





## GENERAL INFORMATION

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## FOREWORD

## KEY TO DEVELOPMENT AND GROWTH

# Productivity

*Average productivity figures in the Turkish agriculture sector continue to rise through conscious agricultural practices as well as use of agricultural technologies and chemical fertilizers. TURKSTAT data indicates that the wheat yield which was 100 kg/da (per decare) about 30 to 40 years ago has recently reached 320 kg/da. Likewise, yields for major staples such as wheat, sunflower, cotton, sugar beet and corn increased by 25 to 55% per decare in the last decade.*

GÜBRETAŞ was founded in 1952 to increase the agricultural productivity through use of chemical fertilizers. This mission has become all the more important as world population continues to grow at a fast pace while agricultural lands shrink.

Leading the sector for 68 years by its innovative products, and promoting conscious agriculture, GÜBRETAŞ acts on its mission to significantly contribute to increase quality and productivity in Turkish agricultural production.

In 2019 as in previous years, the products we developed and produced, the investments we completed and planned, the projects we realised and launched, and all strategies for the future always proceeded on the axis of "PRODUCTIVITY".

The productivity results above national and regional averages that we achieved through our work in the model production fields across Turkey are solid testimony that we are in the right direction. In addition, the infrastructure investments in Iskenderun and Yarımca facilities provide our company a competitive advantage in productivity. Our recent steps to increase financial efficiency will soon reflect positively onto our company's profitability.

Productivity is key to development and growth both in agriculture and in economy. GÜBRETAŞ in this context contributes to its shareholders in respect of agricultural productivity, and provides added value to the national economy by its organisational efficiency approach across all business processes in 2019, moreover moves firmly to a stronger future by its steady growth curve.







## GÜBRETAŞ OVERVIEW

935,000  
tonnes/year

*Solid Fertilizer Production Capacity*

100,000  
tonnes/year

*Liquid-Powder Fertilizer Production Capacity*

450,000  
tonnes

*Storage Capacity*

2 Ports

5 Logistic Centres

5 Production Facilities

3 Laboratories

1 R&D Centre

3 Regional Offices

2,765 Sales Points

120 Products

569 Employees





**TARKİM**  
BİTKİ KORUMA  
SAN. VE TİC. A.Ş.

**12,030**  
TONNES/YEAR CAPACITY

**40%**  
PARTNERSHIP INTEREST



**TARNET**

**TARNET**  
BİLİŞİM VE İLETİŞİM  
HİZMETLERİ A.Ş.

**15,73%**  
PARTNERSHIP INTEREST



**RAZI PETROCHEMICAL CO.**  
(ABROAD)

**10**  
PLANTS

**3,515,000**  
TONNES/YEAR CAPACITY

**48.33%**  
PARTNERSHIP INTEREST

**RAINTRADE**  
PETROKİMYA VE DİŞ TİC. A.Ş.

**ARYA PHOSPHORIC**  
JONUB CO.

**126,000**  
TONNES/YEAR CAPACITY

**GÜBRETAŞ MADEN**  
YATIRIMLARI A.Ş.

**GÜBRETAŞ MADEN**  
YATIRIMLARI A.Ş.

**100%**  
PARTNERSHIP INTEREST





*Respectable Shareholders,*

**Agriculture** has always been the most primeval and fundamental pursuit of human beings. Particularly the fertile Anatolian lands where we live have in all ages been the leading agricultural geography in the history of civilisation by its climatic conditions, crop diversity and soil yield.

Due to the rapidly growing global human population, a most fundamental objective of modern agriculture is to **achieve highest productivity and product quality**. The **strategic importance of agriculture** has both been better appreciated and increased at the **Coronavirus pandemic** impacting the entire world and our country in recent months after the outbreak in Wuhan, China in December 2019.

It is because the **agriculture** sector among the leading sectors, only second to the healthcare sector, that must continue to operate without interruption. We, as the family of **Turkish Agricultural Credit Cooperatives** including GÜBRETAŞ and all of our other subsidiaries, maintain our operations without disruption to enable our country to overcome this challenging ordeal by ensuring continuity in agricultural production.

The Agricultural Credit Cooperatives of Turkey, as the main shareholder of GÜBRETAŞ, plays an effective **role in all processes from the pre-seeding time to the time when products are placed on the dinner table**. To that end, we endeavour,

through our companies such as GÜBRETAŞ, **to augment the benefit and supply possibilities offered to farmers on one hand, and ensure sustainable supply of quality and healthy food needed by our citizens** through our subsidiaries which process the crops harvested by our producers on the other. We continue to perform our role in agriculture on a wider scale in the pandemic time.

*Esteemed Shareholders,*

I wish to refer to the current state of affairs due to the pandemic. The details of our company's operations in the past year are provided in following pages for your review.

I would like to emphasize on this occasion that **the core mission of GÜBRETAŞ since foundation is to increase productivity and quality on agriculture lands** for the growing population. Supporting such a mission through facility investments, R&D works and promotion of conscious agriculture, GÜBRETAŞ successfully completed the challenging year of 2019.

**Our company as the sector leader;**

**Relying on its strength of 68 years of institutional experience, GÜBRETAŞ progresses on its route to advance its operational, financial and visionary objectives in 2020.** In 2019, an admittedly challenging year to realise investments, our company unfolded 129.4 million TRY of investments in its domestic and

foreign facilities, and earmarked a consolidated investment budget of 267 million TRY for 2020 to reinforce its production and logistics infrastructure. **Our primary objective for such investments is simultaneously to provide benefits to our farmers and agriculture sector, create jobs and labour, and deliver added value to our investors through profitability on sales.**

In addition to our investments, the **issue of lease certificates and restructuring in subsidiaries** represent significant initiatives that will **make GÜBRETAŞ stronger in the future.**

**I believe that we will collaboratively manage through this challenging period by working to ensure the continuity of agricultural production, achieving our operational and investment objectives within means, and creating value for the agriculture sector.**

Personally thanking all who contributed to GÜBRETAŞ' work and all of our shareholders, I wish 2020 to bring health and prosperity to our country and the world.

Sincerely yours,

**Dr. Fahrettin POYRAZ**  
Chairman of Board of Directors





*Respectable Shareholders,*

2019 was completed as a period when the national economy substantially returned to normal. Outcomes were positive in agricultural production and farmers' revenues, and a **total of 6.1 million tonnes of fertilizer** was consumed in our country.

As the outcomes in 2019 were parallel with the average of last five years, we moved into 2020 with **operational and financial objectives that we set to maintain the growth curve of GÜBRETAŞ**. It is yet too early to foresee the impact of the pandemic on our county and on the world. However we can foresee that **agricultural producers who are the backbone of our country will continue devoting best efforts to supply food to our people, and use fertilizers at amounts comparable to the averages of past years.**

We as GÜBRETAŞ rapidly formulated and **put in place our action plan against the virus risk, and as a leading company in the sector, continue our operations without interruption for the food security of our country. The fact that the first quarter of the year marked an increase of 12% in sales against the same quarter last year** indicates that objectives are successfully pursued despite the challenges posed by the pandemic.

*Dear Investors and Business Partners,*

We as GÜBRETAŞ closed 2019 at sales levels of 1.65 million tonnes of **solid fertilizers**, and hit a record high of 47,700 tonnes in **liquid and powder fertilizers**. Our export sales increased by **34%**.

We produced **585,000 tonnes of solid fertilizers**, and generated a consolidated sales revenue of **4.3 billion TRY**.

As we continued significant investments in 2019, we completed and commissioned our state-of-the-art facility in **Iskenderun in 11 months**. We will complete the first phase of the **Port Expansion Project** and the construction of **storage tanks** initiated by an investment of 60 million TRY.

Another issue, as important to us as investments, is our work on **promotion of conscious agriculture** in our sense of responsibility as the sector leader. Last year, GÜBRETAŞ also continued its series of **training meetings in the field, land prescription, model production areas and agricultural consulting services**. We supported such agricultural consulting services through technological means such as **advice lines** that operated as **call centres and mobile applications** upgraded in 2019.

I would like to highlight a successful practice that we increasingly engaged in the last three years to be complementary to field activities and make the results more measurable. We achieved results satisfactory to our farmers in the **model production areas at 27 locations of Turkey** last year for agricultural products strategically important to our country. Established for 13 crops including **hazelnuts, olives, corn, cotton, sunflower and sugar beet**, we achieved productivity increase by **20 to 80% compared to the averages of leading producers** of the same region. Compared to the national averages, such results represent **three- or four-fold increase in productivity**, and bring all the

happier news that the results have been co-verified by local producers whose behaviours in agricultural production have changed.

We continued our R&D activities as well. **GÜBRETAŞ R&D Centre** partnered with **TAGEM** to implement a project in cooperation with **7 agricultural research institutes, 2 universities and 2 agricultural equipment companies** to develop new fertilizers that would alleviate the adverse **impact of climatic factors on agriculture**. In the framework of a cooperation agreement with **Gebze Technical University** in March 2019, we established an **R&D greenhouse**. We set up a **microbiology laboratory** within the R&D Centre. The number of samples exceeded 12,000 from 81 provinces in our **Turkish Soil Productivity Mapping Project**.

**As a company of the Agricultural Credit Cooperatives of Turkey, the largest farming family in our country, we will continue our efforts of adding value to the national agriculture, as our existential mission, through our products, services, investments, R&D works and promotion of conscious agriculture.**

I wish this year to offer days that we overcome the challenges, and have better health and prosperity in our country and in the world.

Yours sincerely,

**İbrahim YUMAKLI**  
General Manager

## BRIEF HISTORY

The foundations of Gübre Fabrikaları T.A.Ş. were laid by the Decree of Council of Ministers of 6 November 1952 to enable Turkish farmers to produce high yields, qualified products using chemical fertilizers.

**1994** TRIAL PRODUCTION OF LIQUID FERTILIZER STARTED AT ISKENDERUN FACILITIES.

**1993** THE MAJORITY SHARES OF GÜBRETAŞ WERE ACQUIRED THROUGH PRIVATIZATION BY CENTRAL UNION OF AGRICULTURAL CREDIT COOPERATIVES.

**1986** BORSA İSTANBUL (FORMERLY CALLED "İMKB" AND CURRENTLY KNOWN AS "BİST") COMMENCED OPERATIONS. GÜBRETAŞ WAS AMONG THE 13 COMPANIES WHOSE SHARES WERE LISTED FROM THE FIRST DAY.

**1985** SOIL ANALYSIS LABORATORIES WERE ESTABLISHED AT YARIMCA AND ISKENDERUN FACILITIES TO ENCOURAGE FARMERS TO USE FERTILIZERS IN LINE WITH SOIL ANALYSIS RESULTS.

**1978** GÜBRETAŞ INSTALLED NPK-1 FACTORY OF 200.000 TONS OF CAPACITY AT YARIMCA ACQUIRING FOR TURKEY THE TECHNOLOGY FOR COMPOSITE FERTILIZER PRODUCTION WHICH HAD EARLIER TO BE IMPORTED BEFORE.

**1961** THE SECOND FACTORY WAS COMMISSIONED AT YARIMCA, KOCAELİ.

**1954** THE FIRST CHEMICAL FERTILIZER FACTORY OF TURKEY FOUNDED BY GÜBRETAŞ AT SARISEKİ, ISKENDERUN COMMENCED OPERATIONS TO PRODUCE NSP FERTILIZER WITH A CAPACITY OF 100.000 TONNES/YEAR.

**1952** GÜBRETAŞ WAS FOUNDED BY ZIRAAT BANKAŞI LEAD PARTNER, TÜRKİYE ZİRAİ DONATIM KURUMU (TURKISH AGRICULTURAL EQUIPMENT INSTITUTION), TÜRKİYE ŞEKER FABRİKALARI A.Ş. (TURKISH SUGAR FACTORIES CORP.), SÜMERBANK, ETİBANK, MAKİNA VE KİMYA ENDÜSTRİSİ KURUMU (MECHANICAL AND CHEMICAL INDUSTRIES CORP.) AND FERTILIZER CORPORATION OF AMERICA A.G.



2002

GÜBRETAŞ BECAME THE SOLE SUPPLIER TO THE AGRICULTURAL CREDIT COOPERATIVES THROUGH A PROTOCOL SIGNED.

2004

REGIONAL OFFICES WERE OPENED IN IZMIR AND SAMSUN TO STRENGTHEN THE SALES NETWORK.

2008

THE CONSORTIUM IN WHICH GÜBRETAŞ HELD 50% OF SHARES PURCHASED RAZI PETROCHEMICAL CO., THE LARGEST INDUSTRIAL INVESTMENT BY TURKISH ENTERPRISES OUTSIDE TURKEY.

2009

THE AGRICULTURAL PESTICIDES FACTORY IN MANİSA PURCHASED IN 2007 COMMENCED PRODUCTION AS TARKİM BITKİ KORUMA A.Ş. WITH THE PARTNERSHIP OF THE AGRICULTURAL CREDIT COOPERATIVES.

2010

THE STORAGE CAPACITY INCREASED TO 394.000 TONNES. RAINTRADE DIŞTİC. A.Ş. WAS ESTABLISHED WITHIN RAZI PETROCHEMICAL.

2011

AN ANALYSIS LABORATORY WAS COMMISSIONED IN IZMİR. GÜBRETAŞ JOINED THE "BILLION-DOLLAR-SALES CLUB" BY ITS YEAR-END CONSOLIDATED SALES FIGURE.

2012

RAZI PETROCHEMICAL ACQUIRED ARYA PHOSPHORIC OF 126.000 TONNES OF ANNUAL CAPACITY. THE REGIONAL DIRECTORATE IN KONYA WAS RELOCATED TO ANTALYA.

2013

THE LARGEST EVER DOMESTIC INVESTMENT OF GÜBRETAŞ WAS REALIZED WITH AN INVESTMENT BUDGET OF 170 MILLION TRY. THE ISSUED CAPITAL WAS RAISED TO 334 MILLION TRY BY AN INCREASE OF 300%.

2014

THE CONSTRUCTION OF A NEW, MODERN, ENVIRONMENT FRIENDLY NPK FACTORY WAS COMPLETED AT YARIMCA.

2015

THE NEW NPK FACTORY AT YARIMCA STARTED PRODUCTION. "BAHÇEM" BRAND OF GÜBRETAŞ WAS LAUNCHED FOR THE GARDENS AND DECORATIVE PLANTS SECTOR.

2017

THE COMPANY REACHED A RECORD OF SALES AND CONSOLIDATED TURNOVER IN ITS HISTORY WITH A PERFORMANCE THAT EXCEEDS BUDGET TARGETS.

2018

IN 2018, AS OUR R&D WORKS STEPPED UP, GÜBRETAŞ R&D CENTRE WAS LAUNCHED AT YARIMCA WITH AUTHORISATION FROM THE MINISTRY OF INDUSTRY. THE REGIONAL DIRECTORATE IN ŞANLIURFA STARTED OPERATIONS.

2019

Augmenting its activities in promoting informed agriculture in 2019, GÜBRETAŞ continued its growth by engaging in significant plant investments...

## 2019 AT A GLANCE

*Focusing on new facility investments and activities to promote conscious agriculture, GÜBRETAŞ completed 2019 on a **consolidated sales revenue of 4.3 billion TRY.***

We sold **1,655,000 tonnes of solid fertilizers** and hit a record high of **47,700 tonnes** in liquid and powder fertilizers, **15% increase** year-on-year.

