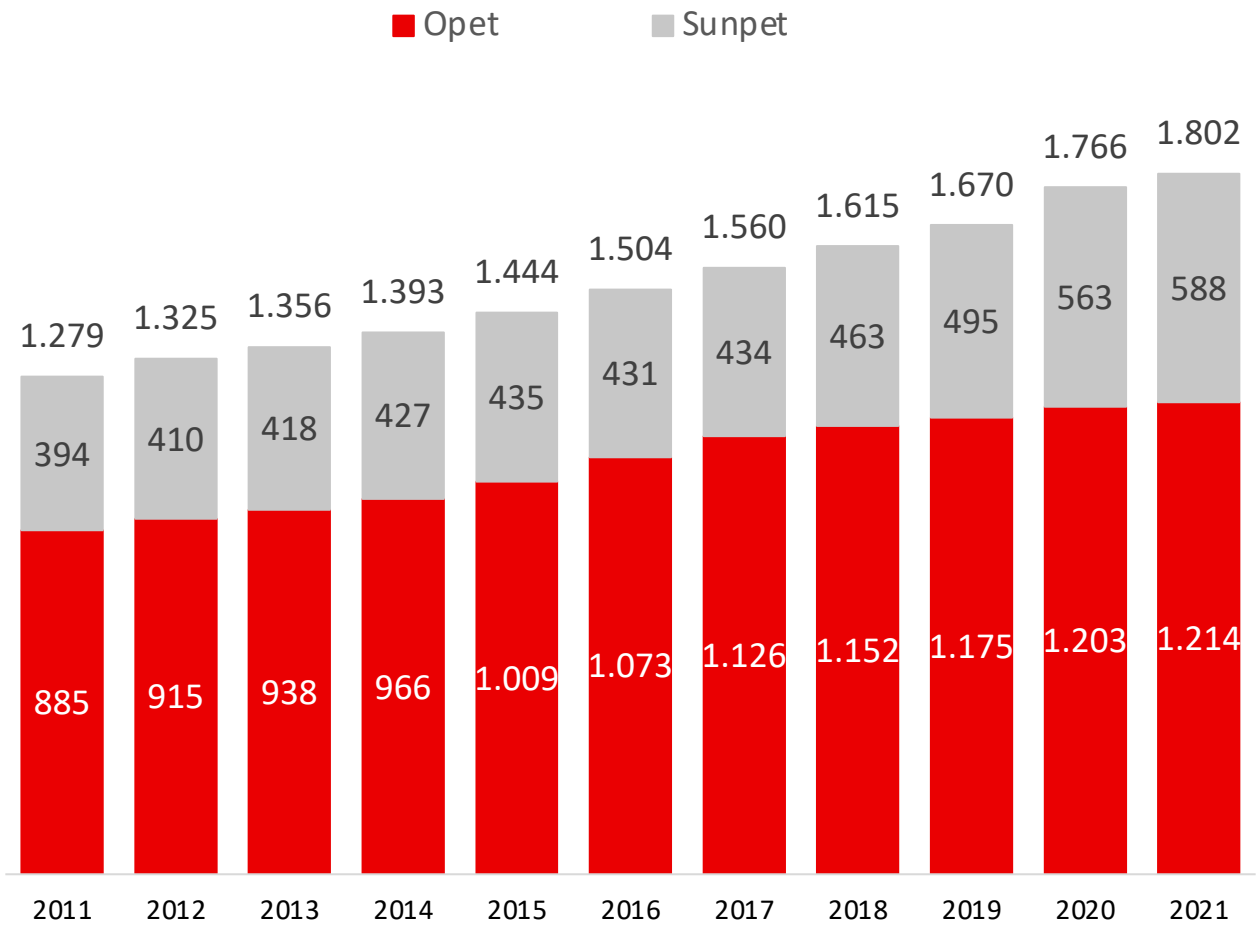
Turkish Market, 11M 2021



¹Transit flight consumption included

OPET

Opet has 1,802 fuel stations as of December 2021 end.



