



**2020 2<sup>nd</sup> QUARTER  
OPERATING REVIEW  
REPORT**

**GÜBRE FABRİKALARI TÜRK A. Ş.**

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## I. INTRODUCTION

### A. REPORTING PERIOD

01.01.2020 - 30.06.2020

### B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (“Gübretaş” or “the Company”)

### C. TRADE REGISTER NUMBER

The Company is registered to the İstanbul Trade Registry with the registry number 47535.

### D. CONTACT INFORMATION

#### HEAD OFFICE

The address of headquarters, which is registered to the trade registry, is “İstanbul Kadıköy Bora Sk. Nida Kule Göztepe İşm. No.1 K.12 (Bölüm: 42, 45) K. 30 - 31”.

The telephone, fax, e-mail and web address of Gübretaş are as below:

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

E-mail Address: [gubretas@gubretas.com.tr](mailto:gubretas@gubretas.com.tr)

Web Address: [www.gubretas.com.tr](http://www.gubretas.com.tr)

The contact information of production facilities and regional offices is listed below;

#### YARIMCA FACILITIES

Address: Atalar Mahallesi Hayat Sokak No: 30 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

#### İZMİR FACILITIES

Address: Fatih Mah. Atatürk Cad.No: 28 Aliğa / İZMİR

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

**FOÇA FACILITIES**

Address: Baęarası Ky Hacıveli Mh. Foça-İzmir Karayolu No: 401 Foça / İZMİR

Phone: +90 (232) 822 81 48

**İSKENDERUN FACILITIES**

Address: Sariseki Mah. 12 Eylül Caddesi E-5 Karayolu Altı No: 1 İskenderun / HATAY

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

**ANKARA REGIONAL OFFICE**

Address: Emek Mah. Kazakistan Cad. (4. Cadde) No: 139 Çankaya / ANKARA

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

**ANTALYA REGIONAL OFFICE**

Address: Kızıltoprak Mah. Aspendos Bulvarı, Çam Plaza, No:19 Daire:3 Muratpaşa/ANTALYA

Phone : +90 (242) 311 43 73 - 83

Fax : +90 (242) 311 43 93

**DİYARBAKIR REGIONAL OFFICE**

Address: Kayapınar Mah. Urfa Yolu 3. Km DİYARBAKIR

Phone : +90 (412) 251 12 46 / +90 (412) 251 15 46

Fax : +90 (412) 251 18 55

**İSKENDERUN REGIONAL OFFICE**

Address: Sariseki Mah. Atatrk Cad. No: 6 Sariseki İskenderun/HATAY

Phone : +90 (326) 626 14 42 - 44 - 49

Fax : +90 (326) 626 14 50

**İZMİR REGIONAL OFFICE**

Address: Kırlar Mevkii Fatih Mah. Atatrk Cad. Helvacı - Alięa / İZMİR

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

**SAMSUN REGIONAL OFFICE**

Address: Kamalı Mah. 4043 Sok. No.1/A Atakum / SAMSUN

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

**ŞANLIURFA REGIONAL OFFICE**

Address: Ulubağ Mh. Recep Tayyip Erdoğan Blv. Tarım Kredi St. No.305/5 Haliliye/  
ŞANLIURFA

Phone : +90 (414) 341 08 08

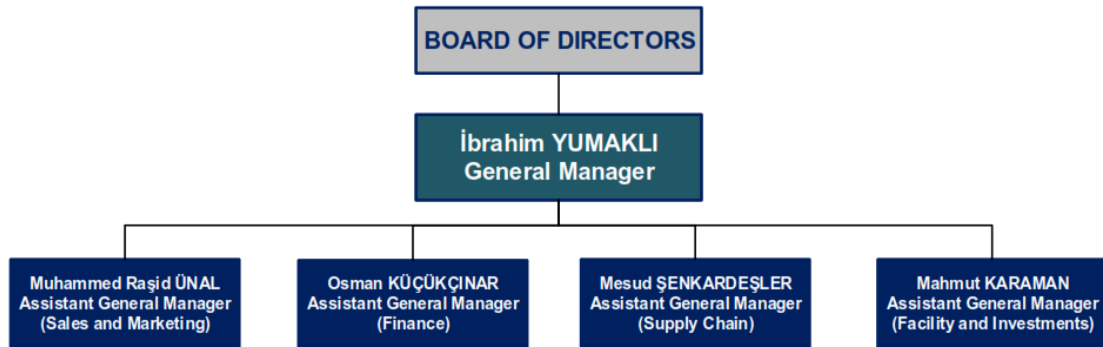
Fax : +90 (414) 381 08 10

**TEKİRDAĞ REGIONAL OFFICE**

Address: Hürriyet Mah. Dekanlar Sk. No: 2 Yaşam Plaza Kat:1 D:2 Süleymanpaşa/TEKİRDAĞ

Phone : +90 (282) 262 76 50 / +90 (282) 262 47 94

Fax : +90 (282) 262 98 51

**E. ORGANIZATION CHART****F. CAPITAL STRUCTURE**

As of 30.06.2020, authorized share capital of the company is 1.000.000.000 ₺ and paid-in share capital is 334.000.000 ₺. There has not been any change in terms of share capital and shareholder's structure of Gübretas within the reporting period.

There is no preferred shares issued by the Company and the Company does not own any shares that it has acquired.

"Capital loss" or "Indebtedness" situations, which are defined in 376<sup>th</sup> article of TCC, has not been observed.

**Table 1 : CAPITAL STRUCTURE**

Shareholders	Share Amount -₺	Share %
Central Union of Turkish Agricultural Credit Cooperatives	253.684.606,88	75,95
Other	80.315.393,12	24,05
<b>Total</b>	<b>334.000.000,00</b>	<b>100,00</b>

## G. BOARD OF DIRECTORS

Title	Name	Date of Election
Chairman	Fahrettin POYRAZ	19.12.2017
Vice Chairman	Ahmet BAĞCI	03.05.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Member	Mehmet TUNÇAK	03.05.2018
Member	Selahattin KÜLCÜ	22.03.2019
Member	Mehmet Okan ATEŞ	02.05.2019
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Vahit Kirişçi	25.06.2020
Independent Member	Mehmet BULUT	30.03.2018

The members of Board of Directors have the rights, which are described in the Articles of Association and Turkish Commercial Code. In the footnote 16 of interim consolidated financial statements, information about the benefits provided to the Board of Directors and top management is disclosed.

## H. TOP MANAGEMENT

Title	Name	Date of Appointment
General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Facility and Investments	Dr. Mahmut KARAMAN	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Finance	Osman KÜÇÜKÇINAR	30.04.2020
Assistant GM – Sales & Marketing	Muhammed Raşid ÜNAL	15.06.2020

Top management personnel who left the company during the reporting period:

Title	Name	Date of Appointment	Date of Departure
Assistant GM - Finance	Ahmet Levent SERTTAŞ	24.09.2018	30.04.2020

## I. ADMINISTRATIVE ACTIVITIES

### Number of Personnel

As of 30.06.2020, the number of personnel increased by 0.7% to 572 people compared to the same date of the previous year.

### Training Activities

Training activities are aimed at developing managerial, personal and professional skills of the staff. Education activities of 299 hours with participation of 27 employees were carried out in the first half of 2020.

## II. THE COMPANY'S ACTIVITIES

### A. PRODUCTION

Gübretaş produced 168,815 tons (2019/6: 219,659 tons) of compound fertilizers, 78,030 tons (2019/6: 52,130 tons) of nitrogen-based fertilizers, 33,280 tons (2019/6: 19,370 tons) of phosphate-based fertilizers, and a total of 277,125 tons (2019/6: 291,159 tons) of solid fertilizers in the first half of 2020. In addition, 26,627 tons (2019/6: 17,326 tons) of liquid and powder fertilizers were produced in the same period.

Solid fertilizer production decreased by 4.8%; liquid-powder production increased by 63.7% in the first half of 2020 compared to the same period of 2019. Total fertilizer production including solid, liquid and powder decreased by 1.5%.

Some of the products were used as raw material in the production process. Capacity utilization rate was 65% in the first half of 2020.

**Table 2: PRODUCTION BY GROUP -TON**

Production	2020/6	2019/6	Change
Solid Fertilizer	277,125	291,159	(4.8%)
Liquid - Powder Fertilizer	26,627	17,326	53.7%
<b>TOTAL</b>	<b>303,752</b>	<b>308,585</b>	<b>(1.5%)</b>

## B. SALES AND PURCHASES

The Company sold 1,085,285 tons (2019/6: 1,045,372 tons) of solid, 43,856 tons (2019/6: 34,764 tons) of liquid and powder fertilizers in the first half of 2020.

The solid fertilizer sales increased by 3.82% in the first half of 2020, compared to the same period of the previous year.

The volume of purchases was 899,093 tons in the first half of 2019, and decreased by 1.93% to 881.585 tons in the first half of 2020. Exports has been 27,881 tons in the half of 2020, while it was 15,926 tons in the same period of 2019.

**Table 3: PROCUREMENT AND SALES-TON**

Solid Chemical Fertilizer	2020/6	2019/6	Change
Raw Material	229,444	238,710	(3.9%)
Commodity	652,144	660,383	(1.3%)
<b>Total Purchases</b>	<b>881,585</b>	<b>899,093</b>	<b>(2%)</b>

**Table 4: SALES BY PRODUCT GROUPS-TON**

Solid Chemical Fertilizer	2020/6	2019/6	Change
Compound	286,637	326,832	(12.3%)
Nitrogen-based	735,831	664,307	10.8%
Phosphate-based and others	62,817	54,223	15.8%
<b>Total Solid Fertilizer</b>	<b>1,085,285</b>	<b>1,045,372</b>	<b>3,8%</b>
<b>Total Liquid - Powder Fertilizer</b>	<b>43,856</b>	<b>34,764</b>	<b>26,2%</b>
<b>Grand Total</b>	<b>1,129,141</b>	<b>1,080,136</b>	<b>4.5%</b>



## C. INVESTMENTS

In Turkish operations, the Company incurred 45,454,498 ₺ of capital expenditure in the first half of 2020, while this figure was 47,117,958 ₺ in the same period of 2019.

## III. AFFILIATES AND SUBSIDIARIES

Detailed information about affiliates and subsidiaries are given in the Note 1 of interim consolidated financial statements of 30 June 2020.

## IV. RAZİ PETROCHEMICAL CO.'S ACTIVITIES

### A. PRODUCTION

In the first half of 2020, 829,664 tons (2019/6: 721,581 tons) of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. ("Razi") and its subsidiary Arya Phosphoric Jonoub Co. ("Arya"). The capacity utilization rate was 45.5% (2019/6: 39.6%)

**Table 5: RAZİ PRODUCTION-TON**

PRODUCT	2020/6	2019/6	Change	Capacity	2020/6 CUR
Ammonia	416,604	356,060	17%	1.336.000	62.4%
Urea	240,079	233,450	2.8%	594.000	80.8%
Sulphur	121,960	101,145	20.6%	508.000	48%
Sulphuric Acid	36,424	26,337	38.3%	627.000	11.6%
Phosphoric Acid	10,201	4,566	123.4%	126.000	16.2%
DAP	2,393	-	-	450.000	1.1%
<b>Total</b>	<b>829,664</b>	<b>721,558</b>	<b>14.71%</b>	<b>3.641.000</b>	<b>45.46%</b>

### B. SALES

In the first half of 2020, 835,107 tons (2019/6: 800,181 tons) of fertilizer were sold and 676,778,506 ₺ (2019/6: 589,503,168 ₺) of revenue was generated by Razi and its subsidiaries. Razi exported 656,988 tons and sold 178,122 tons in the domestic market in the first three months of 2020. The share of exports in total sales was 78.7%.

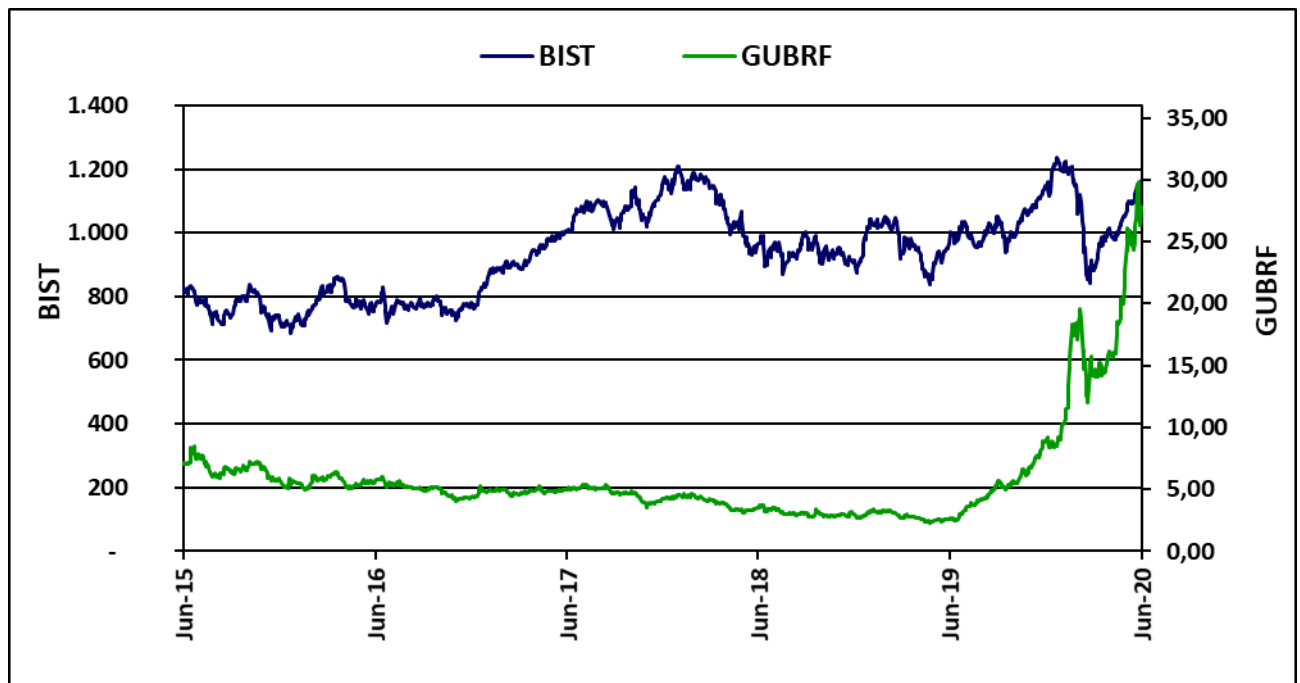
**Table 6: RAZİ SALES-TON**

PRODUCT	2020/6	2019/6	Change
<b>Finished Goods</b>	<b>703,370</b>	<b>572,373</b>	<b>22.9%</b>
Urea	216,104	230,005	(6%)
Ammonia	283,734	190,396	49%
Sulphur	145,064	134,697	7.7%
Sulphuric Acid	5,455	11,594	(52.6%)
Phosphoric Acid	28,009	5,557	404%
DAP	25,004	221	-
<b>Trade Goods</b>	<b>131,737</b>	<b>227,810</b>	<b>(%42.2)</b>
Urea	131,737	94,951	10.7%
Ammonia	-	9,350	-
Ammonium Sulphate	-	44,000	-
<b>TOTAL</b>	<b>835,107</b>	<b>800,181</b>	<b>4.4%</b>

### C. INVESTMENTS

8,133,804 ₺ of capital expenditures were incurred by the Iranian operations in the first half of 2020, while this figure was 19,169,410 ₺ in 2019.