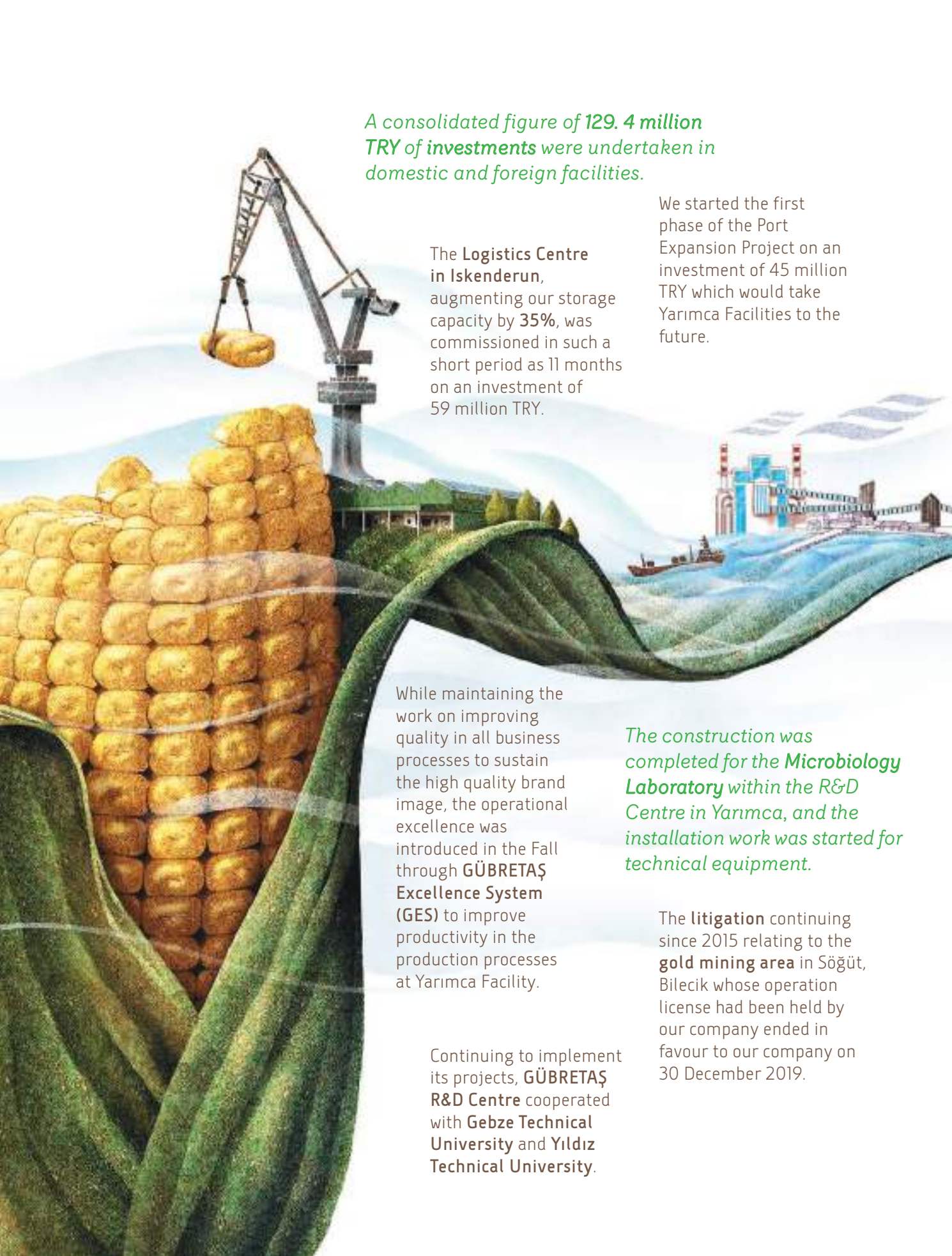
Our **export** quantities increased by **34%**, marking a quantitative record in this field, advancing the contribution to national economy to a higher scale.

*We **delivered agricultural consulting services, land prescription and training services** to more than **42,000 farmers** at **4,500 points** in the context of promotion of conscious agriculture.*

Productivity results higher than **national and regional averages** were achieved in the **model production areas** at 27 locations for 13 plant types throughout the year.

By the decision of the Board of Directors in July 2019, the issue of **Lease Certificates** up to 500 million TRY started to raise funds through capital markets and diversify the capital composition of our company.





*A consolidated figure of **129.4 million TRY** of investments were undertaken in domestic and foreign facilities.*

The **Logistics Centre in Iskenderun**, augmenting our storage capacity by **35%**, was commissioned in such a short period as 11 months on an investment of 59 million TRY.

We started the first phase of the Port Expansion Project on an investment of 45 million TRY which would take Yarımca Facilities to the future.

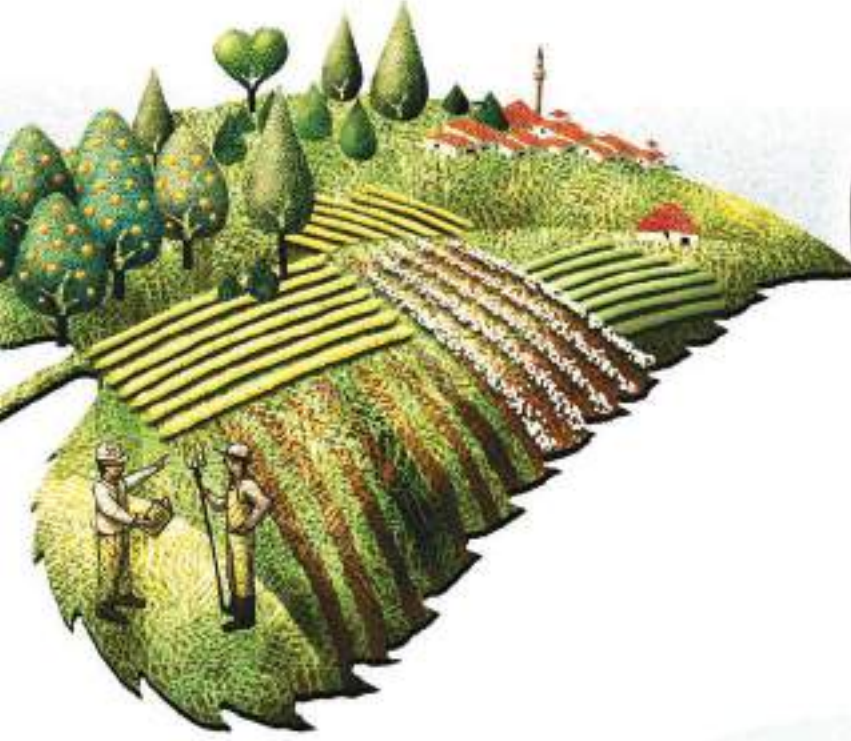
While maintaining the work on improving quality in all business processes to sustain the high quality brand image, the operational excellence was introduced in the Fall through **GÜBRETİŞ Excellence System (GES)** to improve productivity in the production processes at Yarımca Facility.

*The construction was completed for the **Microbiology Laboratory** within the **R&D Centre in Yarımca**, and the installation work was started for technical equipment.*

The **litigation** continuing since 2015 relating to the **gold mining area** in Söğüt, Bilecik whose operation license had been held by our company ended in favour to our company on 30 December 2019.

Continuing to implement its projects, **GÜBRETİŞ R&D Centre** cooperated with **Gebze Technical University** and **Yıldız Technical University**.

## BOARD OF DIRECTORS



**Dr. Fahrettin POYRAZ**

*Chairman of Board of Directors*

*Fahrettin Poyraz, a graduate of the Faculty of Political Sciences, Ankara University and completed his master's degree from the Public Administration Institute for Turkey and Middle East of Kırıkkale University and completed his doctoral degree in public administration from Hacettepe University.*

*Poyraz, who worked as the accounting auditor in the Ministry of Finance and the chief auditor in the Court of Accounts, is a Chartered Accountant and holds an International External Auditor's Certificate. Poyraz, who worked as a Board Member of Assistance and Solidarity Foundation of Faculty of Political Sciences Alumni, is currently a Member of Central Disciplinary Board of General Directorate of Sports and representative of upper division of Turkey Football Federation.*

*Poyraz, who was elected to be parliamentary deputy for three terms, also served as the Chairman of the Public Economic Enterprises Commission. Poyraz serve as the General Manager of Central Union of Agricultural Credit Cooperatives and Chairman of Board of Directors since December 2017.*





**Dr. Ahmet BAĞCI**

*Deputy Chairman of Board of Directors*

*He graduated in 2004 from the Faculty of Economics and Administrative Sciences, Department of Economics in Gazi University. He received his master's degree in 2011 and doctoral degree in 2017 in Social Sciences Institute of Gazi University.*

*Between 2004 and 2007, he worked as an Assistant Specialist in the Ministry of Culture and Tourism and as an Assistant Financial Crimes Investigation Specialist at the Ministry of Finance between 2007-2008. In 2008, he served as a member of profession in the Court of Accounts, and completed the European Union Basic and Expertise Training in the Centre for Application and Research of the European Communities at Ankara University. He worked as an advisor at the Ministry of Youth and Sports between 2013-2014.*

*Having served in various positions in the Secretariat General of the Presidency between 2014-2017, Bağcı was appointed to Assistant Director-General for the Central Union of Agricultural Credit Cooperatives. Since May 2018, he has been serving as the Deputy Chairman of GÜBRETAŞ Board of Directors.*



**İbrahim YUMAKLI**

*Board Member*

*İbrahim Yumaklı graduated in 1992 from the Department of Management, Faculty of Economic and Administrative Sciences, Uludağ University.*

*He started his work life in 1993 as an expert of import operations in Marshall Boya A.Ş., then served until 2011 as a manager in Marshall Boya A.Ş. within Akzo Nobel Türkiye and financial departments of group companies. In 2011, he was transferred to Al-Jazeera Turkey, and managed Cine5 TV channel owned by Al-Jazeera Turkey in 2012-2015. In January-October 2016, he served as the International Operations Director of Anatolian News Agency.*

*Yumaklı started from October 2016 at GÜBRETAŞ as the Deputy General Manager and Executive Director, and was appointed as the General Manager on 5 May 2017.*



**Mehmet TUNÇAK**

*Board Member*

*Graduated from the Faculty of Law, Ankara University, Mehmet Tunçak practised private attorneyship in Bursa for many years.*

*He was elected as parliamentary deputy in the 2007 general elections. He served as member of TCNA Justice Commission, Chairman of Turkey-Latvia Friendship Group, Vice Chairman of Turkey-Bulgaria Friendship Group, Member of Specialised Commission on Combating Cancer and Inquiry Commission on Preventing Violence in Sports.*

*Having been appointed as an advisor to the Ministry of Finance in 2012, Tunçak also served in various non-governmental organizations. He worked as the Member of the Federation of Balkan Migrants, Founding Member of Turkish World Parliamentary Union, Chairman of the Supervisory Board of the Golf Federation, Classification Representative of the Football Federation and Chairman of the Honorary Board of Bursa Amateur Football Federation.*



Selahattin KÜLCÜ

Board Member

Having completed primary and secondary education in Bursa, Külcü started to engage in farming, which was his father's occupation, as a professional in the field of livestock and fruit growing after completing his military duty. In 2005, he became the founder president and director of Development and Irrigation Cooperatives in Inegöl. In 2006 he founded the Association of Sporting Aviation and served as its president.

He became a member of Inegöl and Bursa Metropolitan Municipality Council in the 2014 local elections. In 2015, he played an active role in the establishment of Inegöl District Union on Protecting Farmers' Products, where he currently has a chair, and Inegöl Irrigation District Union within Inegöl Municipality.

Having served as the Chairman of Board of Directors of Balıkesir Regional Union of Agricultural Credit Cooperatives for two terms, Külcü worked as the Chairman of Board of Directors of Central Union of Agricultural Credit Cooperatives between February 2016 and March 2019. He is also a Board Member of IRU (International Raiffeisen Union) and Cooperatives Europe.



Mehmet Okan ATEŞ

Board Member

After his graduation in 2017 from the Faculty of Political Sciences, Ankara University, Ateş worked as an assistant auditor in the Court of Accounts in 2008-2020. Serving as a member of the university audit team in 2010-2011, Ateş worked at the audit unit of the Undersecretariat of Treasury from 2011. He received language education in the United Kingdom in 2017.

Serving as the Assistant General Manager at the Central Union of Agricultural Credit Cooperatives from July 2018, he was appointed as member of GÜBRETAŞ Board of Directors.







**Prof. Dr. Mehmet BULUT**  
*Independent Board Member*

*After his undergraduate education, he completed his doctorate at two different universities between 1994 and 1996. He received his master's degree from Posthumus Institute in 1998 and doctoral degrees from Utrecht University in 2000 and became a professor in 2008.*

*He continued his academic life started in 1993, in different positions at Başkent University.*

*In 2011, he became the founding dean of the Faculty of Political Sciences, Yıldırım Beyazıt University. In 2012, he was appointed as a member of Council of Higher Education (CHE) and elected as a member of the Turkish Academy of Sciences. He won international awards with his academic work at international universities.*

*He served as a board member at the institutions such as Ereğli Demir Çelik A.Ş. (ERDEMİR), İskenderun Demir Çelik A.Ş. (İSDEMİR), Sollac Ambalaj A.Ş., Erdemir Romania A.Ş.; and as supervisory board member at the companies such as TTNET A.Ş. and AVEA A.Ş.*



**Seyfullah ARSLANTÜRK**  
*Independent Board Member*

*Receiving his undergraduate education in the department of Business Administration, Newport University and in the department of Public Administration, Anadolu University, Seyfullah Arslantürk received his master's degree from Türk Hava Kurumu University.*

*Serving as an advisor to Parliamentary Deputy at TGNA between 2002 and 2004, Arslantürk then continued to work as media and public relations advisor at the Secretariat of the Council of Ministers within the Prime Ministry until 2010. Appointed as an Advisor to the Minister Environment and Urbanisation in 2010 and as Chef de Cabinet at the Secretariat of the Council of Ministers of the Prime Ministry in 2011, Arslantürk has been working as Chef de Cabinet at the Division of Administrative and Financial Affairs of the Prime Ministry since 2016.*



**Murat YAŞA**  
*Independent Board Member*

*Murat Yaşa, who started his career with publishing activities in 1997, was a member of Board of Directors at Humanitarian Relief Foundation (IHH) between 1998 and 2005.*

*Appointed as a member of the Board of Directors of Kent Katı Atık Yönetimi Ltd. Şti. in 2005, Yaşa continued his working life as Iraq Manager in Yön Group Construction and Solid Waste Management.*

*Working as a Coordinator at Remax Group between 2011 and 2015, Yaşa assumed the presidency at Sinan-Wren Foundation Turkey in 2015. In addition to that position, he has since 2016 been working as a partner of Yörünge İnşaat Temizlik Ltd. Şti.*

*He also serves as a member of board of directors at non-governmental organizations such as Civil Solidarity Platform, Union of Islamic World Civil Society Organisations and Turkish Volunteer Establishments Foundation at various times.*

## CORPORATE EXECUTIVE MANAGEMENT



**İbrahim YUMAKLI**  
General Manager

*İbrahim Yumaklı graduated in 1992 from the Department of Management, Faculty of Economic and Administrative Sciences, Uludağ University.*