Market Share
as of November 2021

17.7 %	19.6%
White Product	Black Product

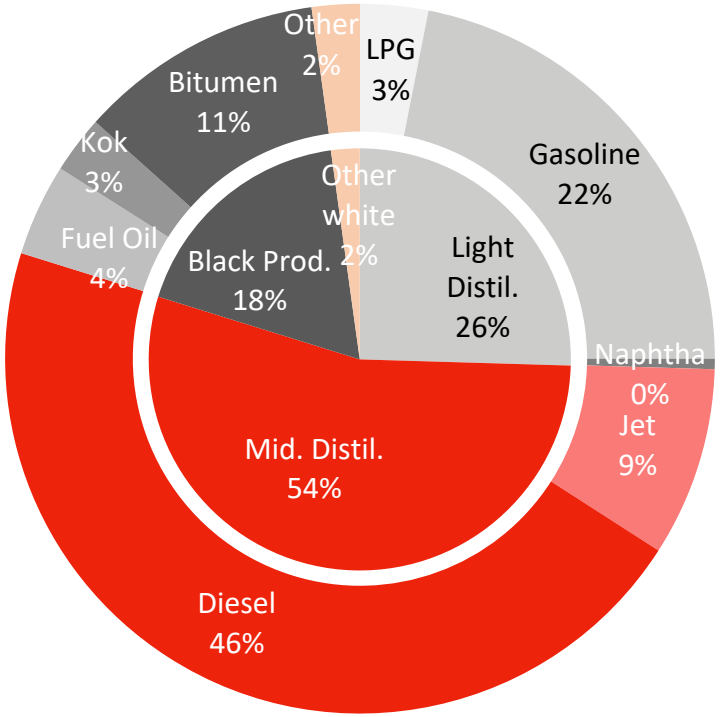
Crack Margin Effect on Tüpraş in Q4 (FOB Italy Prices)

Product	Product Price ($/ton)		Tüpraş	Crack Margin ($/bbl)	
	Q4 2021	Q4 2020	Production Yields	Q4 2021	Q4 2020
LPG	768	387	4.3%	-11.3	-9.8
Gasoline	748	397	21.6%	12.5	4.6
Naphtha	707	379	1.6%	0.0	-1.5
Jet Fuel	698	363	11.1%	9.1	1.9
Diesel	677	365	41.8%	11.2	4.8
Diesel 1000	667	362	0.0%	9.9	4.4
Fuel Oil 1%	507	300	0.5%	-1.6	2.1
Fuel Oil 3.5%	423	253	4.8%	-14.5	-5.2
Others	452	286	9.8%	-1.8	6.4
Dated Brent ($/bbl)	79.7	44.2			

Total Crack Margin ($/bbl)			Total Process (Q4 2021)	Total Effect mn $	Total Effect mn TL
2021 Q4	2020 Q4	Difference			
7.0	2.9	4.1	53.4	219	2,429