### V. PERFORMANCE OF THE STOCK

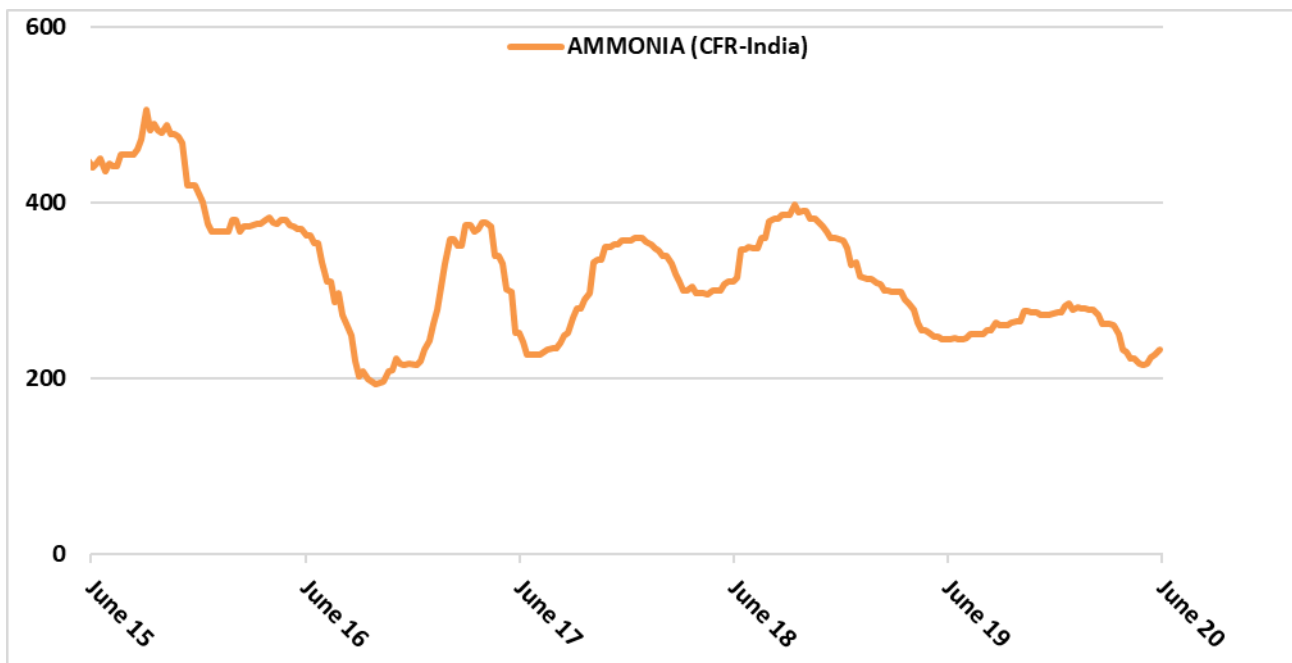
**Graph 1 : PERFORMANCE OF THE STOCK**


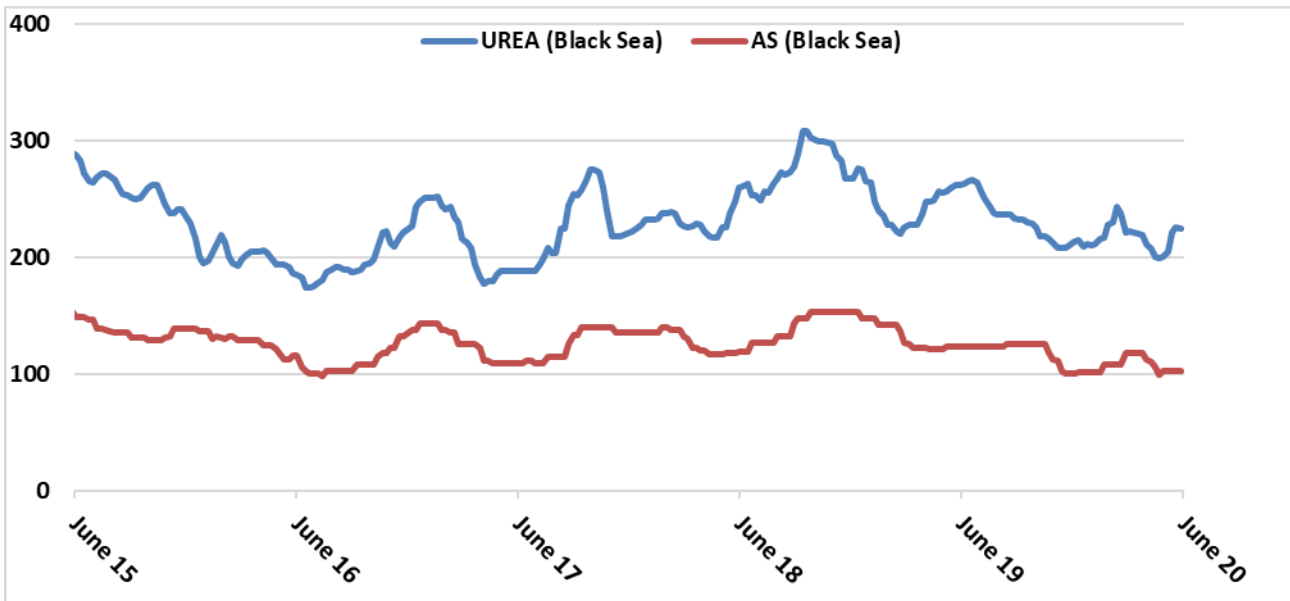
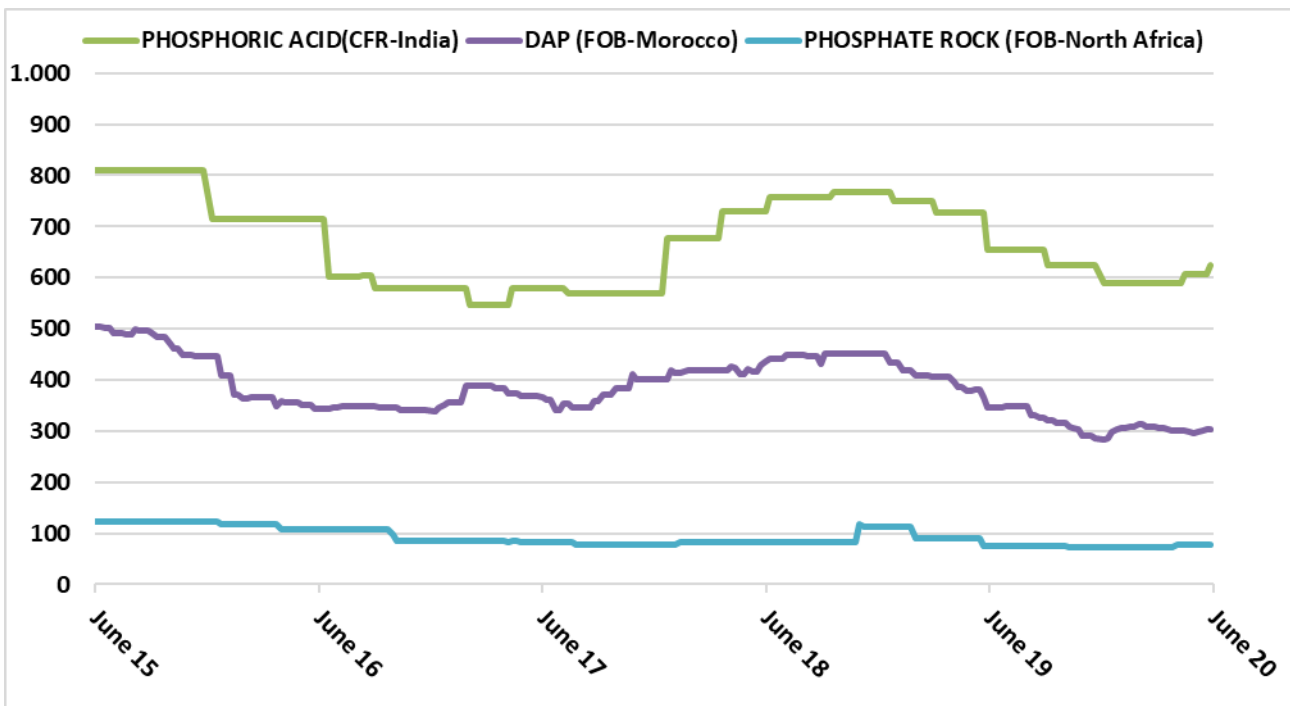
## VI. REVIEW

The ammonia is the most important product for the Iranian operations. There was a downward trend in ammonia prices in the first half of 2020 up to 10% compared to the same period of the last year. In the first half of the year, the average CFR prices in India region was around 254 USD. Ammonia prices, which showed an increase of about 10% compared to last quarter has been observed as positive development for the Iranian operations. On the other hand, the 20% devaluation of the Iranian Riyal against the USD had a positive operational cost ratio effect on the Razi operations.

As the AS prices in the Black Sea basin had a downward price trend in the first half of the year, the Urea prices that have the same trend had a slight recovery at the end of the reporting period. In phosphate fertilizers and fertilizer raw materials, a period with predominantly horizontal movement has been observed except for DAP product, which had a downward trend towards the first half.

**Graph 2 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON**



**Graph 3 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON**

**Graph 4 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON**


## VII. FINANCIAL STRUCTURE

### A. CONSOLIDATED BALANCE SHEET

<b>ASSETS</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Current Assets	2,398,646,244	2,277,939,743
Non-current Assets	1,422,036,504	1,487,391,599
<b>TOTAL ASSETS</b>	<b>3,820,682,748</b>	<b>4,285,638,863</b>
<b>LIABILITIES</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Short-term Liabilities	2,781,279,637	3,194,014,185
Long-term Liabilities	222,855,550	250,715,857
<b>Total Liabilities</b>	<b>3,004,135,187</b>	<b>3,444,730,042</b>
Equity	816,547,561	840,908,821
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,820,682,748</b>	<b>4,285,638,863</b>

### B. CONSOLIDATED INCOME STATEMENT

<b>CONTINUING OPERATIONS</b>	<b>1 Jan - 30 June 2020</b>	<b>1 Jan - 30 June 2019</b>
Sales (net)	2,683,735,693	2,567,176,790
Costs of Sales	(2,088,795,576)	(2,090,526,397)
<b>GROSS PROFIT</b>	<b>594,940,117</b>	<b>476,650,393</b>
Operating Expenses	(455,437,356)	(319,759,893)
<b>OPERATION PROFIT/(LOSS)</b>	<b>139,502,761</b>	<b>156,890,500</b>
Financial Income/(Expense)	67,817,729	(164,390,578)
Other Income/(Expense)	18,406,483	2,175,877
<b>PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS</b>	<b>225,726,973</b>	<b>(5,324,201)</b>
Total Tax Income / (Expense)	(5,052,493)	7,990,627
<b>PERIOD PROFIT/ (LOSS)</b>	<b>220,674,480</b>	<b>2,666,426</b>
<b>Distribution of Period Profit / (Loss)</b>		
Minority Shares	97,233,481	19,893,728
Parent Company's Shares	123,440,999	(17,227,302)
<b>Earnings / (Loss) Per Share (kr)</b>	<b>0.0037</b>	<b>(0.0005)</b>

## VIII. EVENTS AFTER BALANCE SHEET DATE

- According to our Company's material disclosure statement dated 06.05.2020, our Company's Board of Directors had granted an authorization to our Company's management to execute negotiations with the Koza Gold Inc. about the related companies plots and all know-how data in the Sogut mining field. According to the negotiations by using this authorization, our Company has reached an agreement with the Koza Gold Inc. to sign an agreement buy all the know-how data about the Sogut mining field by paying 33,040,000 ₺ (ThirtythreemillionfortythousandTurkishlira) including VAT. The agreement was signed at 7/25/2020.

## IX. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 03.01.2014, within the first half of 2020 covering the dates of 01.01.2020 - 30.06.2020, the following works have been realized by the Company in order to be compliant with the principles issued in the related communique:

1. About the fertilizer sales which will be realized by the Company, Gübre Fabrikaları T.A.Ş, within the year of 2019 to the related party, Central Union of Turkish Agriculture Credit Cooperatives, the conclusion part of the Board of Directors' report which was prepared due to the Article 10 under the heading of Common and Continuous Transactions of Communiqué on Corporate Governance numbered II-17.1 was submitted for public information on January 22, 2020.
2. Regarding to the article 11/1 of Corporate Governance Communiqué, Investor Relations Department prepared "Investor Relations 2020 1H Operating Report" related to activities within the first 6 months of 2020, and submitted it for the Board's information.
3. Regarding to the article 2.1.3, under the title of "Public Disclosure and Transparency", in Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communiqué, our disclosure of 2020 1Q financial statements excluding footnotes was announced in the Public Disclosure Platform both in Turkish and English.

## X. CONCLUSION

### DEAR SHAREHOLDERS,

In the first half of 2020, 881,585 tons (2019/6: 899,093 tons) of fertilizers and raw materials were procured from domestic and foreign markets. In the January-June period of 2020, 303,752 tons (2019/6: 308,485 tons) of various types of solid, liquid and powder fertilizer were produced at facilities and totally 1,129,141 tons (2019/6: 1,080,136 tons) fertilizers were sold in the same period. In Turkish operations of the Company, net sale revenues realized as 2,006,957,187 ₺ (2019/6: 1,977,673,622₺).