*He started his work life in 1993 as an expert of import operations at Marshall Boya A.Ş., then served until 2011 as a manager in Marshall Boya A.Ş. within Akzo Nobel Türkiye and financial departments of group companies. In 2011, he was transferred to Al-Jazeera Turkey, and managed Cine5 TV channel owned by Al-Jazeera Turkey in 2012-2015. In January-October 2016, he served as the International Operations Director of Anatolian News Agency.*

*Yumaklı started from October 2016 at GÜBRETAŞ as the Deputy General Manager and Executive Director, and was appointed as the General Manager on 5 May 2017.*



**Osman KÜÇÜKÇINAR**  
Deputy General Manager

*Having his bachelor's degree from the Department of Economics, Boğaziçi University in 1997, Küçükçınar started to work as an audit assistant in the same year. He worked as an expert in 1998-2003 at Turkish Eximbank, then as project financing analyst from 2003 at Ereğli Demir Çelik A.Ş. (ERDEMİR). Transferring to Turkish Telecom in 2007, Küçükçınar worked as the Finance Manager and Senior Finance Manager at the Treasury and Corporate Finance Department. Following his service in 2015-2017 as Assistant General Manager at Borsa İstanbul, he served as a consultant at Pozitif Danışmanlık.*

*Osman Küçükçınar started his duty as an Deputy General Manager in charge of Finance at GÜBRETAŞ on 30 April 2020.*





**Raşid ÜNAL**

*Deputy General Manager*

*Graduating from the Department of Management, Boğaziçi University in 2004, he completed the Leadership Programme at Griffith College in 2012.*

*Having started his professional life in 2005 as a dealer development expert at Uzel Makina A.Ş. in 2005, Ünal worked as Store Chain Manager and Commercial Marketing Category Manager at Yıldız Holding in 2007-2008. Then in 2008-2010, he worked in individual and corporate sales and client management posts at TTNET A.Ş. Having worked in the establishment of Firat Development Agency in 2010-2012 under the Ministry of Development, Ünal worked from 2012 onwards as the Commercial Marketing Manager and Group Manager in Commercial Planning and Channel Revenues at Turk Telekom. In that time, he served as a guest instructor at various universities lecturing Marketing Communications.*

*Raşid Ünal started working as an Deputy General Manager in charge of Sales and Marketing at GÜBRETAŞ on 15 June 2020.*



**Dr. Mahmut KARAMAN**

*Deputy General Manager*

*Mahmut Karaman graduated in 1990 from the Department of Mechanical Engineering, Yıldız Technical University. He received his master's and doctoral degrees in control systems in the United States in 1997. He received his master of business administration (MBA) degree in 2007 from the University of Colorado, Boulder.*

*In 1998-2001, he worked at Hutchinson Technology, a significant company in the hard disk industry, and in 2001-2008 at Seagate Technology, the global leader in hard disk manufacturing. During that time, he taught courses at master's level at the university in Colorado and Denver.*

*In 2008-2013, he served as the Revenue Management Director at Turkish Airlines (THY) and Qatar Airways. In 2013-2015, he worked as the General Manager of Yıldız Technopark, then started at GÜBRETAŞ in February 2015 as an Deputy General Manager in charge of Operations and Investments.*



**Mesud ŞENKARDEŞLER**

*Deputy General Manager*

*Mesud Şenkardeşler graduated in 2003 from the Department of International Relations, Bilkent University, and started to work as an export expert at Petlas A.Ş. in the same year. He specialized in such main functions as sales, marketing, product management, field sales coordination and import-export operations. In 2005-2006 he served as the product expert in charge of Marmara region at Tyco Sağlık A.Ş., then in 2007-2011 as Process-Business Development and Network Management advisor at Otomotiv ve Enerji A.Ş. In 2011-2015, he served as the automotive, energy and finance sector manager at GfK Türkiye, then a senior advisor for a year. In 2015-2016, he worked as Senior Manager in Borem Araştırma.*

*In GÜBRETAŞ where he started working as Foreign Trade Manager in June 2016, he continues to serve as the Deputy General Manager in charge of Supply Chain to which he was appointed in the same year.*

## FINANCIAL INDICATORS AT A GLANCE

| CONSOLIDATED INCOME STATEMENT (TRY)        | 2019            | 2018            |
|--------------------------------------------|-----------------|-----------------|
| SALES REVENUES (NET)                       | 4,344,496,369   | 4,559,086,668   |
| Cost of Sales (-)                          | (3,494,521,126) | (3,279,309,282) |
| GROSS PROFIT                               | 849,975,243     | 1,279,777,386   |
| OPERATING PROFIT / (LOSS)                  | 182,090,378     | 384,450,082     |
| OPERATING PROFIT BEFORE FINANCIAL EXPENSES | 190,437,845     | 379,240,006     |
| Financial Expenses (-)                     | (307,761,252)   | (238,262,659)   |
| PRE-TAX PROFIT / (LOSS)                    | 117,323,407     | 140,977,347     |
| NET PERIOD PROFIT                          | (98,641,006)    | 135,659,667     |
| SHARE OF THE PARENT                        | (149,740,564)   | (84,235,696)    |
| Earning Per Share (TRL)                    | (0,0045)        | (0,0025)        |
| DEPRECIATION                               | 94,543,534      | 70,152,958      |
| EBITDA                                     | 405,698,299     | 847,197,436     |

| CONDENSED BALANCE SHEET (TRY) | 2019                 | 2018                 |
|-------------------------------|----------------------|----------------------|
| Current Assets                | 2,798,247,264        | 2,427,884,451        |
| Fixed Assets                  | 1,487,391,599        | 1,907,383,163        |
| <b>TOTAL ASSETS</b>           | <b>4,285,638,863</b> | <b>4,335,267,614</b> |
| Short-term Liabilities        | 3,194,014,185        | 2,545,722,327        |
| Long-term Liabilities         | 250,715,857          | 551,988,841          |
| SHAREHOLDER'S EQUITY          | 840,908,821          | 1,237,556,446        |
| <b>TOTAL EQUITY</b>           | <b>4,285,638,863</b> | <b>4,335,267,614</b> |

CONSOLIDATED NET SALES (Million TRY)



SOLID FERTILIZER PRODUCTION (1000 Tons)





SOLID FERTILIZER SALES (1000 Tons)

1,392  
1,448  
1,532  
1,538  
1,651  
1,740  
1,649  
1,810  
1,947  
1,673  
1,655

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019





CONSOLIDATED EBITDA (Million TRY)

104  
402  
604  
534  
394  
487  
367  
130  
142  
847  
406

MARKET VALUE IN THE STOCK EXCHANGE (Million TRY)

668  
1,432  
948  
1,186  
922  
1,677  
1,897  
1,463  
1,412  
988  
3,019









TERM : 01.01.2019 - 31.12.2019  
DATE : 25 June 2020, Thursday  
TIME : 10.00  
PLACE : HEAD OFFICE (NİDA KULE, GÖZTEPE-KADIKÖY/İSTANBUL)

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ THE AGENDA OF ORDINARY GENERAL ASSEMBLY MEETING FOR THE YEAR 2019

1. Opening and formation of the Meeting Board
2. Reading and discussion of the Activity Report of the Board of Directors for the fiscal year 2019
3. Reading the Independent Auditor's Report for the fiscal year 2019
4. Reading, discussion and approval of the Financial Statements for the fiscal year 2019
5. Acquittal of the members of the Board of Directors
6. Accepting, accepting by amendment or rejecting the proposal of the Board of Directors about the distribution of the profit of 2019, the dividend payout ratio and the date of dividend distribution
7. Determination of the remuneration of the members of the Board of Directors
8. Election for the members of the Board of Directors whose term of services has been expired and determination of their term
9. Submission of Article 7 "Company Capital" amending the Articles of Association to the General Assembly
10. Submitting the Independent Audit Company selection to the General Assembly for approval, which is selected by the Board of Directors in accordance with Turkish Commercial Code and Capital Markets Board's regulations
11. Providing information on the developments relating to Söğüt Mining Operation to the General Assembly
12. Informing the General Assembly on the warranty, pledge, mortgages and guarantees granted in favour of 3<sup>rd</sup> parties and the incomes or benefits acquired in the fiscal year 2019
13. Within the context of the article 1.3.6 of the Annex-1 of Corporate Governance Communique (II-17.1) of Capital Markets Board, giving information to the General Assembly about transactions, that were realized by shareholders who control management, members of the Board of Directors, executives with management responsibilities, and their spouses and relatives either by blood or marriage up to second degree
14. Informing the General Assembly on the donations and aids which were provided by the Company in the fiscal year 2019
15. Informing the General Assembly and discussing about "Remuneration Policy" and benefits to the top management
16. Granting authorization to the Members of the Board of Directors to conduct transactions with the company and to compete with company as stated in 395th and 396th articles of the Turkish Commercial Code
17. Wishes and requests
18. Closing







# Annual Report of the Board of Directors

# INTRODUCTION

## A. REPORTING PERIOD

01.01.2019 - 31.12.2019

## B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi ("GÜBRETAS")

## C. TRADE REGISTER NUMBER

GÜBRETAS, İstanbul Ticaret Sicil Memurluğu'nda 47535 sicil numarası ile kayıtlıdır.

## D. CONTACT INFORMATION

### HEADQUARTERS

The address of our headquarters, which is registered at 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 GÜBRETAS 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 following are the contact information for facilities and regional offices:

### Yarımca Facilities

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

*Phone:* +90 (262) 528 46 40

*Fax:* +90 (262) 528 21 31

### İzmir 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:* Bağarası Köyü Hacıveli Mah. Foça-İzmir Karayolu No: 401 Foça/İZMİR

*Phone:* +90 (232) 822 81 48

### İskenderun Facilities

*Address:* Sarıseki 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

### Diyarbakır Regional Office

*Address:* Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

*Phone:* +90 (412) 251 12 46 - 251 15 46

*Fax:* +90 (412) 251 18 55

### İskenderun Regional Office

*Address:* Sarıseki Mah. Atatürk Cad. No:6 Sarıseki İskenderun/HATAY

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

*Fax:* +90 (326) 626 14 50

### İzmir Regional Office

*Address:* Kırklar Mevkii Fatih Mah. Atatürk Cad. Helvacı-Aliğa/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

### Şanlıurfa Regional Office

*Address:* Ulubağ Mh. Recep Tayyip Erdoğan Bulvarı Tarım Kredi Sitesi No: 305/5 Haliliye/ŞANLIURFA

*Phone:* +90 (414) 341 08 08

*Fax:* +90 (414) 381 08 10

### Tekirdağ Regional Office

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

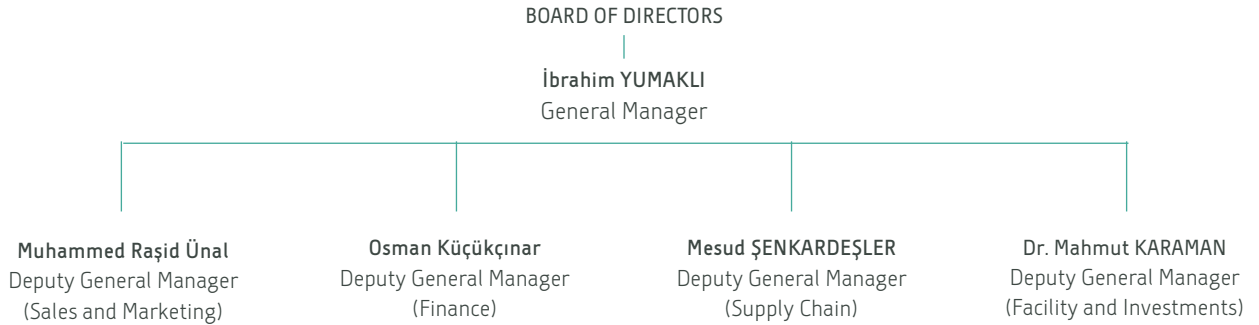
*Phone:* +90 (282) 262 76 50 /

+90 (282) 262 47 94

*Fax:* +90 (282) 262 98 51



## E. ORGANIZATION CHART



(NOTE: After the announcement of 2019 financials, our Deputy General Manager of Finance Ahmet Levent SERTTAŞ has left our company on behalf of his personal decision on 30th April 2020. Same day Osman KÜÇÜKÇINAR was appointed as our new Deputy General Manager of Finance by a decree of our Company's Board of Directors.)

## F. CAPITAL STRUCTURE

As of 31.12.2019 authorized capital of the company is 1, 000,000,000 TRY and issued capital is 334,000,000 TRY. There has not been any change in terms of capital and shareholder structure of GÜBRETAŞ within the fiscal period. The Company does not have any privileged shares or has not acquired any of its shares.

"Capital loss" or "Indebtedness" situations, which are defined in 376th article of Turkish Commercial Code, has not been observed.

| Table 1 | CAPITAL STRUCTURE                                         |                       |                |
|---------|-----------------------------------------------------------|-----------------------|----------------|
|         | Shareholders                                              | Share Amount -TRY     | 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. VOTING RIGHTS AND MINORITY RIGHTS

In our company, practices that obstructs exercise of voting rights are avoided, and equal, easy and applicable voting opportunities are made possible to all shareholders. There are no privileged rights on voting because there is no preferred stock issued.

As per articles of association, minority rights can be used by shareholders having at least 5% of company capital as foreseen for listed companies within 411th article of Turkish Commercial Code. Minority shareholders are not represented in management.

## H. MEMBERS OF THE BOARD OF DIRECTORS

| Görev              | İsim             | Görev Başlangıç Tarihi |
|--------------------|------------------|------------------------|
| 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 KİRİŞÇİ    | 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 30th footnote of consolidated financial statements, information about the benefits provided to the members of the Board of Directors and executive management are provided.

Members of the board of directors resigned during and after the reporting period:

| Title              | Name                 | Date of Appointment | Date of Resignation |
|--------------------|----------------------|---------------------|---------------------|
| Independent Member | Seyfullah ARSLANTÜRK | 28.02.2018          | 25.06.2020          |

## I. EXECUTIVE MANAGEMENT

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

Members of the executive management resigned during and after the reporting period:

| Title                         | Name                 | Date of Appointment | Date of Resignation |
|-------------------------------|----------------------|---------------------|---------------------|
| Deputy GM - Sales & Marketing | Metin ÖZYÜREK        | 10.07.2017          | 26.02.2020          |
| Deputy GM - Finance           | Ahmet Levent SERTTAŞ | 24.09.2018          | 30.04.2020          |

## COMPANY EXECUTIVE MANAGEMENT

### **İbrahim YUMAKLI**

*General Manager  
Manager*

He completed his bachelor's degree in 1992 at Business Administration division of Faculty of Economics and Administrative Sciences at Uludağ University.

YUMAKLI, who began his working life in 1993 at Marshall Boya A.Ş. as import operations specialist, has worked at managerial positions in the financial groups of Marshall Boya A.Ş. and subsidiaries under Akzo Nobel Turkey organization until 2011. In 2011, he started working at Aljazeera Turkey. Between years 2012 -2015, he worked as the manager of Cine5 television channel owned by Aljazeera Turkey. Between January 2016 and October 2016, he worked as international operations director of Anadolu Agency.