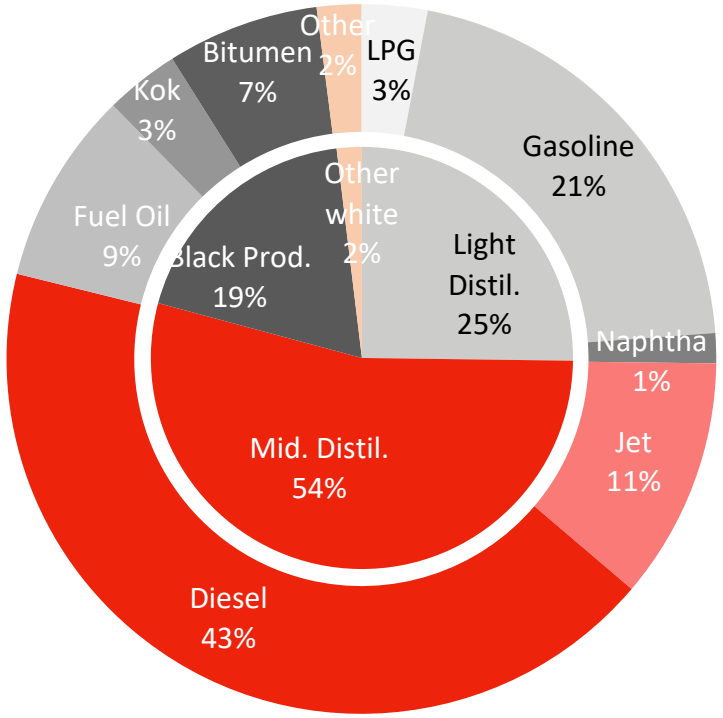
Q4 Product Yields

Q4 2020



White Product Yield (%)	81.0%
Production	6.1 mn tons
API	31.8

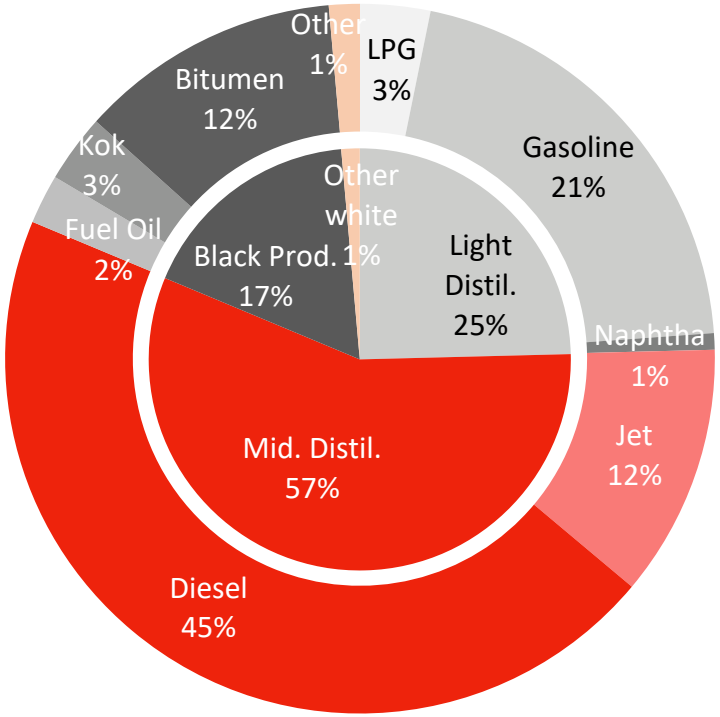
Q4 2021



White Product Yield (%)	80.0%
Production	7.0 mn tons
API	31.0