In addition, 829,664 tons (2019/6: 721,558 tons) of fertilizer and fertilizer raw materials were produced and 676,778,506 ₺ (2019/6: 589,503,168 ₺) sale revenues were realized by the sale of 835,107 tons (2019/6: 800,181 tons) of fertilizer and fertilizer raw material in Razi and its subsidiaries.

The Company reached to 2,683,735,693 ₺ (2019/6: 2,567,176,790 ₺) consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 225,726,973 ₺ (2019/6: -5,324,201 ₺) profit realized before tax. 220,674,480 ₺ (2019/6: 2,666,426 ₺) consolidated profit occurred after deducting 5,052,493 ₺ (2019/6: -7,990,627 ₺) net tax expense. 69,655,789 ₺ (2019/3: -5,810,921 ₺) consolidated net period profit to shareholders has occurred after deducting 123,440,999 ₺ (2019/6: -17,227,302 ₺) shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding the first half of 2020 activities.

**Best Regards,**

**BOARD OF DIRECTORS**

**(Convenience translation of a report and  
interim condensed consolidated financial  
statements originally issued in Turkish)**

**GÜBRE FABRİKALARI TÜRK  
ANONİM ŞİRKETİ  
INTERIM CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD  
JANUARY 1-JUNE 30, 2020  
TOGETHER WITH THE  
INDEPENDENT  
AUDITORS' REPORT**





(Convenience translation of independent auditor's review report  
originally issued in Turkish)

**INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE PERIOD ENDED JUNE 30, 2020**

**To the Board of Directors of  
Gübre Fabrikaları Türk Anonim Şirketi**

**Eren Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.**  
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**Introduction**

We have reviewed the accompanying interim statement of financial position of Gübre Fabrikaları Türk Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2020, and the interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim financial information. Management is responsible for the preparation and presentation of these interim financial information in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on these the accompanying interim financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with the Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

As explained in the accompanying Footnote 12, Razi Petrochemical Co. ("Razi") which is a subsidiary of the Company, has value added taxes receivable arising from export sales in accordance with the prevailing tax laws. There is an uncertainty about the collectability and the collection timing related to the VAT receivable in the amount of TL 115.130.062 (IRR 2.834 Million) recorded under short-term other receivables. Accordingly, no provision has been recognized in the consolidated financial statements.

As of June 30, 2020, the inventories of Razi, the Group's consolidated subsidiary, include spare parts inventories amounting to TL 77.801.649 (equivalent to IRR 1.862 Billion), related to which production costs amounting to TL 14.331.883 (equivalent to IRR 343 Billion) are recorded to cost of goods sold. However, during the current period Razi made some changes in its inventory system whereby the inventory purchases were accounted under prepaid expenses, raw materials used during the year were not accounted using the weighted average method and purchases in foreign currency, the stock system and the accounting records were not accounted for using the relevant foreign exchange rates. Accordingly, in order to assure accurate presentation of inventories and cost of goods sold in the consolidated financial statements, some adjustments would have been necessary in the relevant accounts As of the report date, the reliable data could not be obtained in order to make the necessary adjustments.

By referring to the government approval and the decision of the judicial authorities, Razi has recognized receivable due from Jahad Keshavarzi Co amounting to TL 58.163.209 (1.392 Billion IRR) based on the difference in the proportion of sale of urea determined by the price-based rate in the Commodity Exchange. Moreover, the application method and date of the relevant approval were not stated and no confirmation could be obtained from Jahad Keshavarzi regarding this amount. As of report date, it is not possible to determine the effect of possible adjustments, if any on the consolidated financial statements.

### **Qualified Conclusion**

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 Interim Financial Reporting.

### **Emphasis of Matter**

As explained in the accompanying Footnote 12, the sanctions imposed by the United Nations on the Islamic Republic of Iran (“Iran”) since 2010 have recently been suspended and for a certain timing and extent. However, one of the parties of the agreement, the United States has stated that it had withdrawn from the agreement on 8 May 2018 and would reapply the sanctions that had been repealed. The first part of the sanctions were put into effect on 6 August 2018 and the second group sanctions, which were put into operation on 4 November 2018, will be the subject of sanctions for the petroleum, petroleum products and petrochemical products of Iran. On 2 May 2019, the United States of America removed the exemptions granted to countries for the trade of petroleum and petrochemical products. None of the Group entities are subject to any such sanctions as of the date of the accompanying financial statements. This may affect the future operations of the Group's subsidiary in this country in the future. The economic stability of Iran depends on the measures to be taken against sanctions and the effects of legal, administrative and political developments. These developments are not under the control of companies operating in the country. As a result, companies operating in this country must take into account some of the risks that are not generally observed in other markets. The attached consolidated financial statements include the Group Management's assumptions about the effects of the current sanctions applied on Iran to the operations and financial position of the subsidiary. The future economic situation of Iran may be different from the assumptions of the Group Management.

Since January 28, 2012, the Central Bank of the Iran has been implementing a fixed exchange rate regime. All foreign currency-based transactions are taken into legal records on these exchange rates. In the current period, the exchange rates used in foreign exchange-based transactions in the Iran differ significantly from the fixed exchange rates. In September 2012, a Foreign Exchange Center was established by the administration of the Iran under the supervision of the Central Bank of Iran and indicator ratios close to the free market rates have started to be explained. The TAS 21 The Effect of Changes in Foreign Currency Exchange Rates Standard states that in case of situations where various exchange rates are available, the Exchange rate to be used is the expected Exchange rate where the related transactions are realized and the future cash flows will occur. Due to the ambiguity of the exchange rate regime in the Iran and the uncertainty of the exchange rates of the future cash flows, the Group Management used the mentioned Center's announced exchange rates in the foreign currency valuation of Razi in the accompanying consolidated financial statements. Similarly, the average of the exchange rates announced by the Center was considered in the calculation of the period average rates. This matter does not affect our qualified opinion.

As explained in the accompanying 7th and 12th Footnotes, Tabosan Mühendislik İmalat ve Montaj A.Ş. (“Tabosan”), one of the consortium partners with whom the Group purchased Razi shares applied to the court with the request to postpone bankruptcy in 2011, the court rejected the request and concluded on the bankruptcy of Tabosan and ruled for an establishment of a bankruptcy desk to transfer all transactions to the bankruptcy desk. The Group has become a joint guarantor on behalf of Tabosan to the Banks who were financed during the purchase of Razi shares and to Iran Privatization Administration. Within the scope of this surety, the Group has paid TL 43.780.597 to the banks and to Iran Privatization Administration on behalf of Tabosan as a guarantor. Since the accumulated dividend receivable of Tabosan's 10.88% share in Razi were transferred to the bankruptcy desk, the Bankruptcy Administration paid TL 25.278.225 to the Group on July 8, 2015 and the amount of principal amounting to TL 5.548.880 on 4 August 2016. As of the report date, the principal and the interest receivable arising from the payments made by the Group due to suretyship amounted to TL 33.273.552. The Bankruptcy Administration may pay the Group's receivables to the extent that it receives the dividend to be received by Razi from Tabosan and the transfer to the bankruptcy desk. The Group management has not recognized any provision for this receivable either in the prior years in the current period by considering dividend payables by Tabosan regarding the Razi shares and the mortgages and collaterals transferred to the Group by the bank.

As explained in the Footnote 12, in November, 2011, Iskenderun Fiscal Directorate (“Treasury”) brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of located in Hatay, Iskenderun, in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is TL 99.415.344 as of the balance sheet date. The Group has appealed against the case within the legal period and requested the re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the case and has filed a counterclaim for the compensation of the right to property, by considering that the case may result in favor of the Treasury. The lawsuits were resulted against the Company, however the Company requested an overturn of the appeal court decision within the legal period and its request was accepted. The legal process is still ongoing as of the balance sheet date and the next court hearing is scheduled for October 2019. In accordance with the opinions of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this stage.

These matters stated above do not affect our qualified review.

Eren Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.  
Member Firm of Grant Thornton International



Aykut Halit  
Partner

Istanbul, August 18, 2020

Reşit Paşa Mahallesi Park Plaza  
Eski Büyükdere Caddesi  
No:14 K:10  
Maslak / Sarıyer

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(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Interim consolidated statement of financial position as of June 30, 2020**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		<b>Reviewed</b>	<b>Audited</b>
	<b>Notes</b>	<b>June 30, 2020</b>	<b>December ,2019</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	633.996.393	174.457.909
Financial investments		32.910.432	39.543.797
Trade receivables			
-Trade receivables from related parties	16	34.781.103	174.682.037
- Trade receivables from third parties	6	410.452.082	336.576.916
Other receivables			
- Other receivables from related parties	7-16	--	10.135.215
- Other receivables from third parties	7	294.545.073	205.513.380
Inventories	8	766.803.040	1.231.329.135
Prepaid expenses		201.935.520	75.440.336
Derivative instruments		--	9.462.872
Assets related to the current period taxes		4.154.101	3.087.261
Other current assets		19.068.500	17.710.885
<b>Current assets</b>		<b>2.398.646.244</b>	<b>2.277.939.743</b>
Assets held for sale		--	520.307.521
<b>Total Current assets</b>		<b>2.398.646.244</b>	<b>2.798.247.264</b>
<b>Non-current assets</b>			
Financial investments		20.253.706	21.869.440
Other receivables			
- Other receivables from third parties	7	62.280.379	78.669.231
Investments valued by equity method		21.343.769	19.765.952
Investments properties		84.779.189	84.478.876
Property, plant and equipment	9	1.049.778.137	1.070.283.898
Intangible assets	10		
-Goodwill		72.443.102	87.044.600
- Other intangible assets		21.363.114	22.204.900
Prepaid expenses		25.502.368	34.489.280
Deferred tax assets		64.292.740	68.585.422
<b>Total non-current assets</b>		<b>1.422.036.504</b>	<b>1.487.391.599</b>
<b>Total assets</b>		<b>3.820.682.748</b>	<b>4.285.638.863</b>

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

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Interim consolidated statement of financial position as of June 30, 2020**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		Reviewed	Audited
	Notes	June 30, 2020	December ,2019
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings	5	1.405.022.083	1.465.961.474
Short-term portion of long-term borrowings	5	10.098.855	55.885.641
Trade payables			
-Due to related parties	16	3.182.163	1.821.087
-Due to third parties	6	1.099.651.821	986.018.509
Payables due to employee benefits		27.951.923	32.161.760
Other payables			
- Due to related parties	7-16	--	25.000.000
- Due to third parties	7	90.104.342	86.375.472
Deferred income		15.586.060	17.163.951
Current income tax liabilities		64.431	2.641.986
Short-term provisions			
-Short-term provisions for employee benefits		24.046.587	24.878.780
-Other short-term provisions	12	105.533.442	138.046.967
Derivative instruments		37.930	--
<b>Short-term liabilities</b>		<b>2.781.279.637</b>	<b>2.835.955.627</b>
Liabilities related to assets held for sale		--	358.058.558
<b>Total short-term liabilities</b>		<b>2.781.279.637</b>	<b>3.194.014.185</b>
<b>Long-term liabilities</b>			
Long-term borrowings	5	93.433.672	117.472.564
Other borrowings			
-Other borrowings to third parties		--	--
Long-term provisions			
-Long-term provisions for employee benefits		113.635.623	113.665.364
Deferred tax liability		15.786.255	19.577.929
<b>Total long-term liabilities</b>		<b>222.855.550</b>	<b>250.715.857</b>
<b>Total liabilities</b>		<b>3.004.135.187</b>	<b>3.444.730.042</b>
<b>Shareholders' equity</b>			
Share capital		334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Impairment on property, plant and equipment		328.930.319	328.930.319
- Defined benefit plans re-measurement losses		(1.298.230)	(1.678.630)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency translation differences		(427.191.932)	(359.020.958)
Restricted reserves from profit			
-Legal reserves		53.838.737	53.838.737
Prior year profit		160.147.657	348.259.261
Current year profit/ (loss)		123.440.999	(149.740.564)
<b>Shareholders' equity</b>		<b>571.867.550</b>	<b>554.588.165</b>
Non-controlling interests		244.680.011	286.320.656
<b>Total shareholders' Equity</b>		<b>816.547.561</b>	<b>840.908.821</b>
<b>Total liabilities and equity</b>		<b>3.820.682.748</b>	<b>4.285.638.863</b>

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

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

### Consolidated statement of profit or loss and other comprehensive income as of June 30, 2020

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Reviewed	Reviewed	Reviewed	Reviewed
	Notes	Jan 1– June 30,2020	Jan 1– June 30,2019	April 1– June 30, 2020	April 1– June 30, 2019
Sales	13	2.683.735.693	2.567.176.790	951.700.052	1.106.834.716
Cost of sales	13	(2.088.795.576)	(2.090.526.397)	(724.358.794)	(886.386.796)
<b>Gross profit</b>		<b>594.940.117</b>	<b>476.650.393</b>	<b>227.341.258</b>	<b>220.447.920</b>
General and administrative expense (-)		(78.774.933)	(78.640.790)	(46.459.878)	(40.170.940)
Marketing, selling and distribution expense (-)		(265.196.180)	(177.437.823)	(87.910.164)	(92.790.012)
Other operating income	14	229.010.687	154.536.360	145.254.902	88.421.290
Other operating expenses (-)	14	(340.476.930)	(218.217.640)	(167.151.768)	(115.519.484)
<b>Operating profit</b>		<b>139.502.761</b>	<b>156.890.500</b>	<b>71.074.350</b>	<b>60.388.774</b>
Income((expenses) from investment activities		16.828.666	133.639	93	29.993
Profit / (loss) from investments accounted by equity method		1.577.817	2.042.238	1.513.077	1.154.241
<b>Financial income / (expense) before operating profit</b>		<b>157.909.244</b>	<b>159.066.377</b>	<b>72.587.520</b>	<b>61.573.008</b>
Financial income / (expense)		67.817.729	(164.390.578)	21.602.418	(74.318.391)
<b>Profit before tax from continuing operations</b>		<b>225.726.973</b>	<b>(5.324.201)</b>	<b>94.189.938</b>	<b>(12.745.383)</b>
- Current period tax (expense)		(2.423.099)	(3.058.750)	72.283	(1.722.848)
- Deferred tax (expense) / income		(2.629.394)	11.049.377	(163.917)	15.524.396
<b>Total tax (expense) / income</b>		<b>(5.052.493)</b>	<b>7.990.627</b>	<b>(91.634)</b>	<b>13.801.548</b>
<b>Net income</b>		<b>220.674.480</b>	<b>2.666.426</b>	<b>94.098.304</b>	<b>1.056.165</b>
<b>Distribution of income for the period</b>					
Non-controlling interests		97.233.481	19.893.728	40.313.085	12.474.333
Attributable to equity holders of the parent		123.440.999	(17.227.302)	53.785.219	(11.418.168)
<b>Gain/ (Loss) per share (kr)</b>	15	<b>0,0037</b>	<b>(0,0005)</b>	<b>0,0016</b>	<b>(0,0003)</b>
<b>Other comprehensive income:</b>					
<b>Items not to be reclassified to profit or loss</b>					
Actuarial gain/(loss) arising from defined benefit plans		475.500	748.820	2.350.778	842.723
Tax effect of other comprehensive income/expense		(95.100)	(149.764)	(470.156)	(168.545)
<b>Items to be reclassified to profit or loss</b>					
Foreign currency translation differences		(112.600.797)	(204.828.695)	(79.990.507)	(179.083.835)
<b>Other comprehensive (expense)</b>		<b>(112.220.397)</b>	<b>(204.229.639)</b>	<b>(78.109.885)</b>	<b>(178.409.657)</b>
<b>Total comprehensive (expense) / income</b>		<b>108.454.083</b>	<b>(201.563.213)</b>	<b>15.988.419</b>	<b>(177.353.492)</b>
<b>Distribution of total comprehensive income / (income)</b>					
Non-controlling interests		52.803.659	(56.248.797)	4.167.096	(50.722.225)
Equity holders of the parent		55.650.424	(145.314.416)	11.821.323	(126.631.267)