İbrahim YUMAKLI started working as acting general manager and executive board member of GÜBRETAŞ at 28.10.2016 and he was appointed general manager at 05.05.2017.

### **Mahmut KARAMAN, PhD.**

*Deputy General Manager  
Ph.D. Mechanical Engineer,  
MBA - Manager*

He was born in 1969 in İstanbul. In 1990, he graduated from Mechanical Engineering division of Yıldız Technical University. He completed his master's degree and doctorate in control systems field in USA, 1997. He completed his master's degree in Business Administration at Colorado University Boulder, Leeds School of Business in 2007.

Between years 1998-2008, he worked on controlling systems, research-development and design topics at Seagate technology company, which is the world leading hard disc producer. During the same period, he also gave "Control" lessons at the level of post-graduate in the University of Denver and the University of Colorado at Denver. Between years 2008-2013, he worked as the president of revenue management at Turkish Airlines and Qatar Airlines, respectively. Between the years 2013-2015, he worked as general manager at Technology Development region of Yıldız Technical University and afterwards, starting from the date of 4th of February, 2015, he was appointed as deputy general manager responsible from facilities and investments at GÜBRETAŞ. Besides, he continues to work as vice chairman of the Board of Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş.

### **Osman KÜÇÜKÇINAR**

*Deputy General Manager  
Manager*

Mr. KÜÇÜKÇINAR, graduated from Boğaziçi University Economics Faculty in 1997 and started to work as a professional same year as an audit assistant. He worked as a specialist in Turkish Eximbank between 1998 and 2003. In 2003, Mr. KÜÇÜKÇINAR started to work as Project Finance Analyst in ERDEMİR Group. In 2007 he moved to Turk Telekom Co. and worked in this company as Finance Manager and Sr. Finance Manager under the directorate of Treasury and Corporate Finance. Between 2015 and 2017 he worked as Vice President in İstanbul Stock Market (BİST).

Mr. KÜÇÜKÇINAR was working as a consultant in the Pozitif Consultancy since November 2017.

### **Mesud ŞENKARDEŞLER**

*Deputy General Manager  
Manager*

He was born in 1981 in Sakarya. In 2003, he graduated from International Relations division of Bilkent University. In the same year, he began his career as export specialist at Petlas A.Ş. He specialized in main functions like sales, marketing, product management, field sales coordination and import-export operations. Between years 2005-2006, he worked as product specialist responsible from Marmara Region at Tyco Sağlık A.Ş. and between years 2007-2011, he worked as process-business development and network management consultant at Ototronik Otomotiv ve Enerji A.Ş. Afterwards between years 2011-2015, he worked as automotive, energy and finance sector manager at GFK Turkey and he was assigned as senior consultant around one year. Between years 2015-2016, he worked as senior manager in Borem Research.

Mesud ŞENKARDEŞLER, who began working as foreign trade manager at GÜBRETAŞ in 2016, was assigned as deputy general manager responsible for supply chain at the date of 30.09.2016 as proxy and starting from the date of 28.10.2016 principally.



## Raşid ÜNAL

### Deputy General Manager Manager

Raşid Ünal graduated from Boğaziçi University, Department of Business Administration in 2004, and completed Leadership Program of Griffith College in 2012. He started his professional career at Uzel Makina (AGCO Corp.) as Dealer Development Specialist, in 2005, and took an active role in company's dealer restructuring across Turkey and Europe. After working as Key Account Specialist, and Trade Marketing

Category Executive respectively at Yıldız Holding-Ülker between 2007 and 2008, he worked in retail and enterprise sales positions at TTNET AŞ. Between 2010 and 2012, he worked at Fırat Development Agency within the Ministry of Development and worked on the establishment of the agency, preparation of regional plans and determination of investment support and promotion strategy of the region. Since 2012, he worked at Türk Telekom as Trade Marketing Manager, and Head of Sales Planning and Channel Earnings respectively, and managed product and brand positioning, dealer

incentive systems and channel sales strategies. During the same period, he lectured Marketing Communication courses as a guest lecturer at various universities.

Raşid Ünal started serving as Deputy General Manager responsible for Sales and Marketing at GÜBRETAŞ on June 22, 2020.

## J. EMPLOYEE INFORMATION

Changes in employee as of 31.12.2019 are shown below in Table 2:

| Table 2 | EMPLOYEE STATUS                |            |            |              |
|---------|--------------------------------|------------|------------|--------------|
|         | Employee                       | 31/12/2019 | 31/12/2018 | Change       |
|         | Headquarters                   | 105        | 107        | (1.87%)      |
|         | Yarımca Facilities             | 331        | 330        | 0.30%        |
|         | Other Facilities and Reg. Off. | 133        | 131        | 1.53%        |
|         | <b>TOTAL</b>                   | <b>569</b> | <b>568</b> | <b>0.18%</b> |

### Collective Bargaining Agreement

In 2018, relations between GÜBRETAŞ and Petrol-İş Trade Union continued in a constructive manner. The duration of the collective bargaining agreement between GÜBRETAŞ and Petrol-İş Union ended on 31.12.2018. The parties have started negotiations on 06.02.2019 for a new collective bargaining agreement including the years of 2019 and 2020.

### Training Activities

Training activities were held with the aim to develop managerial, personal and professional capabilities of the staff. Training activities of 12,102 hours with participation of 656 employees were carried out in 2019.

## TURKEY AND GLOBAL FERTILIZER MARKET IN 2019

Turkey does not have the raw material resources used in production of chemical fertilizers. Around 95% of main inputs such as natural gas, phosphate rock, potassium salts are procured from foreign markets. Due to dependence on foreign markets, international market conditions, exchange rates and fluctuations in prices of fertilizers and raw materials have major effects on our sector.

The nitrogen-based fertilizers and fertilizer raw materials are mostly procured from Black Sea basin while phosphate-based ones are mostly procured from North Africa basin. Therefore, the prices in Turkish operations are usually set according to these basins' prices. Market prices are also affected by USD/TRY exchange rate as well as international fertilizer prices. Market prices can increase or decrease with regards to increases and decreases of USD exchange rate.

In 2019 Global Trade Wars and the economic slowdown in the globe has

a negative effect on the fertilizer prices. In addition to that, the low volatility on the USD/TRY FX market lead a downward trend on the local fertilizer prices. In order to that, the buyers have expected the local fertilizer prices to go down further and postpone their fertilizer purchases.

On the other hand, 2019 was a year of rebalancing for the Turkish economy. The downward trend in the credit expenses and the ease in the credit market has lead the agricultural producers to have a positive purchasing power compared to 2018.

When we look at the price movements of the important products in global markets in 2019, it is observed that the prices of Ammonia Black Sea region have decreased by 18% annually on average. One of the other important benchmark prices in the global markets, the Indian region, Ammonia prices, followed a downward trend in 2019. Although the prices that have entered an

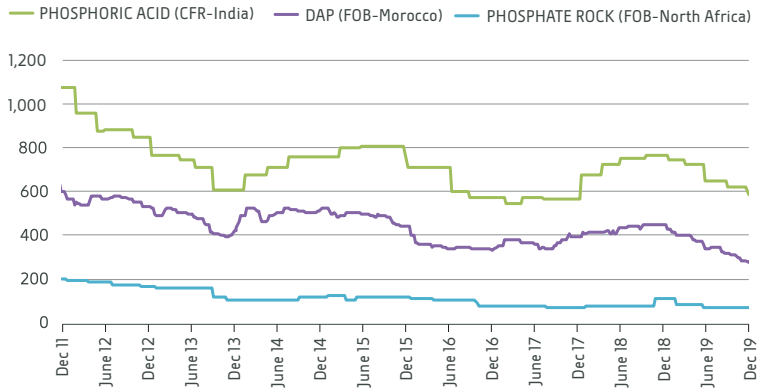
upward trend since the fourth quarter of the year, the prices were underperformed in 2019 with an annual average decrease of 18%.

The Middle East region prices of Urea, another important product of the group of nitrogen fertilizers, followed a volatile course in the year of 2019. Following a downward trend in the fourth quarter, Urea again fell towards the end of the year and closed the year at 221 \$/ton (FOB).

The DAP product, which is one of the important product groups for the global markets, followed a downward trend in the year of 2019.

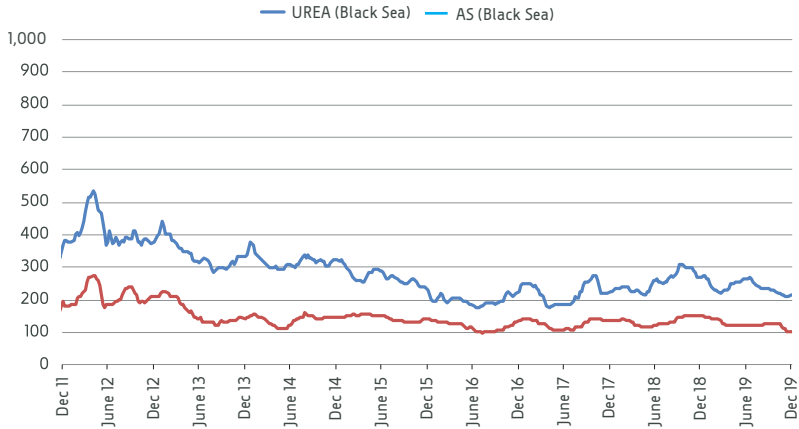
Graph 1

### FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON



Graph 2

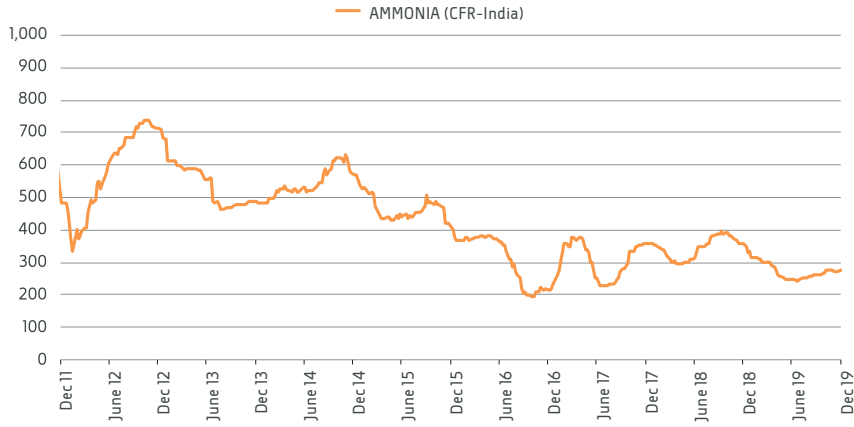
### FERTILIZER PRICES IN INTERNATIONAL MARKETS - FOB US\$/TON





Graph 3

## FERTILIZER PRICES IN INTERNATIONAL MARKETS - FOB US\$/TON



GÜBRETAŞ is the first and pioneer company of Turkey in chemical fertilizer industry. An important portion of the sales of the company is realized through the Central Union of Agricultural Credit Cooperatives ("TACC"). There are 8 regional offices throughout Turkey. In approximately 2,800 sales locations (sum of cooperatives and other dealers) GÜBRETAŞ sells to every corner of Turkey where there is agricultural production.

## A. INFORMATION ABOUT OUR FACILITIES

GÜBRETAŞ owns a total real estate area of 426,556 m<sup>2</sup> that consists warehouses, business buildings and lands and 179,106 m<sup>2</sup> of this area is closed.

Yarımca Facilities have 985.000 tons/year solid fertilizer production capacity, İzmir Facilities have 100.000 tons/year liquid and powder fertilizer production capacity, therefore GÜBRETAŞ has 1,085,000 tons/year fertilizer production capacity in total.

The total capacity of our warehouses is 450,000 tons.

Table 3

### REAL ESTATES

| Office                       | Closed Area m <sup>2</sup> | Warehouses          | Closed Area m <sup>2</sup> |
|------------------------------|----------------------------|---------------------|----------------------------|
| Headquarters                 | 2,700                      | Kocaeli Yarımca     | 22,381                     |
| Yarımca Facilities - Office  | 2,410                      | Samsun Tekeköy OIZ  | 6,211                      |
| İzmir Facilities - Office    | 570                        | Samsun Kamalı       | 15,775                     |
| Ankara Office                | 120                        | Kocaeli Köseköy     | 6,424                      |
| İskenderun Office            | 447                        | İzmir Helvacı       | 21,896                     |
| Samsun - Tekkeköy OIZ Office | 210                        | İskenderun Akçay    | 10,923                     |
| Samsun - Kamalı Office       | 426                        | İskenderun Sarıseki | 35,512                     |
| <b>TOTAL</b>                 | <b>6,883</b>               | Tekirdağ            | 7,189                      |
|                              |                            | İzmir Foça          | 2,200                      |
|                              |                            | <b>TOTAL</b>        | <b>128,511</b>             |
| Production Facilities        | Closed Area m <sup>2</sup> | Former Headquarters | 1,590                      |
| Kocaeli Yarımca Facilities   | 23,616                     | <b>GRAND TOTAL</b>  | <b>179,106</b>             |
| İskenderun Facilities        | 15,581                     |                     |                            |
| İzmir Facilities             | 2,525                      |                     |                            |
| Foça Facilities              | 400                        |                     |                            |
| <b>TOTAL</b>                 | <b>42,122</b>              |                     |                            |

Table 4

### GÜBRETAŞ FERTILIZER PRODUCTION AND WAREHOUSE CAPACITY - TONS

| Yarımca Facilities           | Capacity-Tons    | Region                  | Capacity-Tons  |
|------------------------------|------------------|-------------------------|----------------|
| TSP                          | 185,000          | İskenderun Warehouses   | 150,000        |
| NPK 1A (Compound Fertilizer) | 250,000          | İzmir Warehouses        | 100,000        |
| NPK 1B (Compound Fertilizer) | 250,000          | Samsun Warehouses       | 100,000        |
| NPK 2 (Compound Fertilizer)  | 300,000          | Yarımca Warehouses      | 55,000         |
| <b>TOTAL</b>                 | <b>985,000</b>   | Tekirdağ Warehouses     | 30,000         |
| İzmir Facilities             | Capacity-Tons    | İzmir Liquid Warehouses | 15,000         |
| Liquid and Powder Fertilizer | 100,000          | <b>TOTAL</b>            | <b>450,000</b> |
| <b>GRAND TOTAL</b>           | <b>1,085,000</b> |                         |                |

## B. PRODUCTION

GÜBRETAŞ produced 449,346 tons of compound fertilizers, 90,880 tons of nitrogen-based fertilizers, 45,200 tons of phosphate-based fertilizers, and a total of 585,426 tons in 2019. In addition, 26,196 tons of liquid and powder fertilizers were also produced.

Solid fertilizer production decreased by 12.64%; liquid and powder production increased by 23.04% in 2019 compared to 2018. Total fertilizer production decreased by 11.54%.

Some of the finished products were used as intermediate goods in the production process. Capacity utilization rate was 62% in 2019.