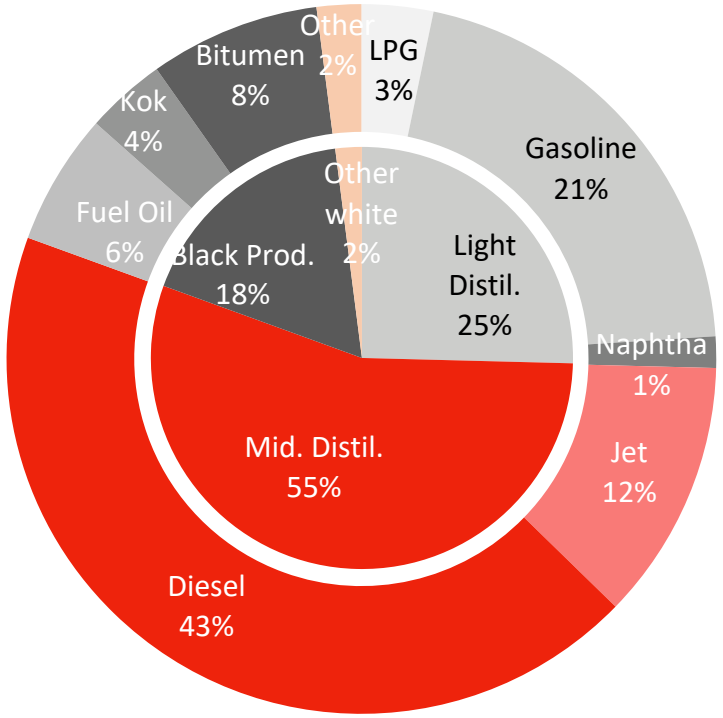
12M Product Yields

12M 2020



White Product Yield (%)	81.5%
Production	23.4 mn tons
API	31.5

12M 2021

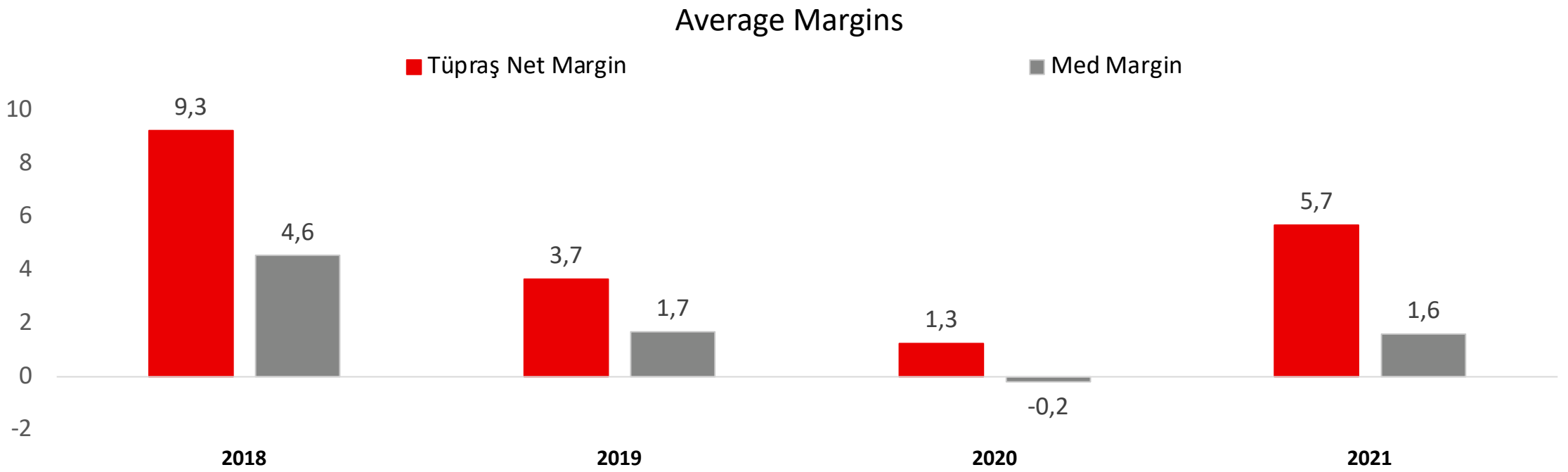


White Product Yield (%)	81.4%
Production	25.1 mn tons
API	31.2

Tüpraş Balance Sheet (Million TL)