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

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Interim consolidated statement of changes in equity as of June 30, 2020**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

	Items not to be reclassified to profit or loss			Items to be reclassified to profit or loss			Accumulated profit		Attributable to equity holders of the parent	Non controlling interests	Total Equity
	Share Capital	Revaluation reserves	Actuarial gain/ (loss) arising from defined benefits plan	Shares to be classified in profit/(loss) from other comprehensive income of investments accounted for using equity method	Foreign Currency translation differences	Restricted reserves	Retained earnings	Net profit /(loss) of the year			
<b>Balances at January 1, 2019</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(937.828)</b>	--	<b>(213.293.368)</b>	<b>52.295.108</b>	<b>434.038.586</b>	<b>(64.340.136)</b>	<b>870.692.681</b>	<b>386.759.325</b>	<b>1.257.452.006</b>
Adjustments related to errors	--	--	--	--	--	--	--	(19.895.560)	(19.895.560)	--	(19.895.560)
<b>Balances after adjustments</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(937.828)</b>	--	<b>(213.293.368)</b>	<b>52.295.108</b>	<b>434.038.586</b>	<b>(84.235.696)</b>	<b>850.797.121</b>	<b>386.759.325</b>	<b>1.237.556.446</b>
Transfers	--	--	--	--	--	1.543.629	(85.779.325)	84.235.696	--	--	--
Profit shares	--	--	--	--	--	--	--	--	--	(90.132.523)	(90.132.523)
Total comprehensive Income/ (expense)	--	--	599.056	--	(128.686.170)	--	--	(17.227.302)	(145.314.416)	(56.248.797)	(201.563.213)
<b>Balances at June 30, 2019</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(338.772)</b>	--	<b>(341.979.538)</b>	<b>53.838.737</b>	<b>348.259.261</b>	<b>(17.227.302)</b>	<b>705.482.705</b>	<b>240.378.005</b>	<b>945.860.710</b>
<b>Balances at January 1, 2020</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(1.678.630)</b>	--	<b>(359.020.958)</b>	<b>53.838.737</b>	<b>348.259.261</b>	<b>(149.740.564)</b>	<b>554.588.165</b>	<b>286.320.656</b>	<b>840.908.821</b>
Transfers	--	--	--	--	--	--	(149.740.564)	149.740.564	--	--	--
Acquisition and disposal of subsidiaries	--	--	--	--	--	--	(38.371.040)	--	(38.371.040)	(60.550.643)	(98.921.683)
Profit shares	--	--	--	--	--	--	--	--	--	(33.893.661)	(33.893.661)
Total comprehensive Income/ (expense)	--	--	380.400	--	(68.170.974)	--	--	123.440.999	55.650.425	52.803.659	108.454.084
<b>Balances at June 30, 2020</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(1.298.230)</b>	--	<b>(427.191.932)</b>	<b>53.838.737</b>	<b>160.147.657</b>	<b>123.440.999</b>	<b>571.867.550</b>	<b>244.680.011</b>	<b>816.547.561</b>

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



(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of cash flows as of June 30, 2020

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Jan 1- June 30, 2020	Jan 1- June 30, 2019
<b>Cash flows from operating activities</b>			
Period income /loss		220.674.480	2.666.426
<b>Adjustments to reconcile net profit/(loss) for the period</b>			
Adjustments related to depreciation and amortization expense	9-10	33.093.497	41.271.355
Adjustments related to gain from investments accounted by equity method		(1.577.817)	(2.042.238)
Adjustments related to provisions for employee benefits		46.177.735	46.610.370
Adjustments related to interest expense		77.255.646	162.394.810
Adjustments related to impairment of inventories	8	(1.834.351)	(5.356.848)
Adjustments related to impairment of receivables	7	(2.895.787)	1.622.122
Deferred financial income		815.876	(867.393)
Adjustments related to lawsuit provisions	12	196.519	868.813
Adjustments related to current year tax income		5.052.493	(7.990.627)
Adjustments related to losses (gains) on sale of property, plant and equipments	9-10	(340.386)	67.398
Adjustments related to fair value losses (gains) on derivative financial instruments		9.500.802	9.475.438
Other Adjustments		(300.313)	77.702
<b>Cash flows from the operating activities before changes in the assets and liabilities</b>		<b>385.818.394</b>	<b>248.797.328</b>
<b>Changes in working capital (net):</b>			
Adjustments related to increase / (decrease) in trade receivables		70.401.825	(58.195.995)
Adjustments related to increase / (decrease) in other receivables		(62.507.626)	(1.504.915)
Adjustments related to increase / (decrease) in inventories		514.348.753	363.468.235
Adjustments related to increase / (decrease) in trade payables		112.698.242	470.290.004
Employee benefit obligations		(4.209.837)	(12.831.505)
Increase / (decrease) in deferred income		(1.577.891)	(32.193.698)
Increase / (decrease) in prepaid expenses		(117.508.272)	(11.159.320)
Increase / (decrease) in other payables		22.952.413	(73.498.769)
Adjustments related to other increases / (decreases) in working capital		(117.738.529)	(126.203.201)
<b>Cash flows from the operations after the changes in working capital</b>		<b>802.677.472</b>	<b>766.968.164</b>
Interest paid		(47.887.517)	(104.138.233)
Taxes refunds/(payments)		(7.118.658)	(8.910.115)
Payment termination indemnity		(10.860.725)	(20.724.616)
<b>Cash flow regarding investment activities</b>		<b>736.810.572</b>	<b>633.195.200</b>
<b>Cash flows from investment activities</b>			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9-10	(53.533.565)	(66.287.368)
Cash inflows from the purchases of property, plant and equipment and intangible assets	9-10	55.075	32.972
Other cash inflows / (outflows)		8.249.099	(19.642.413)
Proceeds from sales of property, plant and equipment		(14.789.923)	--
<b>Cash flows from investment activities</b>		<b>(60.019.314)</b>	<b>(85.896.809)</b>
<b>Cash flows from financing activities</b>			
Cash inflows from financial borrowings		1.684.937.440	1.737.768.719
Cash outflows from financial borrowings payments		(1.845.070.638)	(2.118.114.175)
<b>Cash flows from financing activities</b>		<b>(160.133.198)</b>	<b>(380.345.456)</b>
<b>Net change in cash and cash equivalents before effect of foreign currency translation difference</b>		<b>516.658.060</b>	<b>166.952.935</b>
<b>Cash and cash equivalents as of January 1</b>		<b>174.457.909</b>	<b>359.227.711</b>
Foreign currency translation difference		(63.622.699)	(115.411.715)
<b>Cash and cash equivalents as of June 30</b>		<b>627.493.270</b>	<b>410.768.931</b>

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the interim condensed consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

**NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS**

Gübre Fabrikaları T.A.Ş. (the Company) and its subsidiaries (altogether referred to as “the Group”) are composed of three subsidiaries and two associates. Gübretaş, established in 1952, operates in the field of production and marketing of chemical fertilizers.

The Company conducts the majority of its operations together with Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (TTK) ( Turkish Agricultural Loan Cooperative Association). The registered head Office is in Istanbul and information about the locations of the other production facilities and offices are summarized here below:

<b>Operational units</b>	<b>Operation details</b>
Yarımca Plant Directorate	Production / Port facilities / Storage
İzmir Region Directorate	Sales-marketing / Liquid-powder fertilizer production / Storage
Samsun Region Directorate	Sales-marketing / Storage
İskenderun Region Directorate	Sales-marketing / Port facilities / Storage
Tekirdağ Region Directorate	Sales-marketing / Storage
Ankara Region Directorate	Sales-marketing
Diyarbakır Region Directorate	Sales-marketing
Şanlıurfa Region Directorate	Sales-marketing
Antalya Region Directorate	Sales-marketing

The number of employees of the Company and its subsidiaries for the period ended June 30, 2020 is 1.586 (December 31, 2019: 1.569).

25,40% of the shares of the Company are traded in the Istanbul Stock Exchange and is registered to the Capital Market Board (“CMB”).

The shareholders holding 10% and above shareholding in the Company’s share capital are listed below:

<b>Name</b>	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Share (%)</b>	<b>Share Amount</b>	<b>Share (%)</b>	<b>Share Amount</b>
TKK	%75,95	253.684.607	%75,95	253.684.607
Other (Public held)	%24,05	80.315.393	%24,05	80.315.393
<b>Total</b>	<b>%100,00</b>	<b>334.000.000</b>	<b>%100,00</b>	<b>334.000.000</b>

**1.1 Subsidiaries**

Gübretaş has participated in Razi Petrochemical Co. (“Razi”) on May 24, 2008, which is located in Iran and conducts the production and sale of fertilizer and fertilizer raw materials. The share of Gübretaş in the share capital of Razi as of the date of balance sheet is 48,88% (December 31, 2019: 48,88%). Razi is considered a subsidiary because Gübretaş has the right to select and nominate three of the five-member Board of Razi. Also, it has the controlling power over the operational management of Razi.

As of December 31, 2010, Razi has established Raintrade Petrokimya ve Dış Ticaret A.Ş. (“Raintrade”) in Turkey in order to conduct its sales activities outside Iran. Raintrade has commenced its operations in April 2011. Razi has 100% shareholding of Raintrade; therefore, the Group has indirect ownership of 48,88% of the shares of Raintrade.

## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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### **NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Cont’d)**

#### **1.1 Subsidiaries (Cont’d)**

In 2012, Razi has purchased 87,5% of Arya Phosphoric Jonoob Co. (“Arya”), which operates in the same region and owns a production facility having an annual production capacity of 126.000 tons of phosphoric acid. In 2013, Razi purchased the remaining 12,5% of the shares and fully owns Arya, which resulted as an indirect ownership of 48,88% for the Group.

In accordance with a sharing agreement signed on March 5, 2018, Gübretaş has transferred its 40% shareholding in Negmar Denizcilik Yatırım A.Ş. (“Negmar”) to Etis Denizcilik Yatırım A.Ş. Therefore, 100% of the shares of Nbulkgas Deniz İşletmeciliği Limited Şirketi (“Nbulkgas”) owned by Negmar were transferred to the Gübretaş. Hence, Gübretaş acquired indirect shareholding of 50% of the shares of IGLC Anka Shipping Investment S.A. (“IGLC Anka”) and IGLC Dicle Shipping Investment S.A. (“IGLC Dicle”). Since Gübretaş has control over Nbulkgas and the majority of the board members of IGLC Anka and IGLC Dicle are appointed by Gübretaş and Gübretaş controls the operating activities of IGLC Dicle these entities were considered as subsidiaries and consolidated in the accompanying consolidated financial statements. Since the Group has control over IGLC Anka and IGLC Dicle companies, all companies are considered as subsidiaries. The indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50%, whereby the Group has control over the operating activities and ownership ratio on Nbulkgas is 100%. Nbulkgas who was founded in December 26, 2014, in Turkey and IGLC Anka and IGLC Dicle who were founded in September 19, 2013 in Panama are engaged in carrying out maritime transportation activities. The Group had sold all of its shares of Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. with a share transfer agreement dated February 5, 2020, who made a bid amounting to USD 75.120.000 (including related debts) in the tender held on January 8, 2020. As of December 31, 2019, due to the fact that a sales plan has been created that results in the loss of control of affiliated Nbulkgas, IGLC Dicle and IGLC Anka, all assets and liabilities of subsidiaries are classified as Assets / Liabilities Held for Sale, and excluded from consolidation as of June 30, 2020.

According to the Board Decision dated January 22, 2020, it was decided to establish Gübretaş Maden Yatırımları A.Ş. with a paid in capital of TL 550.000 and 100% of the shares owned by the Group, where the incorporation procedures were completed with the trade registration effected on March 31, 2020. Gübretaş Maden was established in order to make investments in in mining fields, both domestic and abroad, which is one of the activities of the Group.

#### **1.2 Affiliates**

Gübretaş has participated in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. (“Tarkim”), which operates in agricultural pesticide sector on April 13, 2009. As of the balance sheet date, the shares held by Gübretaş is 40% of total shares of Tarkim (December 31, 2019: 40%).

#### **1.3 Other financial investments**

The Group has participated at the rate of 15,78% in Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. (“Tarnet”) which is a subsidiary of TTK.

#### **1.4 The approval of the consolidated financial statements**

The consolidated financial statements have been approved by the Board of Directors and authorized to be issued on August 18, 2020. The General Assembly has the power to amend the consolidated financial statements.

(Convenience translation of consolidated financial statements originally issued in Turkish)

## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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### **NOTE 2 - BASIS OF THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

#### **2.1. Basis of Presentation**

##### **Financial Reporting Standards**

The Company and its subsidiaries located in Turkey record and prepare their statutory books of accounts and their statutory financial statements in line with the Turkish Commercial Code (“TCC”) and accounting principles stated by the tax legislation. The subsidiary based in Iran keep their books of accounts and prepare their financial statements in the currency of Iranian Rial (“IRR”) in accordance with the prevailing regulation in Iran.

The accompanying consolidated financial statements of the Group 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 Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) on June 13, 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards (“TFRS”) and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards (“IFRS”).

Turkey Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting” in accordance businesses are free to prepare as completed or condensed set of interim financial statements. In this framework, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group as of 31 December 2019.