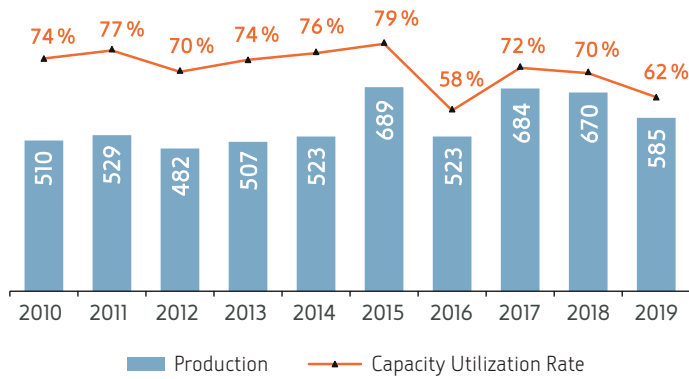
Table 5

### PRODUCTION BY PRODUCT-TONS

| Product                      | 2019           | 2018           | Change          |
|------------------------------|----------------|----------------|-----------------|
| Solid Fertilizer             | 585,426        | 670,130        | (12.64%)        |
| Liquid and Powder Fertilizer | 26,197         | 21,292         | 23.04%          |
| <b>Grand Total</b>           | <b>611,623</b> | <b>691,422</b> | <b>(11.54%)</b> |

Graph 4

### PRODUCTION AND CAPACITY UTILIZATION RATES BY YEARS





### C. SALES AND PROCUREMENT

Our Company sold 1,654,813 tons of solid (2018: 1,672,635 tons), 47,758 (2018: 41,542 tons) tons of liquid and powder fertilizer in 2019.

In 2019, the Company's solid fertilizer sales decreased by 1.07% compared to the same period of the previous year.

While the volume of procurement were 1,594,167 tons in 2018, it increased by 10.30% to 1,758,387 tons in 2019. 36,960 tons of products were exported in 2019 while this figure was 27,168 tons in 2018.

Table 6

#### SALES, IMPORTS AND DOMESTIC PROCUREMENT - TONS

|                          | 2019             | 2018             | Change        |
|--------------------------|------------------|------------------|---------------|
| Raw Materials            | 520,919          | 609,425          | (14.52%)      |
| Finished Products        | 1,237,468        | 984,742          | 25.66%        |
| <b>TOTAL PROCUREMENT</b> | <b>1,758,387</b> | <b>1,594,167</b> | <b>10.30%</b> |

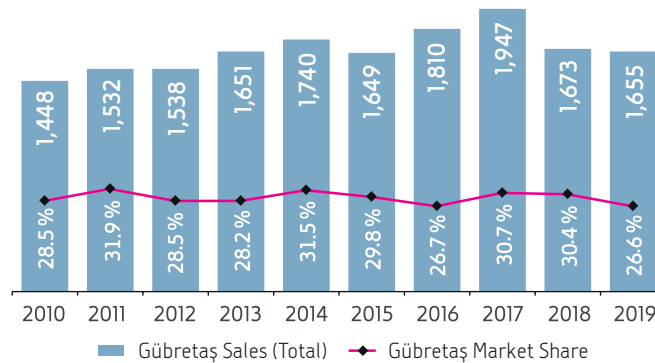
Table 7

#### SALES BY PRODUCT GROUPS-TONS

|                               | 2019             | 2018             | Change         |
|-------------------------------|------------------|------------------|----------------|
| Solid Chemical Fertilizers    |                  |                  |                |
| Compound                      | 617,874          | 656,584          | (5.90%)        |
| Nitrogen-based                | 843,618          | 819,594          | 2.93%          |
| Phosphate-based and others    | 193,322          | 196,457          | (1.60%)        |
| <b>Solid Fertilizer Total</b> | <b>1,654,813</b> | <b>1,672,635</b> | <b>(1.07%)</b> |
| Liquid and Powder Fertilizer  | 47,758           | 41,542           | 14.96%         |
| <b>GRAND TOTAL</b>            | <b>1,702,571</b> | <b>1,714,177</b> | <b>(0.68%)</b> |

Graph 5

#### SALES AMOUNTS AND MARKET SHARE BY YEARS SOLID FERTILIZER SALES-1000 TONS



## D. INVESTMENTS

In Turkey operations, GÜBRETAŞ spent 94,201,716 TRY (2018: 57,503,480 TRY) for capital expenditures in 2019.

In 2020, the Company's investments continue within the scope of the following activities and it is planned to realize the related investments as soon as possible.

- Completing the first phase of the port embankment project in Yarımca Facilities,
- Improving the depot and tanking capacity of the Kocaeli plant,
- Installing solar electricity production plant on the rooftop of Iskenderun Depot Facilities.

### The Case of Benefiting From Incentives For Investments

The completion visa of Investment Incentive Document numbered 110061 by Turkish Ministry of Trade was realized on 20/09/2018. The fixed investment was realized with an amount of 290,369,160 TRY. The support elements to be utilized by the investments are the Insurance Premium Employer's Share Support for the year 2018, Customs Duty Exemption, Tax Reduction Ratio (100%), Investment Contribution Rate (40%) and VAT exemption.

In 2018, Insurance Premium Employer Share Support and VAT Exemption were benefited from in the construction of twin NPK plants and ammonia tanks. Referring to the application dated March 26, 2018 and numbered 38928 made by the Company to the Turkish Ministry of Trade, the Investment Incentive Certificate dated May 16, 2018 and numbered 136984 was obtained. This Investment Incentive Certificate is valid until 26.03.2021 and includes fixed asset investment plans amounting to 84,000,000 TRY. The support elements to be utilized by the investments are Tax Reduction Ratio (70%), Investment Contribution Ratio (30%) and VAT exemption. In 2018, VAT exemption was utilized in Iskenderun Facilities Modernization processes. Referring to the application dated March 26, 2018 and numbered 38927 made by the Company to the Turkish Ministry of Trade, the Investment Incentive Certificate dated Monday, June 11, 2018 and numbered 137850 was obtained.

This Investment Incentive Certificate is valid until 26.03.2022 and includes fixed asset investment plans amounting to 235,000,000 TRY. The support elements to be utilized by the investments are Tax Reduction Ratio (50%), Investment Contribution Ratio (25%), Insurance Premium Employer's Share Support and VAT exemption.

### III. RESEARCH AND DEVELOPMENT ACTIVITIES

#### A. TURKEY SOIL PRODUCTIVITY MAP

Studies about “Soil Productivity Map Project” continues. With this project, the aim is to form the map of soil fertility of our country. In this respect, current qualitative and quantitative information is categorized according to locational data and is input as data into subcategories under each different location with a mapping software. Analyses from a total 11,941 locations, which are obtained with GPS device position detection, are completed. Also, soil samples that are received from farmers are being analyzed and reports that include fertilization suggestions are sent to landowners.

#### B. QUALITY DEVELOPMENT ACTIVITIES

Quality improvement works are continuing for the best quality of all fertilizers and special products offered to Turkish Farmers with its expert staff, qualified human resources and equipped laboratory infrastructure.

The İzmit Yarımca Laboratory renewed the 17025 ISO/EN Quality Certificate of after the inspections carried out by TURKAK. İzmir and İskenderun Laboratories continue their studies by expanding the scope of analysis.

#### C. PRODUCT DEVELOPMENT ACTIVITIES

With the approval of the Ministry of Industry and Technology in 2018, the R & D Center was established within the body of Yarımca Facilities. In order to develop new generation and innovation plant nutrition products by using domestic and national resources at the maximum level, it is aimed to develop solutions that will enable the country and producers to reach the products they need more easily by using cooperation models with public institutions and universities.

In 2018, the first year of the R & D Center, the R & D project, submitted to the Ministry of Agriculture and Forestry, General Directorate of Agricultural Research and Policies (TAGEM), was adopted and it was decided to carry out the project with government support for 36 months. The project partners include Konya Selcuk University and Ankara University and agricultural research institutes in 6 different regions.

In 2019, our company has appointed to the TUBITAK TEYDEB 1501, in order to create innovative products by increasing the cooperation and synergy of the public-private sectors and Universities. Our company also appointed to the industrial doctorate program called TUBITAK 2244 in order to increase the cooperation between industry and universities.

#### D. SUPPORT TO DOMESTIC PRODUCT

GÜBRETAŞ has been conducting R&D studies for years for the use of domestic inputs in chemical fertilizer production. In line with this goal, GÜBRETAŞ is increasing the number of plant nutrition products containing the element boron, which is the important underground riches of Turkey. Taking into account Turkey's soil structure and nutrient needs of plants, GÜBRETAŞ is developing products such as **ALTIN ÇİÇEK-S, SÜPER PANCAR-S, ÇOTANAK FERTİL** and **SÜPER ÇOTANAK**. These base fertilizers, which are specific to the plant and the region, are produced with boron additive. In addition, GÜBRETAŞ's product portfolio includes products such as **DERMİN, BOR, BOR-8, COMBİ, COMBİ PLUS** and **MICRO** containing different amounts of boron used in drip irrigation and foliar feeding of plants.



## IV. SOCIAL RESPONSIBILITY PROJECTS

### A. TURKEY SOIL PRODUCTIVITY MAP PROJECT

Initiated in 2005 by GÜBRETAŞ as a social responsibility issue, the project, which aims to explain the importance of soil analysis that plays an important role in increasing productivity at agricultural production and to form the productivity map of agricultural areas, is being carried out just by the sole capability of the company.

The main objectives of this project, which is being carried out by GÜBRETAŞ for approximately fifteen years, are:

1. *To create a database for the future of agricultural production by preparing the productivity map in macro and micro nutrient elements according to our country's geographic regions and provide a source for studies in these fields,*
2. *Starting with Turkish Agricultural Cooperatives partners, to increase the consciousness in fertilizer consumption of all farmers and determine fertilizer patterns of sampled lands,*
3. *To help farmers by analyzing if there is a problem in their land and reporting solutions to these problems according to soil analysis,*
4. *To help GÜBRETAŞ' R&D studies by developing plant-specific and region-specific fertilizer formulations according to obtained data,*
5. *To contribute to build a huge database for our country's agriculture by combining GÜBRETAŞ' study's conclusions with studies of the Ministry of Food, Agriculture and Livestock of Turkey and*

*universities.*

6. *To train a minimum of 10 thousand major farmers about agricultural issues like getting soil examples, fertilizers, fertilization techniques and consciousness in agricultural production with this project.*

### B. GÜBRETAŞ SCHOLARSHIP

The scope of GÜBRETAŞ scholarship, which was initiated in 2007 for students at agricultural faculties in order to support human resources in agricultural sector, has been expanded at 2017. Now, a certain number of students studying for master's and doctorate degree in agricultural faculties, have begun to benefit from scholarship starting with this year. Within this scope, scholarship is being provided to children of farmers in need while they get their undergraduate education, at 36 different agricultural faculties all around Turkey. With this project, which more than 400 students at agricultural faculties benefited from since the initiation, around 137 students continue to get scholarship.

### C. CONSCIOUS AGRICULTURAL TRAINING

GÜBRETAŞ conducts training activities for producers in accordance with its mission **"increasing fertility to our land by spreading the consciousness in agricultural production"**. Our training activities, which have objectives like supporting Turkish producers growing more efficient and higher quality agricultural products that

can be competitive globally and achieving higher profitability via optimizing costs of inputs starting with fertilizers, continue all year long. In training meetings, producers are informed about different issues like basic principles of balanced and regular fertilization, plant nutrition techniques and soil analysis. Expert agricultural engineers also provide practical consulting services through field studies and prescribing activities. GÜBRETAŞ also carries out agricultural consultancy services through Producer Support Line, web and mobile applications and social media. In 2019 with the help of the cooperation between The Agricultural Credit Cooperatives of Turkey and GÜBRETAŞ, **1,447** farmer meetings and **62** information assemblies had summoned and served as a total of **40,180** farmers and agricultural engineers.

### D. ADVISORY SERVICES IN THE FIELD

Forming plant nutrition prescriptions plays an important role in GÜBRETAŞ's efforts for implementing scientific plant nutrition programs for all producers. In order to that our expert agricultural engineers offering the producers special prescriptions by examining the fields. In 2019, 3,468 field examination and prescription activities were occurred in order to support our producers and to improve the notion of conscious agriculture.

## E. AGRICULTURAL ADVISORY SERVICES

GÜBRETAS is using mobile communication channels as well as face to face communication with the agricultural producers. Producers can get support anytime, anywhere from expert agricultural engineers via phone call, WhatsApp advisory line and EGP mobile app.

## F. PRODUCER SUPPORT LINE

GÜBRETAS enhanced its consultancy service to the producers with live telephone connection. From all around Turkey, producers can call telephone line (0850) 811 50 50 and they can ask their questions to expert agricultural engineers about plant nutrition and agricultural production and they can get replies from related engineers. In this way producers, who can call from fields, yards, and gardens, found the opportunity to solve their production problems, exchange information, and get information about products and services. In 2019, 6,539 producers had informed by expert agricultural engineers via producer support line.

## G. MOBILE ADVISORY SERVICES

GÜBRETAS, who composes special fertilization programs by its in-house engineers and R&D team in order to increase productivity in agricultural production, has brought this valuable experience into use of producers with EFP (Efficient Fertilization Programs)

application. With this new mobile application, which is developed by GÜBRETAS and is free of charge, the producers can track plant nutrition programs for 50 agricultural products, which are being produced in Turkey, with usage time, method and dosage. With this new application, 68-years of industry experience of GÜBRETAS is transferred to smartphones and tablets. The producers now have the opportunity to request instant information from "Ask the Expert" function of the application even when they are working in the field.

## H. MODEL AGRICULTURAL PRODUCTION

In order to expand consciousness in agricultural production, model test fields/gardens are being formed. As GÜBRETAS, in these tests, which are being carried out with pioneer producers, achieving maximum yield with minimum fertilizer consumption is being aimed. Thus, the aim is to prohibit the wastage of resources by avoiding more than necessary fertilizer consumption and to protect our soil, which is one of our most important sources. Test fields/gardens are continuously controlled by expert engineers in the production era and the results are shared with producers living in places, where "field days" are organized. The plant nutrition programs, which are carried out at test places, are converted to documentations named "**Efficient Fertilization Programs**" and provided all of the producers with different

communication channels. In 2019, 30 model fields were formed by using 14 different plants like sunflower, cotton, hazelnut, corn, sugar beet, potato, pumpkin seeds and olive.

## I. CONSCIOUS PRODUCER MOVIES

In order to promote our GÜBRETAS products and services to the broader masses, our company has produced movies under the concept of "Conscious Farmer" and "Tips of Plant Nutrition".

These movies were uploaded to many platforms like YouTube, Twitter, Instagram, Facebook, EFP and company website. GÜBRETAS products were placed in the movies in order to promote the products by using a simple narrative and focusing on the educational purposes.

The video interviews with the leading producers which stands as another important communication channel had uploaded to the EFP video gallery and YouTube under the concept of "Conscious Producer is Telling". In this series the leader producers are telling GÜBRETAS in their point of view by expressing their product experiences, productivity and the quality of GÜBRETAS products.

## V. OTHER DEVELOPMENTS REGARDING COMPANY ACTIVITIES

### A. ORDINARY AND EXTRAORDINARY GENERAL ASSEMBLIES AND DISTRIBUTION OF DIVIDENDS

67th general assembly meeting for 2018 fiscal period was held on 2th of May, 2019 on Thursday and the details are presented in corporate governance principles compliance report. Within the period, there has not been any extraordinary general assembly meetings held.

Gübre Fabrikaları T.A.Ş. distributes dividends within the frame of our dividend policy which was prepared in accordance with Communiqué on Dividends (II-19.1) of Capital Markets Board.