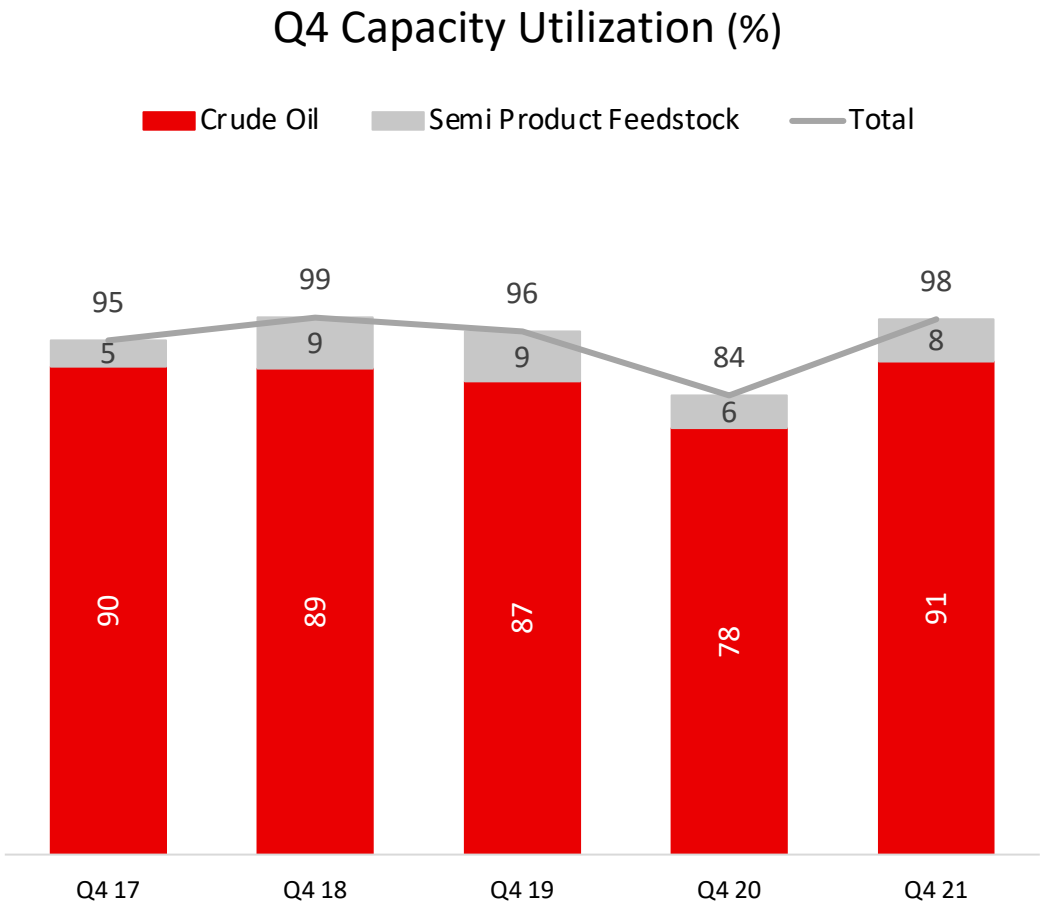
	31.12.2021	31.12.2020	Diff.	Diff. (%)
Current Assets	**65,429**	**30,663**	**34,766**	**113**
Cash & C. Equivalents	20,400	19,825	575	3
Trade Receivables	13,517	1,736	11,781	679
Derivatives	3,818	380	3,438	904
Inventories	23,756	7,701	16,055	208
Pre-paid expenses	186	234	-47	-20
Other Current Assets	3,751	788	2,964	376
Long Term Assets	**37,106**	**30,505**	**6,601**	**22**
Financial Assets & Subsidiaries	2,156	1,330	825	62
Tangible & Intangible Fixed Assets	26,537	22,137	4,400	20
Derivatives	44	88	-44	-50
Pre-paid expenses	95	135	-40	-30
Deferred Tax	6,378	5,002	1,375	27
Other Longterm Assets	1,897	1,813	84	5
Total Assets	**102,535**	**61,169**	**41,366**	**68**
Short Term Liabilities	**64,002**	**28,341**	**35,661**	**126**
Financial Loans	11,399	8,502	2,897	34
Trade Payables	43,704	14,137	29,567	209
Derivatives	3,302	763	2,539	333
Provisions	200	142	58	41
Other ST Liabilities	5,396	4,796	600	13
Long Term Liabilities	**20,706**	**21,155**	**-450**	**-2**
Financial Loans	20,219	20,743	-525	-3
Payables & Provisions	448	356	91	26
Derivatives	29	45	-16	-36
Other LT Liabilities	11	10	0	4
Total equity attributable to equity holders of the parent	**17,557**	**11,446**	**6,111**	**53**
Minority Interests	**270**	**226**	**44**	**20**
Total Liabilities & Equity	**102,535**	**61,169**	**41,366**	**68**