The Group has prepared and presented its condensed consolidated financial statements for the interim period ended June 30, 2020 in accordance with TAS 34 Interim Financial Reporting Standards with the announcement of the CMB's Communiqué Serial: XII, 14.1 and its announcements.

The accounting policies used in the preparation of the condensed consolidated financial statements for the interim period ended as of June 30, 2020, comply with those in the consolidated financial statements of the previous year, except for the effect of the new and amended TFRSs and TFRYK interpretations summarized in Note 2.2 and valid as of January 1, 2020.

The consolidated financial statements have been prepared with historical cost principal excluding the revaluation of land and buildings presented in property plant and equipment, investment and derivative financial instruments stated at fair value as measured on the balance sheet date.

##### **Going Concern**

The Group has prepared its consolidated financial statements under the going concern concept.

##### **Comparative Information and Restatement of the Prior Period Financial Statements**

The consolidated financial statements of the Group include comparative financial information to enable the determination of trends in the financial position and performance. Comparative figures are reclassified where necessary, to conform to changes in presentation in the current period financial statements and the significant changes are explained.

(Convenience translation of consolidated financial statements originally issued in Turkish)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of June 30, 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 2 - BASIS OF THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont’d)

#### 2.1 Basis of Presentation (Cont’d)

##### Functional currency

The financial statements of the entities of the Group are presented in local currencies (“functional currency”) of the economic zones they operate in. All of the financial position and operational results of the entities are presented in Turkish Lira (“TL”) which is functional currency of the Company and presentation currency of the condensed consolidated financial statements.

The functional currency of the Company's subsidiary operating in Iran is Iranian Rial (“IRR”) and the functional currency of IGLC Anka and IGLC Dicle, which the Company is consolidated in 2019, is US Dollar (“USD”). According to TAS 21 Changes in Exchange Rates, the assets and liabilities of the subsidiaries in foreign countries are converted to Turkish Lira with the parity on the balance sheet day. Income and expense items are translated into Turkish Lira with the average exchange rate in the period. Currency translation differences resulted from closing and average rate usage is accounted under currency translation difference under equity. These translation differences are recognized as income or loss at the period.

The conversion rates used are as follows:

Currency	June 30, 2020		December 31, 2019	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000041784	0,000048327	0,000050206	0,000059189
USD/TL	6,8422	6,4731	5,9402	5,6708

#### 2.2 Changes in Turkish Financial Reporting Standards (“TFRS”)

##### New Standard, Amendment and Comments Effective as of January 1, 2020

The accounting policies used in the preparation of the consolidated financial statements for the fiscal period ending on June 30, 2020 have been applied consistently with those used in the previous year, except for the new and amended TFRS standards and TFRYK comments as of January 1, 2020, summarized below.

##### Amendments to TAS 1 and TAS 8 Definition of Significance

Effective from annual periods beginning on or after January 1, 2020, amendments in TAS 1 “Presentation of Financial Statements” and TAS 8 “Accounting Policies, Changes in Accounting Policies and Errors” are as follows:

- Use of materiality definition consistent with TFRS and financial reporting framework
- Clarification of the description of the materiality definition,
- Including a guidance in TAS 1 regarding insignificant information

The amendment has no impact on the consolidated financial position and performance of the Group.

(Convenience translation of consolidated financial statements originally issued in Turkish)

## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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### **NOTE 2 - BASIS OF THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont’d)**

#### **2.2 Changes in Turkish Financial Reporting Standards (“TFRS”) (Cont’d)**

##### **Changes in TFRS 3 - Business Definition**

The standard will be effective for annual periods beginning on or after January 1, 2020. With this amendment, the business definition has been revised. According to the feedback received by the IASB, current practice guidance is often considered to be very complex, and this results in too many processes to meet the definition of business combinations. This change has no impact on the consolidated financial position and performance of the Group.

##### **Changes on TFRS 9, TMS 39 and TFRS 7**

The standard will be effective for annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group. These changes have no impact on the consolidated financial position and performance of the Group.

##### **Standards and Amendments Issued but not yet Effective**

Standards, interpretations and amendments to existing standards that are issued but there are not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

##### **TFRS 17 – Insurance Contracts**

The standard will be effective for annual periods beginning on or after January 1, 2021. This standard replaces TFRS 4, which currently allows for a wide range of applications. TFRS 17 will fundamentally change the accounting for all businesses that issue insurance contracts and investment contracts with discretionary participation features.

##### **TAS 1 - Presentation of Financial Statements**

The standard will be effective for annual periods beginning on or after January 1, 2022. This amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendments to TAS 1 mainly handles the issues stated below:

- i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period
- ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- iii) clarify how the settlement conditions of the Company will affect the related classification
- iv) clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Group is evaluating the impact of these standards and changes on its consolidated financial position and performance.

(Convenience translation of consolidated financial statements originally issued in Turkish)

## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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### **NOTE 2 - BASIS OF THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont’d)**

#### **2.3 Principles of Consolidation**

- a) The interim condensed consolidated financial statements for the period ended June 30, 2020 have been prepared in accordance with principles stated for the consolidated financial statements for the year ended on December 31, 2019 and include the financial statements of Gübretaş and those of subsidiaries.
- b) As of June 30, 2020, there have been no changes in voting rights or proportion of effective interest on subsidiaries that are subject to consolidation with respect to the information stated in the consolidated financial statements for the year ended December 31, 2019, except the subsidiaries Dicle, Anka and Nbulkgas, that were excluded from consolidation due to the disposal of the shares in the current period.
- c) 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 subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and statement of comprehensive income for the year, respectively.
- d) The non-controlling shareholders’ share of the net assets and results for the period for the subsidiaries are classified separately in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.
- e) The Company’s significant interest in affiliates is accounted for with equity method. Affiliates 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 comprehensive income statement presents shares of financial results of the Group’s affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group’s share. The share of the Group from these changes is directly accounted under the Group’s equity.
- f) Financial assets held for sale in which the total voting rights of the Group do not have a significant impact or are not material to the consolidated financial statements and whose fair values cannot be reliably determined, or are not quoted in organized markets are stated at fair values or are measured in the consolidated financial statements at cost less impairment in the event the fair values cannot be determined reliably.

#### **The Impacts of Covid-19**

Covid - 19 outbreaks influence spreading in the world and Turkey. Covid-19 was declared as a pandemic by World Health Organization (WHO) in March 2020, and the measures taken against the pandemic, exposure to the pandemic in all countries has led to disruptions in almost all countries and has adversely affected the economic conditions both globally and locally.

Based on the evaluation made by the Company Management, the economic effects of this pandemic have been evaluated as not having a significant adverse effect on the Company as of the report date.

(Convenience translation of consolidated financial statements originally issued in Turkish)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of June 30, 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 3 – SEGMENT REPORTING

Operating segments were determined by the Group’s competent authority of making decision using the internal reports regularly reviewed. The Group’s competent authority of making decision reviews the results and activities based on geographical divisions in order to make decision on resources to be allocated to departments and evaluate the performance of these departments. The Parent Company operates in Turkey, whereas Razi, a subsidiary, operates in Iran.

The Company is engaged in carrying out the production and sales of chemical fertilizer within Turkey. Razi, is engaged in carrying out the production and trading of chemical fertilizers and fertilizer raw materials.

Since the Company management evaluates the operational results and financial performance based on financial statements prepared in accordance with TFRS, TFRS consolidated financial statements are used to prepare segment reporting.

As of June 30, 2020, and December 31, 2019, the breakdown of consolidated balance sheets by sections is as follows:

	<b>Turkey</b>	<b>Iran</b>	<b>Consolidation</b>	<b>Total</b>
	<b>June 30, 2020</b>	<b>June 30, 2020</b>	<b>Adjustments</b>	<b>June 30, 2020</b>
			<b>June 30, 2020</b>	
<b>Assets</b>				
Current assets	1.456.987.445	999.153.157	(57.494.358)	2.398.646.244
Non-current assets	1.446.754.697	330.294.236	(355.012.429)	1.422.036.504
<b>Total assets</b>	<b>2.903.742.142</b>	<b>1.329.447.393</b>	<b>(412.506.787)</b>	<b>3.820.682.748</b>
<b>Liabilities</b>				
Short-term liabilities	2.211.135.486	626.726.313	(56.582.162)	2.781.279.637
Long-term liabilities	110.609.585	112.245.965	--	222.855.550
Equities	581.997.071	590.475.115	(355.924.625)	816.547.561
<b>Total liabilities</b>	<b>2.903.742.142</b>	<b>1.329.447.393</b>	<b>(412.506.787)</b>	<b>3.820.682.748</b>

	<b>Turkey</b>	<b>Iran</b>	<b>Consolidation</b>	<b>Total</b>
	<b>December</b>	<b>December</b>	<b>Adjustments</b>	<b>December</b>
	<b>31,2019</b>	<b>31,2019</b>	<b>December</b>	<b>31,2019</b>
			<b>31,2019</b>	
<b>Assets</b>				
Current assets	1.995.202.267	1.004.152.743	(201.107.746)	2.798.247.264
Non-current assets	1.427.364.482	399.772.695	(339.745.578)	1.487.391.599
<b>Total assets</b>	<b>3.422.566.749</b>	<b>1.403.925.438</b>	<b>(540.853.324)</b>	<b>4.285.638.863</b>
<b>Liabilities</b>				
Short-term liabilities	2.653.967.265	735.233.417	(195.186.497)	3.194.014.185
Long-term liabilities	133.290.109	117.425.748	--	250.715.857
Equities	635.309.375	551.266.273	(345.666.827)	840.908.821
<b>Total liabilities</b>	<b>3.422.566.749</b>	<b>1.403.925.438</b>	<b>(540.853.324)</b>	<b>4.285.638.863</b>



(Convenience translation of consolidated financial statements originally issued in Turkish)

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Notes to the consolidated financial statements as of June 30, 2020**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

**NOTE 3 – SEGMENT REPORTING (Cont’d)**

The distribution of statement of profit or loss for the six-month interim periods ended June 30, 2020 and June 30, 2019 by segments are as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	January 1- June 30, 2020	January 1- June 30, 2020	January 1- June 30, 2020	January 1- June 30, 2020
Sales	2.006.957.187	1.036.566.059	(359.787.553)	2.683.735.693
Cost of sales	(1.730.723.110)	(716.947.823)	358.875.357	(2.088.795.576)
<b>Gross profit</b>	<b>276.234.077</b>	<b>319.618.236</b>	<b>(912.196)</b>	<b>594.940.117</b>
Marketing, selling and distribution expense	(139.571.896)	(125.624.284)	--	(265.196.180)
General and administrative expense	(19.686.495)	(59.088.438)	--	(78.774.933)
Other operating income / expense, net	(89.079.796)	(29.152.248)	6.765.801	(111.466.243)
<b>Operating profit / (loss)</b>	<b>27.895.890</b>	<b>105.753.266</b>	<b>5.853.605</b>	<b>139.502.761</b>
Income from investments, net	16.828.666	--	--	16.828.666
Profit from investments accounted by equity method	1.577.817	--	--	1.577.817
<b>Operation profit before financial income / (expense)</b>	<b>46.302.373</b>	<b>105.753.266</b>	<b>5.853.605</b>	<b>157.909.244</b>
Financial expense, net	(13.211.779)	87.795.309	(6.765.801)	67.817.729
<b>Profit / (loss) before tax</b>	<b>33.090.594</b>	<b>193.548.575</b>	<b>(912.196)</b>	<b>225.726.973</b>
Deferred tax income / (expense)	(2.630.184)	(2.622.992)	200.683	(5.052.493)
<b>Profit / (loss) for the period</b>	<b>30.460.410</b>	<b>190.925.583</b>	<b>(711.513)</b>	<b>220.674.480</b>

	Turkey	Iran	Consolidation Adjustments	Total
	January 1- June 30, 2019	January 1- June 30, 2019	January 1- June 30, 2019	January 1- June 30, 2019
Sales	1.977.673.622	945.217.527	(355.714.359)	2.567.176.790
Cost of sales	(1.711.920.190)	(733.595.142)	354.988.935	(2.090.526.397)
<b>Gross profit</b>	<b>265.753.432</b>	<b>211.622.385</b>	<b>(725.424)</b>	<b>476.650.393</b>
Marketing, selling and distribution expense	(83.271.112)	(94.166.711)	--	(177.437.823)
General and administrative expense	(19.793.954)	(58.846.836)	--	(78.640.790)
Other operating income / expense, net	(32.999.614)	(30.681.666)	--	(63.681.280)
<b>Operating profit / (loss)</b>	<b>129.688.752</b>	<b>27.927.172</b>	<b>(725.424)</b>	<b>156.890.500</b>
Income from investments, net	133.639	--	--	133.639
Profit from investments accounted by equity method	2.042.238	--	--	2.042.238
<b>Operation profit before financial income / (expense)</b>	<b>131.864.629</b>	<b>27.927.172</b>	<b>(725.424)</b>	<b>159.066.377</b>
Financial expense, net	(190.313.187)	25.922.609	--	(164.390.578)
<b>Profit / (loss) before tax</b>	<b>(58.448.558)</b>	<b>53.849.781</b>	<b>(725.424)</b>	<b>(5.324.201)</b>
Deferred tax income / (expense)	10.745.852	(2.914.818)	159.593	7.990.627
<b>Profit / (loss) for the period</b>	<b>(47.702.706)</b>	<b>50.934.963</b>	<b>(565.831)</b>	<b>2.666.426</b>

(Convenience translation of consolidated financial statements originally issued in Turkish)

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

**NOTE 3 – SEGMENT REPORTING (Cont’d)**

Investment expenditures pertaining to segment assets for the periods ending June 30, 2020 and June 30, 2019 are as follows:

	<b>January 1- June 30, 2020</b>	<b>January 1- June 30, 2019</b>
Turkey	45.454.498	47.117.958
Iran	8.133.804	19.169.410
<b>Total</b>	<b>53.588.302</b>	<b>66.287.368</b>

**Depreciation / Amortization:**

Depreciation and amortization expenditures pertaining to segment assets for the periods ending June 30, 2020 and June 30, 2019 are as follows:

	<b>January 1- June 30, 2020</b>	<b>January 1- June 30, 2019</b>
Turkey	21.390.651	26.331.457
Iran	11.702.846	14.939.898
<b>Total</b>	<b>33.093.497</b>	<b>41.271.355</b>