Our company adopted the principle to distribute the maximum

percentage of profits to its shareholders while considering benefits of the company also. There are no privileges in dividend payment. Dividends are distributed equally to all shares regardless of their issue and acquisition dates. In line with the 31st article of our articles of association, the dates and methods of paying dividends are decided by the general assembly in accordance with the proposal of the board of directors.

There was no dividend distribution in 2018. Cash dividend (gross) ratios paid per 1 TRY nominal shares for last 5 years are shown in Table 8:

Table 8

DIVIDEND RATIO PER SHARES IN YEARS

| 2019 | 2018 | 2017 | 2016 | 2015 |
|------|------|------|------|------|
| -    | -    | -    | -    | 10%  |



## B. DONATIONS AND AIDS

In 2018, the payment of scholarship was 683,100 TRY. In addition to scholarship, GÜBRETAŞ provided 198,409 TRY aids to various educational institutions. Therefore, the total amount of donations and aids became 881,509 TRY in 2019.

## C. INTERNAL AUDIT ACTIVITIES

The Internal Audit Department, which works under General Directorate, audits whether the activities of headquarters, facilities and regional offices are compliant with legal acts, corporate vision, mission, target, strategy, general purpose, procedures, instructions, reliability and accuracy of information, company policies, plans, procedures, regulations and compliance with the law, protection of assets, efficient use, objectives set for activities and programs, realization of goals, causes of errors, corrective measures, efficiency of activities and consequently our company activities as a whole and proposes the audit reports to executive management by providing curative proposes in accordance with audit findings.

## D. PRIVATE AND PUBLIC AUDITS

In GÜBRETAŞ, there is a tax inspection (full review) process that started in 2016 and is currently underway.

Besides the independent auditing of consolidated financial statements, our company is also

receiving full confirmation service for corporate tax declaration.

## E. INFORMATION ABOUT RELATED PARTIES TRANSACTIONS AND BALANCES OF RELATED PARTIES ACCOUNTS

Detailed tables are given in the 30th footnote of consolidated financial statements belonging to the fiscal period of 1 January - 31 December 2019.

## F. LAWSUITS BROUGHT AGAINST OUR COMPANY AND OTHER MATTERS

On the 8th and 16th footnotes of consolidated financial statements, subjects of lawsuits brought by our company and the other parties, latest situations and their impact on our consolidated financial statements are stated. There has not been any administrative or legal sanction being implemented to the company or members of the managerial body due to violation of provisions of related regulations.

## G. AFFILIATION REPORT

The conclusion of the "Affiliation Report" prepared in accordance with 199th article of the Turkish Commercial Code No. 6102 for the period of 01.01.2019-31.12.2019 is presented below:

*"The controlling shareholder of our company is the Central Union of Turkish Agricultural Credit Cooperatives ("Central Union"), which is registered in Ankara Trade Registry Office with*

*the registry number 35791 and located at 'Yukarı Bahçelievler Mahallesi Wilhem Thomsen Caddesi No:7 Çankaya Ankara'. In this context, it has been concluded that;*

→ *In the previous fiscal year, there has not been any judicial action taken in favor of the controlling shareholder, a company affiliated with the controlling shareholder or by the directions of the controlling shareholder beneficial to it or one of its affiliates.*

→ *In the previous fiscal year, there has not been any precautions taken or avoided in favor of the controlling shareholder or a company affiliated with it."*

## H. AFFILIATES AND SUBSIDIARIES

Detailed information about affiliates and subsidiaries are given in the 1st footnote of consolidated financial statements belonging to the fiscal period of 1 January - 31 December 2019.

## VI. ACTIVITIES OF IRAN

### A. PRODUCTION

Razi Petrochemical Co. is one of the largest fertilizer and fertilizer raw materials production facilities in Iran with 877.000 m<sup>2</sup> total area. Total capacity of Razi is 3.641.000 tons/year including its own 3.515.000 tons/year and its subsidiary Arya Phosphoric Jonoub Co. which has 126.000 tons/year.

In Razi and its subsidiary Arya Phosphoric Jonoub Co., total production was 1,645,907 tons (2018: 1,850,906 tons) and the capacity utilization rate was 45.20% (2018: 50.84%) in 2019.

### B. SALES

Export product prices in Razi Petrochemical Co. are formed in accordance with the prices in Middle East basin. Profitability levels move in parallel with increases-decreases in commodity prices.

In 2019, Razi and its subsidiaries sold 1,433,114 tons (2018: 1,504,379 tons) of fertilizer and achieved a revenue of 1,859,297,847 TRY (2018: 1,990,946,875 TRY).

Being a fully integrated facility, the reason of difference between production and sales is the internal consumption as some of the products are used as intermediary products.

### C. INVESTMENTS

In Razi facilities, renovation investments and investments aimed to increase the productivity in current facilities were realized. In Iran operations our company spent 35,203,287 TRY (2018: 9,774,848 TRY) for capital expenditures in 2019.

Table 9

## RAZI PETROCHEMICAL CO. PRODUCTION-TONS

| Product         | 2019             | 2018             | Change          | Capacity         | 2019 CUR      |
|-----------------|------------------|------------------|-----------------|------------------|---------------|
| Ammonia         | 745,729          | 870,638          | (14.35%)        | 1,336,000        | 55.82%        |
| Urea            | 449,678          | 399,032          | 12.69%          | 594,000          | 75.70%        |
| Sulphur         | 222,117          | 250,142          | (11.20%)        | 508,000          | 43.72%        |
| Sulphuric Acid  | 151,071          | 226,799          | (33.39%)        | 627,000          | 24.09%        |
| Phosphoric Acid | 40,778           | 55,617           | (26.68%)        | 126,000          | 32.36%        |
| DAP             | 36,534           | 48,678           | (24.95%)        | 450,000          | 8.12%         |
| <b>TOTAL</b>    | <b>1,645,907</b> | <b>1,850,906</b> | <b>(11.08%)</b> | <b>3,641,000</b> | <b>45.20%</b> |

Table 10

## RAZI PETROCHEMICAL CO. SALES-TONS

| Product             | 2019             | 2018             | Change          |
|---------------------|------------------|------------------|-----------------|
| <b>End Products</b> | <b>1,071,324</b> | <b>1,374,487</b> | <b>(22.06%)</b> |
| Urea                | 438,906          | 427,575          | 2.65%           |
| Ammonia             | 426,231          | 655,611          | (34.99%)        |
| Sulphur             | 165,302          | 156,106          | 5.89%           |
| Sulphuric Acid      | 17,653           | 54,036           | (67.33%)        |
| Phosphoric Acid     | 16,703           | 31,604           | (47.15%)        |
| DAP                 | 6,529            | 49,555           | (86.82%)        |
| <b>Sub Total</b>    | <b>361,790</b>   | <b>129,891</b>   | <b>178.53%</b>  |
| Urea                | 160,339          | 94,951           | 68.86%          |
| Ammonia             | 157,451          | -                | -               |
| Ammonium Sulphate   | 44,000           | 34,940           | 25.93%          |
| <b>TOTAL</b>        | <b>1,433,114</b> | <b>1,504,379</b> | <b>(4.74%)</b>  |

## VII. HUMAN RESOURCES POLICY AND CODE OF ETHICS

### A. HUMAN RESOURCES POLICY

Considering human resources as its most important asset and finding its sustainable growth in its employees' competencies and development, GÜBRETAŞ does not discriminate between ethnic origin, language, religion, gender and political thinking while selecting and placing employees in work. The company aims to find idealist and innovative people suitable for teamwork, acting on the basis of fair approach, effective communication and solution-oriented behavior. While making evaluation, objective success criteria and corporate culture are taken as a ground.

Before making decisions about the employees, importance is given to the exchange views with employees and employee representatives.

In line with occupational health and safety and environmental quality systems, continuous improvement and organizational development activities are performed. As a result of organizational development activities, job descriptions and process flows are organized according to changing and evolving Company activities.

Company employees are encouraged to strive for horizontal and vertical careers, while the necessary physical, social and psychological environment is being prepared

accordingly. Employees' efforts are rewarded materially and morally.

Necessary steps are taken in order to eliminate the deficiencies in employee's knowledge, background and experience with the methods and techniques meeting the needs of today and enabling the preparation for the future. Unit targets are set in line with budget expectations and company strategies and needs analyzes are performed by the Company in order to achieve these targets. According to the needs analysis, training and personal development activities are planned and these activities are implemented.

### B. CODE OF ETHICS AND LABOR POLICY

The ethical principles within GÜBRETAŞ express the whole set of behaviors that are to be complied with or which should be avoided being "honesty", and all matters that the Company has taken into consideration within the scope of the ethical principles are expressed under the "GÜBRETAŞ Code of Ethics and Labor Policy".

The main objective of the Company's Code of Ethics is to create a common corporate culture on business ethics/ morals where the regulations, procedures, instructions, standards, laws and regulations may not be guiding all about our

attitudes and behaviors and to raise awareness, sensitivity and knowledge on this issue.

In this context, Company employees and suppliers are expected to act under this policy. Under these principles, GÜBRETAŞ rejects all kinds of discrimination, physical and psychological violence.

Ethical violation notification channels have been established via the e-mail address of etik.bildirim@gubretas.com.tr and telephone number +90 0216 468 50 55 in order to determine the behaviors that are not in compliance with the Company Code of Ethics and Labor Policy. Company makes an immediate decision by mobilizing the relevant board and persons for the individuals conducting disorderly, these decisions are implemented and the people making the violation notifications are informed by the Company about the result.



## VIII. RISK MANAGEMENT AND FACTORS

### A. RISK MANAGEMENT

Works related to the early determination of the risks which may jeopardize existence, development and continuance of Gübre Fabrikaları T.A.Ş. and application of the necessary measures regarding the determined risks and management of the risk are being carried out under the coordination of Risk, Process and Quality Management Department. Company-wide, risks are tracked on the basis of four categories which are financial risks, strategic risks, operational risks and other risks. Risks that have a potential to affect positively or negatively the Company's activities are continuously evaluated with the related managers. Daily and monthly reports are produced with regard to the risk management and action plans are prepared and implemented when necessary. In the context of studies to develop an "Integrated Risk Management System", the studies about the software related to the risks in financial category were completed and the module has been put into practice. On the one hand, for the minimization of risks and more effective management, the processes of company were analyzed, criteria were defined and "Quality Management System" was started to be implemented. In order to increase efficiency of corporate risk management, "Risk Management Policy" was defined and published company-wide.

### B. RISK FACTORS

Financial risks, strategical/political risks and operational risks are considered as main risk factors while we try to reach our targets. Our company takes required measures to minimize risks, financial and operational ones in particular.

Our company, which procures nearly all of the finished products and raw materials being traded and used in production from global markets, is affected by fluctuations in currencies and prices due to this dependency. These risks are aimed to be minimized by using derivatives (hedging) against currency fluctuations and by actively following the market against fluctuations in raw material and commodity prices. Risks that can be faced through supply, storage, production and transportation are evaluated within scope of operational risks. It is aimed to increase our storage capacity and to improve efficiency of our production facilities by domestic investments. By the close follow-up of our supply and logistics processes, it is aimed to avoid any failures that may arise and to take quick actions when required.

## IX. BOARD OF DIRECTORS

### A. THE STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

In our company; board of directors are elected at the general assemblies under the framework of the Articles of Association, Turkish Commercial Code and Capital Market Law.

### B. PRINCIPLES OF THE OPERATIONS OF THE BOARD OF DIRECTORS

The board of directors conducts its operations in a transparent, fair and responsible way. The board reviews the efficiency of risk management and internal control systems of our company once in every two months via Committee of Early Determination of the Risk. Information is given in Annual Report about the mechanism and efficiency of internal control system. While the authorities of the chairman of the board and chief executive officer/ general manager were not separated clearly in articles of association, nobody is furnished with individual unlimited decision-making. The board plays a pioneer role while providing effective communication between company and shareholders, overcoming and solving possible conflicts and therefore works in close cooperation with Committee of Corporate Governance and Investor Relations Department. The losses, which may occur from

the faults of board members while performing their duties, are insured.

### C. FORMATION OF BOARD MEETINGS

Meetings of the board of directors are carried out and quorums are decided in accordance with the provisions of the articles of association, Turkish Commercial Code and Capital Market Law. GM Office Department, which reports to General Manager, has been constituted to conduct the works with regard to the meetings of the board of directors of the company and to serve the members of the board of directors. Departments prepare their motions for the required resolutions and they transmit it to the GM Office upon obtaining the approval of the General Directorate. An agenda regarding these motions is formed and it is transmitted to the chairman of the board of directors with the invitation letter for the meeting of the board of directors. The invitation letters are sent to the members together with the agenda. The resolutions which were taken in the meeting are sent to the relevant departments after the meeting. 12 board meetings were made in 2018.

The members of the board of directors do not have weighted voting rights and negative veto right. The decisions are taken with the majority of board and the

questions asked and statements made by the members are not recorded into minutes. As a principle, the members of the board of directors attend each meeting. The board of directors meets regularly and at least once a month within the framework of the provisions of the articles of association and the board of directors meets when necessary without complying with such timetable.

## D. NUMBERS, STRUCTURES AND INDEPENDENCIES OF THE BOARD COMMITTEES

Considering the current situation and the requirements of the company, the board of directors formed Committee of Audit, Committee of Corporate Governance, Committee of Nomination, Committee of Early Determination of the Risk, and Committee of Remuneration in order to perform its duties and fulfill its responsibilities in a healthy way, in accordance with the Turkish Commercial Code, articles of the association of the company and Communiqué on Corporate Governance of the Capital Market Board.

### Committee of Audit

The committee is composed of three independent members of the Board of Directors. Independent member Mehmet BULUT is the head of the committee. Other members of the committee are Seyfullah ARSLANTÜRK and Murat YAŞA. Duties and responsibilities of the committee are as follows;

- To control that the financial statements and footnotes, both of which are disclosed to public, are prepared in accordance with the current legislation and international accounting standards,
- To review the activity report and review whether the information provided there is true and consistent with the information committee has,

→ To examine the complaints submitted by the shareholders and stakeholders that which are significant enough to affect the financial statements,

→ To review the efficiency of the internal audit activities,

→ To make sure that the important problems and solutions to overcome them, which are determined during or as a result of the audits of the internal audit department of the company, are submitted timely to the committee's information and discussed,

→ To supervise whether the activities of the company are conducted in accordance with the current legislation and internal regulations of the company.

In 2019, Committee made 5 meetings and in this direction, presented 5 reports to the Board.

### Committee of Audit

| Name                 | Title             | Duty                     |
|----------------------|-------------------|--------------------------|
| Mehmet BULUT         | Head of Committee | Independent Board Member |
| Seyfullah ARSLANTÜRK | Committee Member  | Independent Board Member |
| Murat YAŞA           | Committee Member  | Independent Board Member |

### Committee of Corporate Governance

| Name          | Title             | Duty                                                |
|---------------|-------------------|-----------------------------------------------------|
| Murat YAŞA    | Head of Committee | Independent Board Member                            |
| Mehmet TUNÇAK | Committee Member  | Board Member                                        |
| Kadir BUDAK   | Committee Member  | Investor and Subsidiary Relations Senior Specialist |

## Committee of Corporate Governance

The committee is composed of three people, two members of the board of directors and investor and subsidiary relations manager. Independent member Murat YAŞA is the head of the committee. Other members of the committee are Mehmet TUNÇAK and Gökhan GÜMÜŞ.