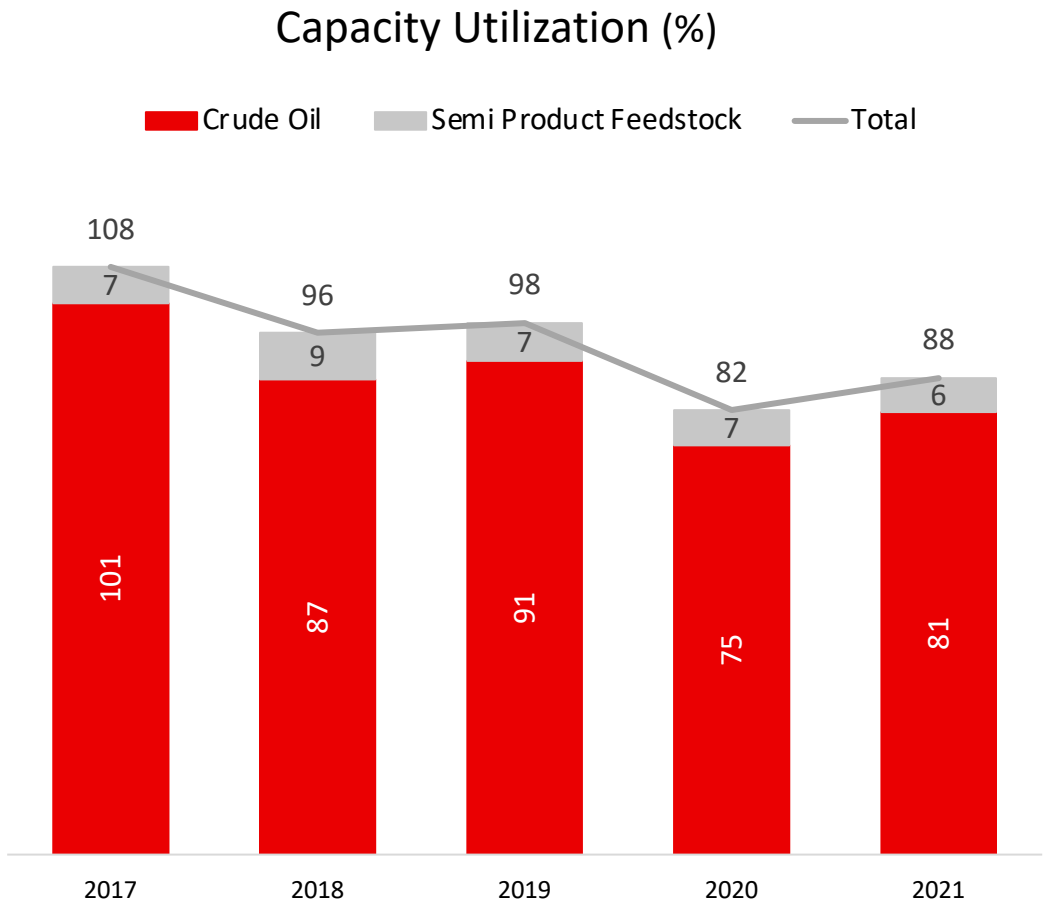
Tüpraş and Med Margins ($/bbl)



($/bbl)	Gross Margin	Inventory Effect	Clean Gross Margin	Clean NET Margin	Net Margin	Med Margin
Q4 2021	14.0	3.7	10.4	5.5	9.1	3.6
12M 2021	10.5	2.1	8.4	3.6	5.7	1.6
Q4 2020	5.6	0.7	4.8	-0.1	0.7	-0.1
12M 2020	6.4	0.0	6.4	1.2	1.3	-0.2