**NOTE 4 – CASH AND CASH EQUIVALENTS**

	<b>June 30, 2020</b>	<b>December, 31 2019</b>
Cash on hands	30.570	251.583
Bank	632.692.204	173.995.566
- Demand deposits	116.318.105	45.202.413
- Time deposits	516.374.099	128.793.153
Other cash equivalents	1.273.619	210.760
<b>Total</b>	<b>633.996.393</b>	<b>174.457.909</b>
Blocked deposits	(6.503.123)	--
<b>Cash and cash equivalents at the statement of cash flow</b>	<b>627.493.270</b>	<b>174.457.909</b>

(Convenience translation of consolidated financial statements originally issued in Turkish)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of June 30, 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 4 – CASH AND CASH EQUIVALENTS (Cont’d)

#### 4.1 Time deposits (TL)

Interest rate (%)	Maturity	June 30, 2020
8,35 – 8,65	1-3 days	15.635.557
<b>Total</b>		<b>15.635.557</b>

Interest rate (%)	Maturity	December 31, 2020
10,75	1-3 days	56.691.692
<b>Total</b>		<b>56.691.692</b>

#### 4.2 Time deposits (Foreign currency):

Interest rate (%)	Maturity	Currency	June 30, 2020	
			Foreign Currency amount	Amount in TL
0,65	1-3 days	EUR	3.007	23.175
10 – 15	1-3 days	Mil. IRR	1.284.792	53.683.656
1,80	1-30 days	USD	65.334.499	447.031.711
<b>Total</b>				<b>500.738.542</b>

Interest rate (%)	Maturity	Currency	December 31, 2019	
			Foreign Currency amount	Amount in TL
0,30 – 0,65	1-30 days	EUR	1.470.755	9.781.402
10 - 15	1-3 days	Mil. IRR	809.488	40.640.995
2,00	1-3 days	USD	3.649.551	21.679.064
<b>Total</b>				<b>72.101.461</b>

### NOTE 5 – FINANCIAL BORROWINGS

Short-term and Long-term borrowings	June 30, 2020	December 31, 2019
Payable within 1 year	1.415.120.938	1.521.847.115
Payable within 1 – 5 years	93.433.672	117.472.564
<b>Total</b>	<b>1.508.554.610</b>	<b>1.639.319.679</b>

(Convenience translation of consolidated financial statements originally issued in Turkish)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of June 30, 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

As of June 30, 2020 and December 31, 2019, details of short-term and long-term borrowings are as follows:

<b>Short-term borrowings</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Short-term borrowings	1.398.647.074	1.458.191.882
Short-term portion of long-term borrowings	10.098.855	55.885.641
Short-term financial lease liabilities	6.375.009	7.769.592
<b>Total</b>	<b>1.415.120.938</b>	<b>1.521.847.115</b>

#### 5.1 Short-term borrowings and short-term portion of long-term borrowings

The details of short-term borrowings and short-term portion of long-term borrowings as of June 30, 2020 and December 31, 2019 are as follows:

##### June 30, 2020

<b>Currency</b>	<b>Average effective annual interest rate (%)</b>	<b>Original amount</b>	<b>Amount in TL</b>
<b>Bank loans</b>			
TL	8,77	1.355.899.305	1.355.899.305
<b>Other financial borrowings</b>			
Mil. IRR (*)	18,00	1.264.760	52.846.624
<b>Total</b>			<b>1.408.745.929</b>

##### December 31, 2019

<b>Currency</b>	<b>Average effective annual interest rate (%)</b>	<b>Original amount</b>	<b>Amount in TL</b>
<b>Bank loans</b>			
EUR	3,40	5.455.324	36.311.669
USD	3,43	10.000.000	59.402.000
TL	14,30	1.306.554.075	1.306.554.075
<b>Other financial borrowings</b>			
Mil. IRR (*)	18,00	2.227.029	111.809.779
<b>Total</b>			<b>1.514.077.523</b>

(\*) The amounts included in the short-term and long-term other financial borrowings represent the financial payables to the Institution that was the owner of Razi prior to the privatization.

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 5 – FINANCIAL BORROWINGS (Cont’d)**

**5.2 Financial lease liabilities**

<b>June 30, 2020</b>	<b>Average effective annual</b>	<b>Original</b>	<b>Amount</b>
<b>Currency</b>	<b>interest rate (%)</b>	<b>Amount</b>	<b>in TL</b>
TL	12	5.830.718	5.830.718
<b>Total</b>			<b>5.830.718</b>

<b>December 31, 2019</b>	<b>Average effective annual</b>	<b>Original</b>	<b>Amount</b>
<b>Currency</b>	<b>interest rate (%)</b>	<b>Amount</b>	<b>in TL</b>
TL	12	7.769.592	7.769.592
<b>Total</b>			<b>7.769.592</b>

**5.3 Long-term borrowings**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Long-term loans	80.870.000	102.185.456
Long-term financial lease liabilities	12.563.672	15.287.108
<b>Total</b>	<b>93.433.672</b>	<b>117.472.564</b>

As of June 30, 2020 details of long-term borrowings are as follows:

**Bank Loans:**

<b>Currency</b>	<b>Maturity</b>	<b>Average effective annual interest rate (%)</b>	<b>Original amount</b>	<b>Amount in TL</b>
TL	2024	11,45	80.870.000	80.870.000
<b>Total</b>				<b>80.870.000</b>

As of December 31, 2019 details of long-term borrowings are as follows:

**Banka Kredileri:**

<b>Currency</b>	<b>Maturity</b>	<b>Average effective annual interest rate (%)</b>	<b>Original amount</b>	<b>Amount in TL</b>
TL	2024	12,30	102.185.456	102.185.456
<b>Total</b>				<b>102.185.456</b>

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 5 – FINANCIAL BORROWINGS (Cont’d)**

**Financial lease liabilities**

<b>June 30, 2020</b>		<b>Average effective annual</b>	<b>Original</b>	<b>Amount</b>
<b>Currency</b>		<b>interest rate (%)</b>	<b>Amount</b>	<b>in TL</b>
TL	December 2023	12	12.563.672	12.563.672
<b>Total</b>				<b>12.563.672</b>

<b>December 31, 2019</b>		<b>Average effective annual</b>	<b>Original</b>	<b>Amount</b>
<b>Currency</b>		<b>interest rate (%)</b>	<b>Amount</b>	<b>in TL</b>
TL	December 2023	12	15.287.108	15.287.108
<b>Total</b>				<b>15.287.108</b>

**NOTE 6 – TRADE RECEIVABLES AND PAYABLES**

**6.1 Short-term trade receivables**

	<b>30 Haziran 2020</b>	<b>31 Aralık 2019</b>
Trade receivables	381.067.603	302.628.203
Receivables from Iran Oil Ministry’s participations (*)	38.617.655	46.161.675
Notes receivable	84.000	--
	<b>419.769.258</b>	<b>348.789.878</b>
Provision for doubtful trade receivables	(9.317.176)	(12.212.962)
<b>Toplam</b>	<b>410.452.082</b>	<b>336.576.916</b>

(\*) As of 30 June 2020, the related amounts have not been collected for a long time. As the negotiations for the collection of the unsecured trade receivables are ongoing and the commercial business relations between both sides continues, no impairment provision has been made for related amount.

The details of the Group’s doubtful receivables and the allowances provided therein are as follows:

<b>Time after maturity</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
More than 9 months	9.317.176	12.212.962
<b>Total</b>	<b>9.317.176</b>	<b>12.212.962</b>

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## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of June 30, 2020

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Cont’d)

The movements of the doubtful trade receivables provision for the 6-month interim period ended on June 30, 2020 and June 30, 2019 are as follows:

	June 30, 2020	June 30, 2019
<b>Balance at beginning of the period</b>	12.212.963	10.088.498
Period cost	(2.895.787)	1.622.122
<b>Balance at end of the period</b>	<b>9.317.176</b>	<b>11.710.620</b>

As of June 30, 2020, and December 31, 2019, the guarantees regarding the overdue receivables are as follows:

	June 30, 2020	December 31, 2019
Guarantee letters	166.618.931	222.142.247
Collateral cheques and notes	163.852.321	2.790.001
<b>Total</b>	<b>330.471.252</b>	<b>224.932.248</b>

### 6.2 Short-term trade payables

	June 30, 2020	December 31, 2019
Liabilities to the Iranian gas supplier	327.858.866	352.131.253
Creditors	746.639.799	602.725.593
Other trade payables	25.153.156	31.161.663
<b>Total</b>	<b>1.099.651.821</b>	<b>986.018.509</b>

### NOTE 7 – OTHER RECEIVABLES AND PAYABLES

#### 7.1 Short-term other payables

	June 30, 2020	December 31, 2019
VAT receivables (Iran)	115.130.062	120.587.913
VAT receivables - Turkey	16.131.438	18.666.711
Due from personnel	5.632.308	5.698.894
Other various receivables (Tabosan) (*)	33.273.552	33.273.552
Receivables from other government agencies - Iran	21.138.023	11.661.904
Other receivables from related parties	--	10.135.215
Other various receivables (**)	103.239.690	15.624.406
<b>Total</b>	<b>294.545.073</b>	<b>215.648.595</b>

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Cont’d)**

(\*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TL 33.273.552 as of report date. The Group management requested from the Bankruptcy Administration to affect the transfer of Razi shares pertaining to Tabosan Mühendislik ve İmalat ve Montaj San. A.Ş.’ye (“Tabosan”) at the rate of 1,31% corresponding to payments in the amount of EUR 5.439.402 made as co-guarantor. Since this request was not accepted by the Bankruptcy Administration, the Group applied to court whereby it was ruled by the court to issue an interim injunction on June 27, 2013 in order to avoid any savings on the shares and the distribution of 1,31% of Razi shares owned by Tabosan. The share transfer lawsuit brought to the court by the Group was dismissed and appealed by the Group. However, the court ruling was approved by the Supreme Court. The Group hence applied to the Supreme Court in order to seek a revision of the verdict. The lawsuit filed by the Group against the Bankruptcy Court to seek share transfer plea was rejected.

Since the request made by the Group to register to the bankruptcy estate the other receivables arising from payments made as a co-guarantor was dismissed, the Group brought a lawsuit against the Bankruptcy Administration to seek approval of receivables. The Bankruptcy Administration ruled for the acceptance of the aforementioned lawsuit and the Court decided to accept the lawsuit regarding recording of receivables following this acceptance declaration on July 15, 2017. Since the accumulated dividend receivables corresponding to 10,88% shares of Tabosan at Razi reverted to bankruptcy estate, the Bankruptcy administration paid its principal receivable at an amount of TL 25.278.225 on July 8, 2015. Thus, the said receivable registration case was finalized. The Bankruptcy Administration paid TL 5.548.880 to the Group on August 4, 2017, being the principal amount receivable of the Group. The Bankruptcy Administration will be able to pay the Group's remaining receivables to the extent of dividend receivable of Tabosan from Razi, provided those receivables are registered to the bankruptcy table and will be sufficient to cover the remainder of the outstanding receivables of the Group.

(\*\*) The Group had sold all of its shares in Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. with a share transfer agreement dated February 5, 2020, who made a bid amounting to USD 75.120.000 (including related debts) in the tender held on January 8, 2020. The receivables amounting to TL 90.531.118 of the Group arising from the sale of its subsidiary were recorded in other receivables after the sales transaction was completed.

**7.2 Other long-term receivables**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Deposits and guarantees given	49.224.702	63.115.925
Due from personnel	1.472.273	1.820.900
Other long-term receivables	11.583.404	13.732.406
<b>Total</b>	<b>62.280.379</b>	<b>78.669.231</b>

**7.3 Other short-term payables**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Dividend payables to non-controlling interests	34.450.841	46.049.817
Other payables to related parties	--	25.000.000
Other payables and liabilities	55.653.501	40.325.655
<b>Total</b>	<b>90.104.342</b>	<b>111.375.472</b>



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**NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Cont’d)**

**7.4 Other short-term payables**

None (December 31, 2019: None).

**NOTE 8 - INVENTORIES**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Raw materials and supplies	154.074.400	200.437.149
Finished goods	191.024.080	310.773.646
Trade goods	352.094.996	642.840.114
Other inventories	86.588.692	96.091.705
	<b>783.782.168</b>	<b>1.250.142.614</b>
Provision of impairment on inventories (-)	(16.979.128)	(18.813.479)
<b>Toplam</b>	<b>766.803.040</b>	<b>1.231.329.135</b>

**NOTE 9 – PROPERTY, PLANT AND EQUIPMENT**

The details of depreciation and amortization expenses of the Group as of June 30, 2020 and June 30, 2019 are given below:

			<b>June 30, 2020</b>
	<b>Gübretaş</b>	<b>Razi</b>	<b>Total</b>
Depreciation expense	19.736.010	11.702.846	31.438.856
Amortization expense	1.654.641	--	1.654.641
<b>Total</b>	<b>21.390.651</b>	<b>11.702.846</b>	<b>33.093.497</b>

During the period ended June 30, 2020, depreciation and amortization expense amounting to TL 33.093.497; TL 29.888.150 is included in general production expenses, TL 1.266.391 in sales and marketing expenses, TL 1.938.956 in general administrative expenses.

			<b>June 30, 2019</b>
	<b>Gübretaş</b>	<b>Razi</b>	<b>Total</b>
Depreciation expense	25.726.281	14.939.898	40.666.179
Amortization expense	605.176	--	605.176
<b>Total</b>	<b>26.331.457</b>	<b>14.939.898</b>	<b>41.271.355</b>

During the period ended June 30,2019, depreciation and amortization expense amounting to TL 41.271.355; TL 38.955.869 is included in general production expenses, TL 695.477 in sales and marketing expenses, TL 1.620.009 in general administrative expenses.