Duties and responsibilities of the committee are as follows;

- To provide the constitution and adaptation of the importance and benefits of the Corporate Governance Principals within the structure of the company,
- To determine whether the corporate governance principles are being applied or not and if they are not applied, to determine the reasons and the conflicts of interests due to noncompliance with these principals and to submit recommendations to the board of directors to improve the corporate governance applications.

In 2019, committee held 3 meetings and in this direction,

presented 3 reports to the Board.

## Committee of Early Determination of the Risk

Committee of Early Determination of the Risk has been constituted for the purposes of early determination of the risks which may jeopardize existence, development and continuance of the company, application of the necessary measures regarding the determined risks and management of the risk.

The committee is composed of three people, two members of the board of directors and risk, process and quality management manager. Independent member Seyfullah ARSLANTÜRK is the head of the committee. Other members of the committee are Mehmet BULUT and Ertuğrul KÖSE, PhD.

Duties and responsibilities of the committee are as follows;

- To prepare the risk management strategies and policies to be followed up by the company and to submit them for the approval of the board of directors and to follow up the

applications closely,

- To submit proposals to the board of directors in order to determine the limits about the major risks that the company carries and track the limit breaches,
- To submit proposals to the board of directors with regard to making changes in the risk management policies,
- To provide the conduct of the tracking and communication about the process of risk determination, identification, measurement, assessment and management.
- To form a basis for the provision of the accuracy and reliability of the methods and results and of the risk.

In 2019, Committee made 6 meetings and in this direction, presented 6 reports to the Board.

### Committee of Early Determination of the Risk

| Name                 | Title             | Duty                                         |
|----------------------|-------------------|----------------------------------------------|
| Seyfullah ARSLANTÜRK | Head of Committee | Independent Board Member                     |
| Mehmet BULUT         | Committee Member  | Independent Board Member                     |
| Ertuğrul KÖSE , PhD  | Committee Member  | Risk, Process and Quality Management Manager |



## Declaration Of Independency

"I hereby declare that I am a candidate to take office as an independent member of the Board of Directors of Gübre Fabrikaları T.A.Ş. (the Company) within the scope of the legislation, the articles of association and criteria specified under the corporate governance principles which have been published by the Capital Market Board and in this context I declare that;

a) Within the last five years; I, my wife and my second degree consanguine and my relatives by marriage have not been in a relationship of employment that will take important duties or responsibilities, have not had more than 5 percent of shares, voting rights or privileged shares with or without somebody or had substantial trading with the Company, partnerships which the company has management control or significant effect, the shareholders which have significant effect over company or the legal entities which are controlled by these shareholders.

b) Within the last five years, I have not worked or been a board member or partner in the companies which have significant goods or service purchase or sales with the company while these goods or services were traded, primarily the companies which conduct auditing (including tax audit, legal audit and internal audit), rating and consultancy of the Company.

c) I have the professional education, knowledge and experience to conduct the duties which I will undertake due to being an independent member of the board of directors,

ç) According to the legislation I am bound, I will not work full-time in the public agencies and institutions with the exception of being an academic staff.

d) I am respected as a resident of Turkey under the Income Tax Law, dated 31/12/1960 and no. 193,

e) I have strong ethical standards, professional reputation and experience in order to provide positive contributions to the activities of the company, remain objective in cases of conflicting interests to be emerged between of the shareholders of the company, make my decision freely taking into account the interests of the stakeholders,

f) I will allocate time for the company works to be able to follow up the processes of the company's activities and fulfill the duties which I have undertaken to the fullest extent.

g) I have not been a board member of the company more than 6 years in the last 10 years,

ğ) I am not an independent board member more than the total of 3 companies that the company or shareholders who control the company have the management control or 5 companies that are listed in total,

h) I am not registered and announced for the corporation that has been elected as board member. "

## E. STRATEGIC GOALS OF THE COMPANY

➔ In the context of quality consciousness, efficient resource management, continuous improvement, productivity and customer oriented management approach, to be a company that benefits from modern technological changes as much as possible; by increasing the consciousness of and informing the farmers with the academic world and related institutions, to be a leading company for the development and improvement of Turkish agriculture by creating synergy with the Agriculture Credit Cooperatives,

➔ To become the leading company of Turkey that can drive its sector with its infrastructure and well known trademark name "GÜBRETAŞ" and can obtain global competitive power with its production technology that meets the global standards,

➔ With the approach of 'Human First', to be a company which provides physical and social facilities to its workers, both moral and material, keeps environment consciousness and human health foreground, supports and even becomes a part of social projects.

→ To be a company which emphasizes R&D works by following up the modern developments in the world, provides options to its customers by its information bank and accredited laboratories and provides different opportunities and alternatives to its customers in agriculture sector,

→ Encouraged by the company's origin and past, to procure and produce chemical fertilizers with the best quality at our well-equipped factories with our expert staff having a professional management approach, to create the best marketing and distribution network to our customers that enables us to transport the fertilizers as soon as possible,

→ To preserve a sustainable growth trend in accordance with "highest quality, reasonable cost" approach and keep market advantage,

→ To emphasize advertisement and public relations works by establishing communication channels and bridges between GÜBRETAŞ public and farmers and to make image development activities convenient to GÜBRETAŞ' corporate structure and spread them in and outside the company,

→ To reach the product quality and standardization that could compete with the world in the basis of profitability, productivity, efficiency, to realize continuous

improvement studies for efficient and effective resource management, to be self-sufficient for the raw materials used in the fertilizer production, to have production and infrastructure facilities both within and outside the country and to identify the marketing strategies and policies compliant with them,

→ To be a company that measures its success with the customer satisfaction and that finds fast and quality solutions to the needs of the customers.

## F. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration principles of board members and managers with administrative responsibilities are described in the "Remuneration Policy", which was prepared in the frame of corporate governance principles of Capital Markets Board. The policy has been prepared based on board of directors and executive management and announced in our corporate website, both in Turkish and English.

The remunerations to be paid to the members of the board of directors and managers with administrative responsibilities are determined in accordance with global standards and legal requirements while also considering the economic data, current remuneration system policies in the market, company size and experiences, education

levels and contributions to the company and the current positions. Stock options or payment plans based on the performance of the company are not used for the remuneration system of the independent members of the board of directors.

Our company has not provided any credit or loans, have not provided any credit under employee loans through 3rd parties or have not provided any collaterals like guarantees to the members of the board of directors or managers with administrative responsibilities. Total benefits provided for members of the board of directors, general manager and assistant general managers in our company for the period of 1st of January-31st of December 2019 are stated in 30th footnote on the consolidated financial statements.

## X. EVALUATION ON FERTILIZER SECTOR AND OUR TARGETS

### A. 2019 YEAR EVALUATION

Due to economic fluctuations experienced in Turkey, the fertilizer consumption showed a decline to 5.4 million tons in 2018. However, in 2019 after the normalization process in the Turkish economy the domestic fertilizer consumption increased by 11% to 6.1 million tons. GÜBRETAŞ had a market share of 26.6% by selling 1.62 million tons of solid fertilizers. On the other hand, GÜBRETAŞ took important steps in the area of investments in order to support the national economy. The new logistic hub which was founded with the amount of 59 million TRY, located in Iskenderun district of Hatay province will provide great benefits to GÜBRETAŞ's operational costs. On the other hand, the new investments in Yarımca facilities gave GÜBRETAŞ, the ability of producing ammonium Sulfate in granule form. With the help of ammonia and sulphuric acid production technology (XPR Reactor) investment, the company gained the capacity of producing more stable, high quality granule form fertilizers with low humidity levels in a more economical way. By monitoring the fertilizer market closely and using the good opportunities in the market, GÜBRETAŞ experienced a good year in the area of operating profits. Besides that, the company effectively used the hedging techniques in order to manage the financial and operational risks.

The Söğüt mining field, located in Bilecik province, Söğüt district, Kızılsaray village and the current mining licenses of the related field was granted by the appeal court to GÜBRETAŞ at 30.12.2019. The Royalty agreement with the Koza Altın A.Ş related to Söğüt mining field had cancelled by GÜBRETAŞ at 2015.

### B. TURKISH FERTILIZER SECTOR AND EXPECTATIONS OF GÜBRETAŞ FOR THE YEAR 2020

Considering the dynamics in Turkey fertilizer industry, fertilizer consumption in 2020 is expected to follow a similar course of 2019. Parallel to the economic stabilization, fertilizer prices were adjusted in favor of consumers. The drought in the 2019 autumn planting season effected the rainfall levels and the seasonal chemical fertilizer demand has dropped.

In 2020, it is expected that, the biggest risk for agricultural production will occur from the climate. The increasing floods because of the global warming can effect major fertilizer markets like India substantially and cause big fluctuations in the market. Also the pandemic risk causing from China can put the raw materials and fertilizer prices under pressure. GÜBRETAŞ, a member of the largest agricultural producer family; Agricultural Credit Cooperatives, aims to increase operational profitability and ensure sustainable growth

in 2020 with its widespread sales network, innovative vision and proactive approaches to risks. GÜBRETAŞ continues to realize investment projects without slowing down in 2020 and has planned many investments such as the investment of harbor expansion in Yarımca facilities. With the help of Yarımca investment, bigger ships with higher storage capacities can land to dock and with the help of this situation the naval operation cost of GÜBRETAŞ will reduce. Planning to continue its R&D and social responsibility activities without slowing down, GÜBRETAŞ aims at leading the innovations and new technologies in the sector with the projects like Agriculture Academy and Turkey Soil Fertility Map and on the other hand will continue to strengthen its leadership in this area in 2020 with the awareness raising activities, model planting, agricultural advisory services and educational scholarship for farmers' children.

## XI. FINANCIAL STRUCTURE AND EQUITY PERFORMANCE

### A. FINANCIAL RATIOS

Table 17

|                              | 2019 | 2018 | 2017 | 2016 | 2015  |
|------------------------------|------|------|------|------|-------|
| <b>Liquidity Ratios</b>      |      |      |      |      |       |
| Current Ratio                | 0.80 | 0.95 | 0.91 | 0.89 | 1.18  |
| Acid Test Ratio              | 0.37 | 0.52 | 0.47 | 0.62 | 0.62  |
| <b>Leverage Ratios</b>       |      |      |      |      |       |
| Financial Leverage Ratio     | 0.72 | 0.71 | 0.67 | 0.64 | 0.56  |
| Equity / Asset               | 0.20 | 0.29 | 0.33 | 0.36 | 0.44  |
| <b>Activity Ratios</b>       |      |      |      |      |       |
| Inventory Turnover           | 2.99 | 3.15 | 3.32 | 2.73 | 2.75  |
| Accounts Receivable Turnover | 7.5  | 8.59 | 8.71 | 7.33 | 51.05 |
| Asset Turnover               | 1.01 | 1.05 | 0.94 | 0.84 | 0.81  |
| <b>Profitability Ratios</b>  |      |      |      |      |       |
| Gross Profit Ratio           | 0.20 | 0.28 | 0.15 | 0.15 | 0.21  |
| Operating Profit Ratio       | 0.07 | 0.17 | 0.02 | 0.02 | 0.11  |
| EBITDA Ratio                 | 0.09 | 0.19 | 0.04 | 0.04 | 0.13  |



## B. DIVIDEND RIGHTS

The dividend policy of our company was prepared in accordance with Turkish Commercial Code, Capital Markets Law and the articles of association and was submitted for 62nd General Assembly's approval. "Dividend Policy" is submitted for investors' and public information in our corporate website, both in Turkish and English. Our company did not distribute any dividends in 2018 and our company does not have any privileges regarding dividend distribution. The decision dated 28/03/2019 of the Board of Directors for the use of the 2018 profit is as follows:

"The company has achieved a net loss of 328,819,510.81 TRY according to legal records; 64,340,136.00 TRY according to Turkish Accounting Standards/ Turkish Financial Reporting Standards in 2018. Due to the increased need for cash due to investments and the protection of the financial structure, the following matters are proposed;

- a) *Not distributing any dividends,*
- b) *Allocating primary legal reserves based on profit in the tables prepared in accordance with legal records,*
- c) *Transferring the remaining balance to extraordinary reserves."*

## C. PERFORMANCE OF THE STOCK

Comparative graph of the performance of our shares, which is listed in BIST (Istanbul Stock Exchange) with BIST index in recent years and its closing prices for each quarter in 2019 are as follows:

Graph 6

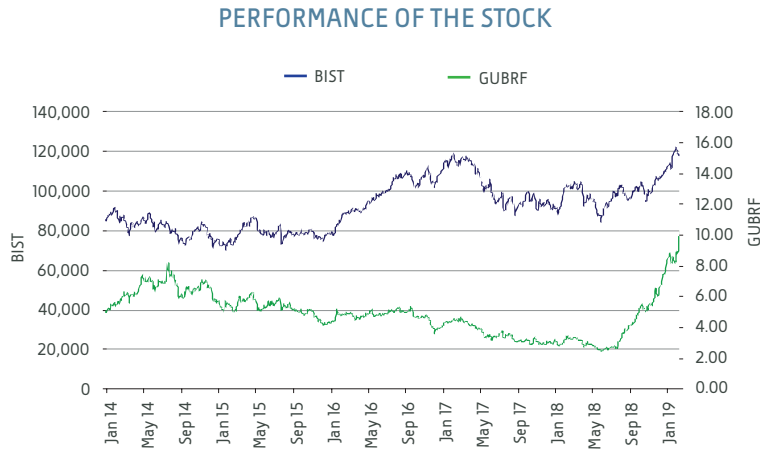


Table 12

### STOCK CLOSING PRICES BY THE END OF QUARTERS

| 02.01.2019 | 29.03.2019 | 28.06.2019 | 30.09.2019 | 31.12.2019 |
|------------|------------|------------|------------|------------|
| 2.84       | 2.73       | 2.57       | 5.69       | 9.04       |

## XII. EVENTS AFTER REPORTING PERIOD

1. It is decided by GÜBRETAŞ Board of Directors to give authority for management in order to establish a mining company called 'GÜBRETAŞ Maden Yatırımları A.Ş.' with the paid in capital of 550,000 TRY under the 100% ownership of GÜBRETAŞ, to operate at national and international levels. The mining business has been in the company's main article as an operating activity. (Note: After the announcement of 2019 financials, with the decision of Ankara Trade Registry Directorate dated 31.03.2020, the foundation of 'GÜBRETAŞ Maden Yatırımları A.Ş.' had finalized).

2. The Company agreed with the Pasco Investment Holding at 06.02.2020 in order to sell its stakes in Nbulkgas Marine Co. and signed the related contracts about the related issues.

3. The Company signed a senior dealership agreement with the Turkish Coal Authority (TKİ), in order to increase the agricultural efficiency and quality by using humic acid.

4. Deputy General Manager of Marketing& Sales Mr. Metin ÖZYÜREK has resigned from his position.

5. In the Board of Directors Meeting of the Company dated 28.02.2020, it is decided to;

-make required appeals in order to change 7. Article of our Company's article of association for extending due date of our company's

registered capital increasing limit to 2024.

-Presenting the main article changes to the next General Assembly Meeting after finishing the official approval process.

-To authorize the management about the related issues.