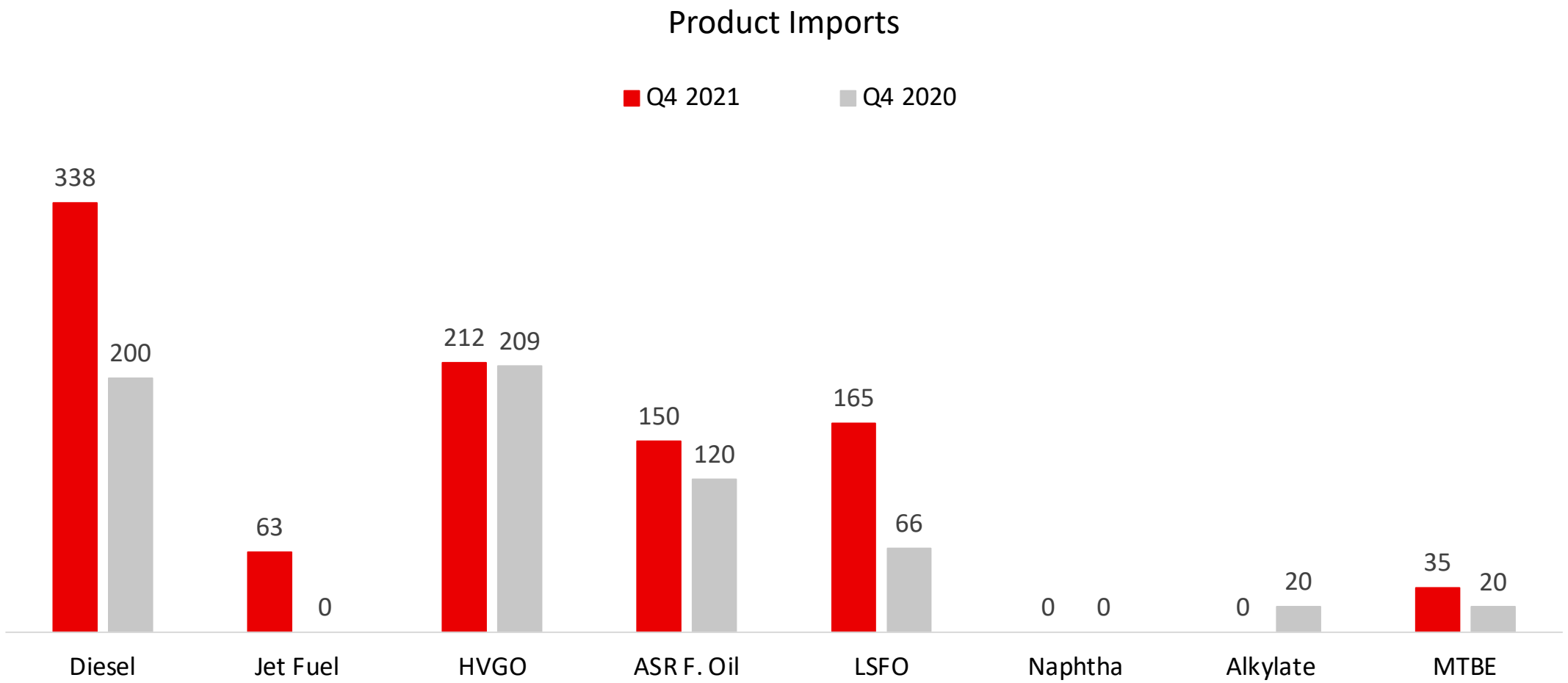
Capacity Utilization (%)





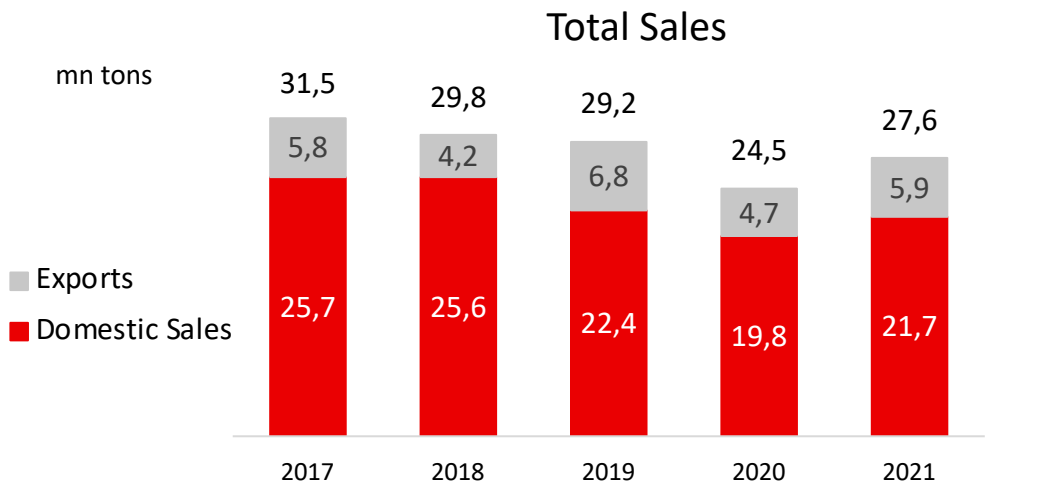
*Capacity utilization calculation is based on 30 mn tons for Q1 2019 and onwards.