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
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**NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Cont’d)**

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles	Furnitures and fixtures	Right of use assets	Special costs	Construction in progress	Total
<b>Cost Value</b>										
Opening balance at January 1, 2020	460.989.962	130.808.686	373.583.334	698.836.520	6.961.735	30.688.986	25.778.418	1.117.468	19.402.832	1.748.167.941
Foreign currency translation differences	(11.651.876)	--	(9.550.101)	(79.777.862)	(948.694)	(1.853.826)	--	--	(2.373.033)	(106.155.392)
Additions	--	202.693	418.610	1.549.743	822	2.405.900	--	--	45.879.635	50.457.403
Sales / disposals	--	--	--	(40.905)	(9.777)	(171.063)	--	--	(58.275)	(280.020)
Transfer from construction in progress	--	--	113.081	901.133	--	6.727	--	--	(1.020.941)	--
<b>Closing balance at June 30, 2020</b>	<b>449.338.086</b>	<b>131.011.379</b>	<b>364.564.924</b>	<b>621.468.629</b>	<b>6.004.086</b>	<b>31.076.724</b>	<b>25.778.418</b>	<b>1.117.468</b>	<b>61.830.218</b>	<b>1.692.189.932</b>
<b>Accumulated depreciation</b>										
Opening balance at January 1, 2020	--	(61.343.697)	(146.408.040)	(446.024.781)	(4.451.090)	(15.407.735)	(3.571.865)	(676.835)	--	(677.884.043)
Foreign currency translation differences	--	--	5.035.187	59.646.923	626.066	1.459.269	--	--	--	66.767.445
Period cost	--	(5.411.659)	(6.002.719)	(15.265.654)	(313.630)	(1.573.450)	(2.789.597)	(82.147)	--	(31.438.856)
Sales / cancellation	--	--	--	40.905	9.777	92.977	--	--	--	143.659
<b>Closing balance at June 30, 2020</b>	<b>--</b>	<b>(66.755.356)</b>	<b>(147.375.572)</b>	<b>(401.602.607)</b>	<b>(4.128.877)</b>	<b>(15.428.939)</b>	<b>(6.361.462)</b>	<b>(758.982)</b>	<b>--</b>	<b>(642.411.795)</b>
<b>Net book value on June 30, 2020</b>	<b>449.338.086</b>	<b>64.256.023</b>	<b>217.189.352</b>	<b>219.866.022</b>	<b>1.875.209</b>	<b>15.647.785</b>	<b>19.416.956</b>	<b>358.486</b>	<b>61.830.218</b>	<b>1.049.778.137</b>

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**NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Cont’d)**

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles	Furnitures and fixtures	Right of use assets	Special costs	Construction in progress
<b>Cost Value</b>									
Opening balance at January 1, 2019	487.225.047	128.434.581	357.345.942	828.132.342	575.107.963	31.834.492	1.018.158	45.392.380	2.454.490.905
Foreign currency translation differences	(27.239.570)	--	(21.562.690)	(175.165.245)	71.492.543	(3.809.863)	--	(10.130.966)	(166.415.791)
Additions	1.309.214	429.895	1.380.329	994.953	168.702	1.218.444	--	57.256.607	62.758.144
Sales / disposals	--	--	--	(147.039)	(47.730)	(40.794)	--	--	(235.563)
Transfer from construction in progress	--	228.836	1.277.336	4.228.996	--	178.432	--	(5.913.600)	--
<b>Closing balance at June 30, 2019</b>	<b>461.294.691</b>	<b>129.093.312</b>	<b>338.440.917</b>	<b>658.044.007</b>	<b>646.721.478</b>	<b>29.380.711</b>	<b>1.018.158</b>	<b>86.604.421</b>	<b>2.350.597.695</b>
<b>Accumulated depreciation</b>									
Opening balance at January 1, 2019	--	(50.620.073)	(145.623.103)	(543.716.808)	(145.988.138)	(15.379.288)	(510.037)	--	(901.837.447)
Foreign currency translation differences	--	--	10.940.038	130.886.083	(2.180.386)	2.774.292	--	--	142.420.027
Period cost	--	(5.339.575)	(6.372.178)	(16.480.326)	(10.690.371)	(1.697.121)	(86.608)	--	(40.666.179)
Sales / cancellation	--	--	--	69.339	47.730	18.125	--	--	135.194
<b>Closing balance at June 30, 2019</b>	<b>--</b>	<b>(55.959.648)</b>	<b>(141.055.243)</b>	<b>(429.241.712)</b>	<b>(158.811.165)</b>	<b>(14.283.992)</b>	<b>(596.645)</b>	<b>--</b>	<b>(799.948.405)</b>
<b>Net book value on June 30, 2019</b>	<b>461.294.691</b>	<b>73.133.664</b>	<b>197.385.674</b>	<b>228.802.295</b>	<b>487.910.313</b>	<b>15.096.719</b>	<b>421.513</b>	<b>86.604.421</b>	<b>1.550.649.290</b>

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### NOTE 10 – INTANGIBLE ASSETS

#### 10.1 Rights

	June 30, 2020	June 30, 2019
<b>Cost</b>		
Opening balance at January 1	27.348.692	25.644.968
Purchases	3.130.899	3.529.224
Foreign currency translation differences (net)	(2.263.307)	(4.926.222)
Sales / cancellation	(54.737)	--
<b>Closing balance</b>	<b>28.161.547</b>	<b>24.247.970</b>
<b>Accumulated Amortization</b>		
Opening balance at January 1	(5.143.792)	(4.950.084)
Current period amortization expense	(1.654.641)	(605.176)
Foreign currency translation differences (net)	--	--
Sales / cancellation	--	--
<b>Closing balance</b>	<b>(6.798.433)</b>	<b>(5.555.260)</b>
<b>Net Book Value</b>	<b>21.363.114</b>	<b>18.692.710</b>

#### 10.2 Goodwill:

	June 30, 2020	June 30, 2019
Opening balance at January 1	87.044.600	121.614.875
Foreign currency translation differences	(14.601.498)	(34.135.148)
<b>Closing balance</b>	<b>72.443.102</b>	<b>87.479.727</b>

### NOTE 11 – COMMITMENTS

#### 11.1 Razi’s share purchase

Related to Razi’s purchase agreement, all shares of Razi were put in pledge by Iranian Privatization Organization until Group and other consortium members will pay all of their debts. The Group and consortium members have committed and agreed to the effect that they do not have any right to be involved in any manipulation whatsoever or effect any changes during the period the pledge continues.

As of August 1, 2016, a portion of shares held by the Group and other consortium members were released, and from 1.368.698.169 shares pertaining to the Group, 1.225.559.793 shares were physically taken delivery.

As of the balance sheet date, all shares have been received and there is no pledge on the shares.

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### NOTE 11 – COMMITMENTS (Cont’d)

#### 11.2 Purchasing commitments

As of June 30, 2020, the Group has USD 102.871.443 of purchase commitment for raw materials and trade goods, planned to be imported for which purchase orders were placed and related letters of credit were opened (December 31, 2019 USD 108.076.341).

### NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### 12.1 Short-term provisions

	June 30, 2020	December 31, 2019
Provisions for costs	77.003.075	80.618.320
Fertilizer tracking system expense provision (*)	19.380.544	46.454.760
Provisions for pending claims and lawsuits	4.859.631	4.663.112
Other short-term debt provisions	4.290.192	6.310.775
<b>Total</b>	<b>105.533.442</b>	<b>138.046.967</b>

(\*) Amount represents expense accruals for system usage expenses related to the Fertilizer tracking system, which was started to be implemented at the end of 2018 and continued to be used throughout 2019. Subsequent to the balance sheet date, the related amounts were invoiced by the supplier.

The movement of provisions for lawsuits during the related periods is presented below:

	June 30, 2020	June 30, 2019
As of January 1,	4.663.112	1.502.750
Additional provision	196.519	868.813
<b>Closing Balance</b>	<b>4.859.631</b>	<b>2.371.563</b>

A lawsuit amounting to TL 785.193 was filed by Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi against the Group for loss of profit claims. The Group management has not made any provision for this lawsuit in the accompanying consolidated financial statements considering the opinion of the legal counsel. The Group made a provision of TL 4.859.631 (June 30, 2019: TL 2.371.563) in respect of other lawsuits.

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**NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)**

**12.2 Guarantees given**

As of June 30, 2020, and December 31, 2019, the tables related to the Group’s tables related to Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position are as follows:

	June 30 , 2020			December 31, 2019		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB’s given						
	TL	10.382.957	10.382.957	TL	33.405.490	33.405.490
	USD	700.000	4.789.540	USD	10.750.000	63.857.150
B. CPMB’s given on behalf of fully consolidated companies	--	--	--	--	--	--
C. CPMB’s given on behalf of third parties for ordinary of business	--	--	--	--	--	--
D. Total amount of other CPMB’S						
i. Total amount of CPMB’s given on behalf of the majority shareholder	--	--	--	--	--	--
ii. Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C	--	--	--	--	--	--
iii. Total amount of CPMB’s given on behalf of third parties which are not in scope of C	--	--	--	--	--	--
<b>Total</b>			<b>15.172.497</b>			<b>97.262.640</b>

**12.3 Contingent liabilities and Assets**

**Iran Comprehensive Action Plan**

The Comprehensive Joint Action Plan ("KOEP", "JCPOA") signed in July, 2015 between Iran, permanent members of the United Nations Security Council, Germany and the European Union includes the abolition of economic sanctions imposed to Iran as a result of its nuclear activities by the US, the European Union and the United Nations Security Council and the suspension of some of the sanctions in exchange for restricting Iran's nuclear activities.

On May 8,2018, the United States has stated that it had withdrawn from KOEP and stated that it would begin to re-apply sanctions that had previously been repealed or suspended.

The sanctions put into effect on November 4, 2018, Iran's oil, petroleum products and petrochemical products were subject to sanctions. None of the Group's companies is subject to sanction as of the date of these financial statements.

The condensed consolidated financial statements include the Group management's assumptions about the effects of the current sanctions imposed on Iran on the operations and financial position of the subsidiary. The future economic situation of Iran may differ from the Group Management's assumptions.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the consolidated financial statements as of June 30, 2020**

**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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**NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)**

**12.3 Contingent liabilities and Assets (Cont’d)**

**VAT Receivable**

Razi, the subsidiary of the Company, has value added taxes receivable amounting to TL 115.130.062 (2.834 Million IRR). Even though there is value added tax exemption over export sales in accordance with the current tax regime in Iran and the tax paid is required to be refunded in case of submitting the required documents, Razi Management's refund request was not accepted as of the date of the report. There is uncertainty regarding the timing of the recovery of this receivable recorded under short term other receivables and no provision has been made thereon in the consolidated financial statements.

**Use of Gas**

A lawsuit has been filed at the domestic court for claims amounting to TL 31.328.421 due to the alleged excessive use of gas. The title deed of Razi's land carried at TL 69.460.933 was placed as collateral in the related litigation matter. In view of the opinions of the legal counsel, the Group Management has not made any provision for this case in the accompanying consolidated financial statements at this stage due to the fact that the outcome of the court is uncertain.

**Razi Shares**

During the acquisition of Razi shares, the Group and other consortium members jointly vouched on behalf of each other against the financing banks and the Iranian Privatization Administration. One of the consortium members, Tabosan Mühendislik Üretim ve Montaj A.Ş. (“Tabosan”), the bankruptcy request of Tabosan was rejected by the court in 2011 and Tabosan's bankruptcy and bankruptcy desk was established and all transactions were transferred to bankruptcy desk. The Group requested share transfer for some of the payments made on behalf of the guarantor, Tabosan, and applied to the bankruptcy desk for the remaining receivables.

For the payments made on behalf of Tabosan, the Group filed a lawsuit for the transfer of 1.31% of the shares of Tabosan in Razi Petrochemical Company in Iran. On April 28, 2014, the court decided to dismiss the case. Thereupon, Gübretaş applied to the Court of Cassation for correction of the decision. However, this request was also rejected, and the application was made to register the receivable as a receivable to the bankruptcy desk and a part of this amount was written to the bankruptcy desk.

Even though the Group applied to the bankruptcy administration for the registration of other receivables that had not become subject to the share transfer case, the request made was rejected by the administration. This time the Group filed a lawsuit against the bankruptcy administration. The Bankruptcy Administration has accepted the Group's case for the registration of receivables and upon this declaration, the Court has decided on July 15, 2017 to accept the case of the Group's registration. As of the reporting date, the Group's principal receivable arising from the payments made on surety and total interest receivable as of the reporting date is TL 33.273.552.

The Bankruptcy Administration may pay the Group's outstanding receivables to the extent that it meets the Group's balance receivable, provided that a dividend receivable is received by Tabosan at Razi and this is transferred to the bankruptcy table. The Group management has not made any provision in the prior years and current period regarding Tabosan's dividend share in respect of Razi shares and mortgages and guarantees transferred to it by the bank.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)**

**12.3 Contingent liabilities and Assets (Cont’d)**

**Coastal Line**

Iskenderun Fiscal Directorate (“Treasury”) brought a lawsuit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m<sup>2</sup> located in Hatay, Iskenderun, Sarıseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 99.415.344 TL as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert’s report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favor of Treasury. In March of 2018, Iskenderun 3.Civil Court partially accepted the case opened by the Property Directorate and decided to cancel the title deed registration of 78.674,76 m<sup>2</sup> of the immovable property of the Company located in Hatay, İskenderun and Sarıseki borders, the court ruled that the applicant had been denied the registration with the abandonment as a line and rejected the request concerning the surplus and rejected the case against the group. Within the legal period, the Group has applied for the appeal law, the group has accepted the appeal and the Gaziantep Regional Court of Justice has removed the decisions given by the Law Department of the 15th Law Department and the Group actions and returned the case to the local court for reconsideration. The Group Management has not recorded any provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors.

**Koza Gold Case**

Mining rights of mine site located in Kızılsaray village in Söğüt / Bilecik was transferred to Koza Altın İşletmeleri A.Ş.'ye (“Koza Altın”) in accordance with the agreement dated June 2, 2007 for the fee and royalty offered in the agreement. The related agreement was terminated unilaterally by sending the notice of termination via notary on September 7, 2015, as Koza Altın did not fulfill its obligations in the agreement and exhibited acts and transactions contrary to the agreement. Koza Altın objected to the termination reasons of the Group with the notification dated October 2, 2015 and stated that it would not fulfill the demands of the Group. On October 30, 2015, the Group requested Koza Altın to fulfill its demands in the notice of termination not to issue the subject to the jurisdiction.

As of December 29, 2015, a lawsuit was filed in the competent local court for the cancellation of the transfer of operating licenses related to the mine site and its re-registration on behalf of the Group within the General Directorate of Mining Affairs of the Ministry of Energy and Natural Resources.

At the trial dated December 27, 2018, upon the acceptance of the case, it was decided to terminate the agreement issued between the parties on July 2, 2007, to evacuate Koza Altın from the mine site subjected to the lawsuit and the agreement, to transfer the mine site area to the Group, to reject the request to register the operation licenses on behalf of the group as it’s an administrative saving, where right to appeal is open. In accordance with the reasoned decision of the Regional Court of Justice on December 30, 2019; it has been decided to reject the appeal of Koza Altın, to accept the Group's appeal and to remove the first-instance court decision. The lawsuit to terminate of the lease contract and moving out the tenant filed by the Group has been accepted, and due to violation of contracts it has been decided to terminate the contract for the transfer of the right to operate the mines in the mining site dated July 2, 2007 and the additional contract for the calculation of royalty. The mining site will be delivered to the Group after evacuation of the tenant, and the license regarding the operating rights of the mines in the mine field named Koza Altın has been canceled. The license regarding the operating right of the mines in the mining area has been registered on behalf of the Group.



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**NOTE 13 – REVENUE AND COST OF SALES**

<b>13.1 Revenue</b>	<b>January 1- June 30 2020</b>	<b>January 1- June 30 2019</b>	<b>April 1- June 30 2020</b>	<b>April 1- June 30 2019</b>
Domestic sales	2.130.273.172	2.054.102.803	737.845.384	811.099.283
Foreign sales	581.420.230	512.590.695	225.762.626	290.541.729
Service sales	1.827.350	33.076.937	913.176	18.380.706
Sales returns (-)	(567.742)	(4.182.573)	(265.947)	(2.467.217)
Sales discounts (-)	(27.739.425)	(25.808.063)	(11.395.815)	(10.277.186)
Other discounts from sales (-)	(1.477.892)	(2.603.009)	(1.159.372)	(442.599)
<b>Total</b>	<b>2.683.735.693</b>	<b>2.567.176.790</b>	<b>951.700.052</b>	<b>1.106.834.716</b>
<b>13.2 Cost of sales</b>	<b>January 1- June 30 2020</b>	<b>January 1- June 30 2019</b>	<b>April 1- June 30 2020</b>	<b>April 1- June 30 2019</b>
Cost of goods produced	910.111.603	940.394.267	391.584.800	469.940.626
Change in the finished goods	119.749.566	111.486.473	(13.402.818)	24.350.842
-Finished goods at the beginning of the period	310.773.646	259.492.688	177.621.262	172.357.057
-Finished goods at the end of the period	(191.024.080)	(148.006.215)	(191.024.080)	(148.006.215)
<b>Cost of finished goods sold</b>	<b>1.029.861.169</b>	<b>1.051.880.740</b>	<b>378.181.982</b>	<b>494.291.468</b>
-Trade goods at the beginning of the period	642.840.114	465.740.737	315.630.628	371.416.370
-Purchases	761.572.881	890.471.670	379.029.220	357.193.482
-Trade goods at the end of the period	(352.094.996)	(360.300.493)	(352.094.996)	(360.300.493)
<b>Cost of trade goods sold</b>	<b>1.052.317.999</b>	<b>995.911.914</b>	<b>342.564.852</b>	<b>368.309.359</b>
<b>Cost of other sales</b>	<b>5.309.972</b>	<b>40.813.137</b>	<b>2.402.593</b>	<b>23.581.337</b>
<b>Cost of services sold</b>	<b>1.306.436</b>	<b>1.920.606</b>	<b>1.209.367</b>	<b>204.632</b>
<b>Toplam</b>	<b>2.088.795.576</b>	<b>2.090.526.397</b>	<b>724.358.794</b>	<b>886.386.796</b>

**NOTE 14 - OTHER OPERATING INCOME AND EXPENSES**

**14.1 Other Operating Income**

	<b>January 1- June 30 2020</b>	<b>January 1- June 30 2019</b>	<b>April 1- June 30 2020</b>	<b>April 1- June 30 2019</b>
Foreign exchange gains related to trade transactions	205.206.465	136.123.734	128.175.690	81.775.209
Interest income	3.683.741	6.538.173	1.552.093	1.614.422
Other revenues	20.120.481	11.874.453	15.527.119	5.031.659
<b>Total</b>	<b>229.010.687</b>	<b>154.536.360</b>	<b>145.254.902</b>	<b>88.421.290</b>

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## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of June 30, 2020

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### NOTE 14 - OTHER OPERATING INCOME AND EXPENSES (Cont'd)

#### 14.2 Other Operating Expense

	January 1- June 30 2020	January 1- June 30 2019	April 1- June 30 2020	April 1- June 30 2019
Foreign exchange losses related to trade transactions	319.800.679	193.793.221	162.487.800	104.544.898
Provision expenses	425.845	3.981.412	(694.301)	3.981.412
Other expenses	20.250.406	20.443.007	5.358.269	6.993.174
<b>Total</b>	<b>340.476.930</b>	<b>218.217.640</b>	<b>167.151.768</b>	<b>115.519.484</b>

### NOTE 15 - EARNING PER SHARE

Earnings per share stated in the consolidated income statement are calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the period.

The weighted average of the shares and profit per share calculations are as follows:

	January 1- June 30 2020	January 1- June 30 2019	April 1- June 30 2020	April 1- June 30 2019
Net period (loss) on parent's shares)	123.440.999	(17.227.302)	53.785.219	(11.418.168)
Weighted average number of issued ordinary shares (1 kr each)	33.400.000.000	33.400.000.000	33.400.000.000	33.400.000.000
<b>Earning per share (kr) (*)</b>	<b>0,0037</b>	<b>(0,0005)</b>	<b>0,0016</b>	<b>(0,0003)</b>

(\*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

### \*NOTE 16 - RELATED PARTY TRANSACTIONS

#### 16.1 Balances due to / from related parties

	June 30, 2020	December 31, 2019
<b>Trade Receivables</b>		
TKK	33.841.945	173.404.172
Other related parties	939.158	1.277.865
<b>Total</b>	<b>34.781.103</b>	<b>174.682.037</b>

While average terms of sales of solid fertilizers made to TKK is around 15 days, it varies between 15 and 120 days for sales of other types of fertilizers.

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 16 - RELATED PARTIES TRANSACTIONS (Cont’d)**

**16.1 Balances due to / from related parties (Cont’d)**

<b>Trade Payables</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Tarkim	306.427	18.359
Tarnet	287.042	889.673
TKK	--	20.098
Tarım Kredi Yem	--	238.021
TK Taşımacılık	732.372	632.182
Bereket Sigorta	1.856.322	22.754
<b>Total</b>	<b>3.182.163</b>	<b>1.821.087</b>

<b>Other receivables</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Tarım Kredi Holding A.Ş. (*)	--	10.135.215
<b>Total</b>	<b>--</b>	<b>10.135.215</b>

<b>Other payables</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Tarım Kredi Yem San. ve Tic. A.Ş. (*)	--	25.000.000
<b>Total</b>	<b>--</b>	<b>25.000.000</b>

(\*) As of the balance sheet date, there are no outstanding related party balances for financing purposes. The related balances were paid off in the current period.

**16.2 Transactions with Related Parties**

	<b>January 1- June 30 2020</b>	<b>January 1- June 30 2019</b>	<b>April 1- June 30 2020</b>	<b>April 1- June 30 2019</b>
<b>Sales of goods and services</b>				
TKK	1.252.114.087	1.353.304.128	414.329.487	540.689.708
Tarım Kredi Birlik Tarım Ürünleri	--	7.624.372	--	214.957
Tarkim	69.734	136.176	23.231	33.750
Tarnet	24.259	52.368	23.514	45.595
TK Taşımacılık	25.994	--	25.994	--
<b>Total</b>	<b>1.252.234.074</b>	<b>1.361.117.044</b>	<b>414.402.226</b>	<b>540.984.010</b>

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

Notes to the consolidated financial statements as of June 30, 2020

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**NOTE 16 - RELATED PARTIES TRANSACTIONS (Cont’d)**

**16.2 Transactions with Related Parties (Cont’d)**

	January 1- June 30 2020	January 1- June 30 2019	April 1- June 30 2020	April 1- June 30 2019
<b>Purchases of goods and services</b>				
TKK	3.635.039	6.656.080	811.941	1.469.261
TK Taşımacılık	4.815.825	--	2.145.075	--
Tarnet	1.922.517	1.191.727	1.208.443	620.207
Tarım Kredi Birlik Tarım Ürünleri	298.713	865.036	290.369	848.330
Tarkim	54.960	--	54.960	--
<b>Total</b>	<b>10.727.054</b>	<b>8.712.843</b>	<b>4.510.788</b>	<b>2.937.798</b>

	January 1- June 30 2020	January 1- June 30 2019	April 1- June 30 2020	April 1- June 30 2019
<b>Interest income</b>				
Tarım Kredi Holding	70.959	--	--	--
Tarım Kredi Birlik Tarım Ürünleri	682.192	--	--	--
<b>Total</b>	<b>753.151</b>	<b>--</b>	<b>--</b>	<b>--</b>

	January 1- June 30 2020	January 1- June 30 2019	April 1- June 30 2020	April 1- June 30 2019
<b>Interest expenses</b>				
Tarım Kredi Yem	171.062	--	--	--
<b>Total</b>	<b>171.062</b>	<b>--</b>	<b>--</b>	<b>--</b>

**16.3 Remuneration of board of directions and executive management**

The total benefits provided by the Group to its board of directors and executive management during the periods ended June 30, 2020 and June 30, 2019 are as follows:

	June 30, 2020		June 30, 2019	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits	1.993.992	2.864.305	1.658.466	2.967.178
<b>Total</b>	<b>1.993.992</b>	<b>2.864.305</b>	<b>1.658.466</b>	<b>2.967.178</b>

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

Notes to the consolidated financial statements as of June 30, 2020

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**NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

Currencies other than the current functional currencies according to the economies of the countries in which the Group operates are considered as foreign currencies.

Assets and liabilities denominated in foreign currency held by the Group in terms of original and Turkish Lira currency units as of June 30, 2020 are as follows:

	<b>June 30, 2020</b>		
	<b>TL</b>	<b>USD</b>	<b>EUR</b>
	<b>(functional currency)</b>		
1 Trade receivables	175.053.189	23.822.297	1.564.083
2 Monetary financial assets (included cash, bank accounts)	572.914.835	68.111.902	13.865.699
3 Other current assets	59.903.063	8.257.402	441.643
<b>4 Foreign current assets (1+2+3)</b>	<b>807.871.087</b>	<b>100.191.601</b>	<b>15.871.425</b>
5 Trade payables	(936.302.325)	(136.298.675)	(482.542)
6 Financial borrowings	(77.003.075)	--	(9.989.761)
7 Other short-term liabilities, net	(149.501)	(21.850)	--
<b>8 Short term liabilities in foreign currency (5+6+7)</b>	<b>(1.013.454.901)</b>	<b>(136.320.525)</b>	<b>(10.472.303)</b>
9 Trade payables	--	--	--
10 Financial borrowings	--	--	--
<b>11 Long term liabilities in foreign currency (9+10)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>12 Total liabilities in foreign currency (8+11)</b>	<b>(1.013.454.901)</b>	<b>(136.320.525)</b>	<b>(10.472.303)</b>
<b>13 Net foreign currency asset, liability position (4-12)</b>	<b>(205.583.813)</b>	<b>(36.128.924)</b>	<b>5.399.122</b>
<b>14 Monetary items net foreign currency asset / liability position (4-12)</b>	<b>(205.583.813)</b>	<b>(36.128.924)</b>	<b>5.399.122</b>
<b>15 Fair value of derivative instruments classified for hedging purposes</b>	<b>(37.930)</b>	<b>--</b>	<b>--</b>
<b>16 Amount of hedged portion of foreign currency liabilities</b>	<b>11.176.890</b>	<b>--</b>	<b>1.450.000</b>

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

Assets and liabilities denominated in foreign currency held by the Group in terms of original and Turkish Lira currency units as of December 31, 2019 are as follows:

	<b>December 31, 2019</b>		
	<b>TL</b>		
	<b>(functional currency)</b>	<b>USD</b>	<b>EUR</b>
1 Trade receivables	192.177.940	32.089.094	234.911
2 Monetary financial assets (included cash, bank accounts)	58.372.049	8.088.493	1.552.459
3 Other current assets	4.236.963	505.375	185.687
<b>4 Foreign current assets (1+2+3)</b>	<b>254.786.952</b>	<b>40.682.962</b>	<b>1.973.057</b>
5 Trade payables	(756.495.509)	(127.112.820)	(213.505)
6 Financial borrowings	(207.172.465)	(10.000.000)	(22.219.118)
7 Other short-term liabilities, net	(88.733)	(14.938)	--
<b>8 Short term liabilities in foreign currency (5+6+7)</b>	<b>(963.756.707)</b>	<b>(137.127.758)</b>	<b>(22.432.623)</b>
9 Trade payables	--	--	--
10 Financial borrowings	--	--	--
<b>11 Long term liabilities in foreign currency (9+10)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>12 Total liabilities in foreign currency (8+11)</b>	<b>(963.756.707)</b>	<b>(137.127.758)</b>	<b>(22.432.623)</b>
<b>13 Net foreign currency asset, liability position (4-12)</b>	<b>(708.969.755)</b>	<b>(96.444.794)</b>	<b>(20.459.565)</b>
<b>14 Monetary items net foreign currency asset / liability position (4-12)</b>	<b>(708.969.755)</b>	<b>(96.444.794)</b>	<b>(20.459.565)</b>
<b>15 Fair value of derivative instruments classified for hedging purposes</b>	<b>9.462.872</b>	<b>--</b>	<b>--</b>
<b>16 Amount of hedged portion of foreign currency liabilities</b>	<b>389.706.821</b>	<b>65.605.000</b>	<b>--</b>

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**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

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**NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)**

**17.1 Foreign currency risk**

As of June 30, 2020, and June 30, 2019, if related currencies had appreciated/depreciated by 10% against Turkish Lira with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is as follows:

	<b>June 30, 2020</b>	
	<b>Profit / (Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by %10 against TL</b>		
1- Assets/liability denominated in USD – net	(24.720.132)	24.720.132
2- The part hedged for USD risk (-)	--	--
3- The impact of TL net profit for the period	(24.720.132)	24.720.132
<b>Change of EUR by %10 against TL</b>		
1- Assets/liability denominated in EUR - net	4.161.751	(4.161.751)
2- The part hedged for EUR risk (-)	1.117.689	(1.117.689)
3- The impact of TL net profit for the period	5.279.440	(5.279.440)
	<b>June 30, 2019</b>	
	<b>Profit / (Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by %10 against TL</b>		
1- Assets/liability denominated in USD – net	(31.804.768)	31.804.768
2- The part hedged for USD risk (-)	44.314.270	(44.314.270)
3- The impact of TL net profit for the period	12.509.502	(12.509.502)
<b>Change of EUR by %10 against TL</b>		
1- Assets/liability denominated in EUR - net	1.577.425	(1.577.425)
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	1.577.425	(1.577.425)

**NOTE 18 - SUBSEQUENTS EVENTS**

As of July 7, 2020, a sales agreement amounting to TL 33.040.000 including VAT was signed with Koza Altın İşletmeleri A.Ş. in order to purchase all rights to all information and documents, pertinent to Söğüt mining fields, including all kinds of data / data analysis and reports, including agreements with third parties that are transferrable.