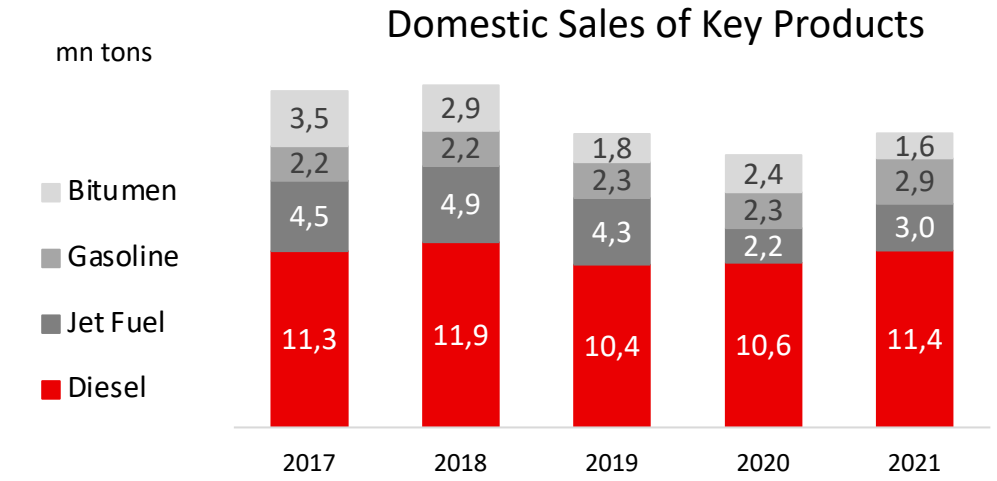
Finished Product and Semi Product Imports (Thousand Tons)



Annual Sales

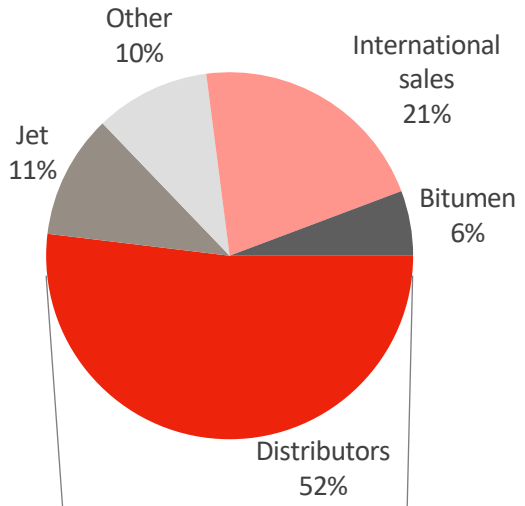
- Tüpraş generated 27.6 million tons of total sales in 2021.





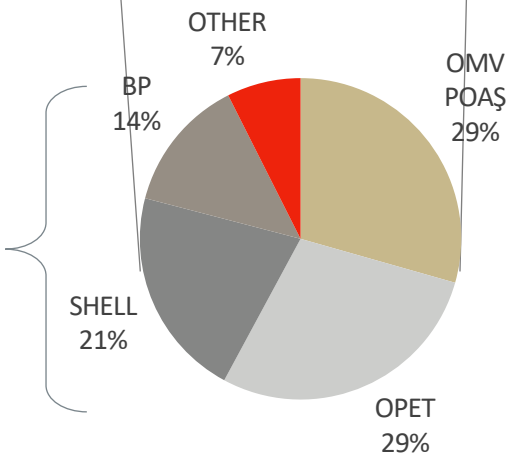
Total Sales, 2021

27.6 mn tons



Sales to Distributors 2021

14.3 mn tons



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