6. Our company's first sukuk issue had rated as TR A1 which symbolizes the highest repayment capacity for the company. GÜBRETAŞ has extracted 100 million TRY of wakala type sukuk with 93-day due date, based on standardized fertilizers stored in separate depots.

*(Note: After the announcement of 2019 financials first phase of sukuk extraction had realized as 85 millionTRY at 25.03.2020).*

## XIII. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Gübre Fabrikaları T.A.Ş. (GÜBRETAS) carries out its activities in accordance with the principles described in Corporate Governance Communiqué issued by the Capital Market Board. GÜBRETAS believes that corporate governance practices are among the main principles which enables companies to have sustainable growth. Therefore, starting with its shareholders, GÜBRETAS carries out its relations with employees, customers and all the other parties with an active management and supervision in accordance with accountability, equality, transparency and responsibility, which are the universal components of corporate governance. The main activities that have to be carried out by Investor Relations Department according to the 11th article of Corporate Governance Communiqué were performed very carefully.

In accordance with the Communiqué, all the principles that are required to be implemented have been complied with. Studies on non-obligatory principles that are not yet complied with are still in progress. In our company, there has not been any conflict of interest resulting from the non-obligatory principles that are not yet complied with.

In accordance with the Communiqué, all the principles that are required to be implemented have been complied with. Studies on non-obligatory principles that are not yet complied with are still in progress. In our company, there has not been any conflict of interest resulting from the non-obligatory principles that are not yet complied with.

On the other hand, **in accordance with the decision of the Capital Markets Board (CMB) dated 10.01.2019 and numbered 2/49;**

- the explanations related to the compliance of non-obligatory principles were stated in the **Corporate Governance Compliance Report ("CRF") (ANNEX-1)**,
- the information about the actual corporate governance practices were stated in the **Corporate Governance Information Form ("CGIF") ANNEX-2).**

The Company publishes these templates in the Company's Board of Directors Annual Report and the related templates are also made available to the public at the Public Disclosure Platform ("PDP") (<https://www.kap.org.tr/tr/>)

In case there is a significant change during the period in CRF and CGIF, the material disclosure will be made and relevant issues will be included in the interim operating review reports.

## XIV. CONCLUSION

### DEAR SHAREHOLDERS,

In 2019, 1,758,387 tons (2018: 1,594,167 tons) of fertilizers and raw materials were procured from domestic and foreign markets and 585,426 tons of various types of solid chemical fertilizer were produced at our facilities. On the other hand, 1,702,571 tons (2018: 1,714,177 tons) of solid, liquid and powder fertilizers were sold in 2018. Net revenues were realized as 3,223,516,040 TRY (2018: 2,638,318,593TRY).

Also 1,645,907 tons (2018: 1,850,906 tons) of fertilizer and fertilizer raw materials were produced and 1,859,297,848 TRY (2018: 1,990,946,875 TRY) sale revenues were realized by the sale of 1,433,114 tons (2018: 1,504,379 tons) of fertilizer and fertilizer raw material in our subsidiary Razi Petrochemical Co. and its subsidiaries.

Our company reached to the consolidated revenue figure of 4,344,496,369 TRY (2018: 4,559,086,668 TRY). After the deduction of cost of goods sold, operation expenses, other operating expenses-income and financial expenses from this amount; 117,323,407 TRY (2018: 140,977,347 TRY profit) loss was realized before tax. 98,641,006 TRY (2018: 135,659,667 TRY profit) consolidated loss occurred after adding 18,682,401 TRY net tax income to this figure. 149,740,564 TRY (2018: 84,235,686 TRY consolidated loss) loss to shareholders has occurred after deducting 51,099,558 TRY (2018: 219,895,363 TRY) which belongs to minority shareholders.

We would kindly ask you to evaluate the results mentioned above regarding of 2019 activities.

**Best Regards,  
Board of Directors**



# ANNEX-1 - CORPORATE GOVERNANCE COMPLIANCE REPORT

|                                                                                                                                                                                                                                                                             | COMPANY COMPLIANCE STATUS |         |          |          |                | EXPLANATION                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|----------|----------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                             | YES                       | PARTIAL | NO       | EXEMPTED | NOT APPLICABLE |                                                                                                                                                                                                                                                                                                                                                  |
| <b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>                                                                                                                                                                                                                 |                           |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.                                                                                                                     | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| <b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>                                                                                                                                                                                                                          |                           |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.                                                                                                                                                                    |                           |         |          |          | <b>X</b>       |                                                                                                                                                                                                                                                                                                                                                  |
| <b>1.3. GENERAL ASSEMBLY</b>                                                                                                                                                                                                                                                |                           |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.                                                                                                                                       | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.            | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting. | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.                                                                                                               | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.                                                                                                                                      |                           |         | <b>X</b> |          |                | Article 23 of our Articles of Association stipulates that 'Capital Market Legislation and the relevant provisions of the TCC are the right of participation in the general assembly meeting and voting. In this regard, there is no regulation on the participation of the media or stakeholders being non-shareholders to our general assembly. |
| <b>1.4. VOTING RIGHTS</b>                                                                                                                                                                                                                                                   |                           |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |
| 1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.                                                                                                                                                                             | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                  |

|                                                                                                                                                                                                                | COMPANY COMPLIANCE STATUS |          |          |          |                | EXPLANATION                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------|----------|----------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                | YES                       | PARTIAL  | NO       | EXEMPTED | NOT APPLICABLE |                                                                                                                                                                                                                                                                                                                                                      |
| 1.4.2-The company does not have shares that carry privileged voting rights.                                                                                                                                    | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control. |                           |          |          |          | <b>X</b>       |                                                                                                                                                                                                                                                                                                                                                      |
| <b>1.5. MINORITY RIGHTS</b>                                                                                                                                                                                    |                           |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.5.1- The company pays maximum diligence to the exercise of minority rights.                                                                                                                                  | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.                           |                           |          | <b>X</b> |          |                | Article 19 of our Articles of Association stipulates the lower limit for the exercise of minority rights as five per cent - one twentieth as envisaged in the TCC. The proposal of the communiqué is that this right should be used to a lesser extent.                                                                                              |
| <b>1.6. DIVIDEND RIGHT</b>                                                                                                                                                                                     |                           |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.                                                                                                     | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.          |                           | <b>X</b> |          |          |                | "The Dividend Distribution Policy" prepared by the Board of Directors was approved by our shareholders at the 2013 Annual General Assembly. However, our dividend distribution policy contains uncertainties regarding the distribution of the dividend to be generated since no dividend yield, minimum profit distribution rate etc. are included. |
| 1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.                                                                                                     | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.                                                                                     | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| <b>1.7. TRANSFER OF SHARES</b>                                                                                                                                                                                 |                           |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 1.7.1 - There are no restrictions preventing shares from being transferred.                                                                                                                                    | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| <b>2.1. CORPORATE WEBSITE</b>                                                                                                                                                                                  |                           |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.                                                                                                               | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |
| 2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.         | <b>X</b>                  |          |          |          |                |                                                                                                                                                                                                                                                                                                                                                      |

|                                                                                                                                                                                               | COMPANY COMPLIANCE STATUS |         |    |          |                | EXPLANATION                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|----|----------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                               | YES                       | PARTIAL | NO | EXEMPTED | NOT APPLICABLE |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.                                        |                           | X       |    |          |                | The website of our Company has been prepared in Turkish and English, but it is differentiated as content.                                                                                                                                                                                                                                                                                                                                |
| <b>2.2. ANNUAL REPORT</b>                                                                                                                                                                     |                           |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.                                                                  | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.                                                                                               | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>                                                                                                                                              |                           |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bonafides principles.                                         | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.                                                                                          | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.                                                                                                          |                           | X       |    |          |                | In order to enable stakeholders to notify our Company about unethical transactions, we set up necessary notification mechanisms. In this context, notifications received via e-mail and telephone are evaluated by the Disciplinary Board and the process is progressed and finalized. On the other hand, there is no mechanism by which these complaints can be forwarded to the audit committee or the corporate governance committee. |
| 3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.                                                                                                    | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>                                                                                                  |                           |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.                                           | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them. | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>3.3. HUMAN RESOURCES POLICY</b>                                                                                                                                                            |                           |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.                                                     | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3.3.2-Recruitment criteria are documented.                                                                                                                                                    | X                         |         |    |          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                                                                                                                                                                                                                    | COMPANY COMPLIANCE STATUS |         |    |          |                | EXPLANATION |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|----|----------|----------------|-------------|
|                                                                                                                                                                                                                                    | YES                       | PARTIAL | NO | EXEMPTED | NOT APPLICABLE |             |
| 3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.                                                                                                                            | <b>X</b>                  |         |    |          |                |             |
| 3.3.4-Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.                                                                                | <b>X</b>                  |         |    |          |                |             |
| 3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.                                                                                    | <b>X</b>                  |         |    |          |                |             |
| 3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.                                                               | <b>X</b>                  |         |    |          |                |             |
| 3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment. | <b>X</b>                  |         |    |          |                |             |
| 3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.                                                                                                                               | <b>X</b>                  |         |    |          |                |             |
| 3.3.9 - A safe working environment for employees is maintained.                                                                                                                                                                    | <b>X</b>                  |         |    |          |                |             |
| <b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>                                                                                                                                                                                 |                           |         |    |          |                |             |
| 3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.                                                                                                                           | <b>X</b>                  |         |    |          |                |             |
| 3.4.2-Customers are notified of any delays in handling their requests.                                                                                                                                                             | <b>X</b>                  |         |    |          |                |             |
| 3.4.3 - The company complied with the quality standards with respect to its products and services.                                                                                                                                 | <b>X</b>                  |         |    |          |                |             |
| 3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.                                                                    | <b>X</b>                  |         |    |          |                |             |
| <b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>                                                                                                                                                                                |                           |         |    |          |                |             |
| 3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.                                                                                                                               | <b>X</b>                  |         |    |          |                |             |
| 3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.                                                                                                        | <b>X</b>                  |         |    |          |                |             |



|                                                                                                                                                                                                                                                | COMPANY COMPLIANCE STATUS |          |          |          |                | EXPLANATION                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------|----------|----------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                | YES                       | PARTIAL  | NO       | EXEMPTED | NOT APPLICABLE |                                                                                                                                                                           |
| <b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>                                                                                                                                                                                                     |                           |          |          |          |                |                                                                                                                                                                           |
| 4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.                                                                          | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.                          | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| <b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>                                                                                                                                                                                               |                           |          |          |          |                |                                                                                                                                                                           |
| 4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.                                                                                                                                          | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.                                                                                                                                      | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.                                                                                                                    | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.                                                                                                                        | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.                                                                                                                                                       | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.           | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |
| 4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.                                                                                                                      |                           | <b>X</b> |          |          |                | Although the damages that may be incurred due to the defects of our Board Members are insured, the amount insured is below 25% of the capital proposed by the communique. |
| <b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>                                                                                                                                                                                                |                           |          |          |          |                |                                                                                                                                                                           |
| 4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy. |                           |          | <b>X</b> |          |                | In our Company, there is no policy, target rate as mentioned in the communiqué on the representation of women in the Board of Directors.                                  |
| 4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.                                                                                                                                   | <b>X</b>                  |          |          |          |                |                                                                                                                                                                           |

|                                                                                                                                                                         | COMPANY COMPLIANCE STATUS |         |          |          |                | EXPLANATION                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|----------|----------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                         | YES                       | PARTIAL | NO       | EXEMPTED | NOT APPLICABLE |                                                                                                                                                                                                                                                                                                                                                                          |
| <b>4.4. BOARD MEETING PROCEDURES</b>                                                                                                                                    |                           |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.1-Each board member attended the majority of the board meetings in person.                                                                                          | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.           | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.               |                           |         |          |          | <b>X</b>       |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.4-Each member of the board has one vote.                                                                                                                            | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.                                                                      | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.                           | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting. |                           |         | <b>X</b> |          |                | There is no regulation in our Company that serves as a member of the Board of Directors to take other duties within and outside the group.                                                                                                                                                                                                                               |
| <b>4.5. BOARD COMMITTEES</b>                                                                                                                                            |                           |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.5.5-Board members serve in only one of the Board's committees.                                                                                                        | <b>X</b>                  |         |          |          |                | Although it is paid attention not to appoint a member in more than one committee in the committees of our Board of Directors, it is not possible for the independent members to fully implement this rule. Because there are criteria such as the fact that there are no executive members in the committees and the chairman of the committee is an independent member. |
| 4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.                                                                      |                           |         |          |          | <b>X</b>       |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.                                                       |                           |         |          |          | <b>X</b>       |                                                                                                                                                                                                                                                                                                                                                                          |
| 4.5.8-Minutes of all committee meetings are kept and reported to board members.                                                                                         | <b>X</b>                  |         |          |          |                |                                                                                                                                                                                                                                                                                                                                                                          |

|                                                                                                                                                                                                                                                                                                                          | COMPANY COMPLIANCE STATUS |          |          |           |                | EXPLANATION                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------|----------|-----------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                          | YES                       | PARTIAL  | NO       | EXEMPT-ED | NOT APPLICABLE |                                                                                                                                                                                     |
| <b>4.6. FINANCIAL RIGHTS</b>                                                                                                                                                                                                                                                                                             |                           |          |          |           |                |                                                                                                                                                                                     |
| 4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.                                                                                                                                                                      |                           |          | <b>X</b> |           |                | Performance evaluation of the Board of Directors has not been performed.                                                                                                            |
| 4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them. | <b>X</b>                  |          |          |           |                |                                                                                                                                                                                     |
| 4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.                                                                                                                                                                                                                     |                           | <b>X</b> |          |           |                | The rights granted to the top management are disclosed collectively in the footnotes of the Company's consolidated financial statements. No disclosure is made on individual basis. |

## ANNEX-2 – CORPORATE GOVERNANCE INFORMATION FORM

| 1. SHAREHOLDERS                                                                                                                                                                                                     |                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1.1. Facilitating the Exercise of Shareholders Rights</b>                                                                                                                                                        |                                                                                                                                                      |
| The number of investor meetings (conference, seminar/ etc.) organized by the company during the year                                                                                                                | Any investor conference has not been organized by the Company and 11 investor meetings have been held at the Company headquarters during the year.   |
| <b>1.2. Right to Obtain and Examine Information</b>                                                                                                                                                                 |                                                                                                                                                      |
| The number of special audit request(s)                                                                                                                                                                              | 0                                                                                                                                                    |
| The number of special audit requests that were accepted at the General Shareholders' Meeting                                                                                                                        | 0                                                                                                                                                    |
| <b>1.3. General Assembly</b>                                                                                                                                                                                        |                                                                                                                                                      |
| Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)                                                                                                                  | <a href="https://www.kap.org.tr/tr/Bildirim/750670">https://www.kap.org.tr/tr/Bildirim/750670</a>                                                    |
| Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time                                                                                                | Turkish and English are presented at the same time.                                                                                                  |
| The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9 | There is no such transaction during the year.                                                                                                        |
| The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)                                                       | There is no transaction under Article 9 of the Corporate Governance Communiqué (II-17.1).                                                            |
| The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)                                              | <a href="https://www.kap.org.tr/tr/Bildirim/735631">https://www.kap.org.tr/tr/Bildirim/735631</a>                                                    |
| The name of the section on the corporate website that demonstrates the donation policy of the company                                                                                                               | Investor Relations / Corporate Governance / Policies / Donations and Aid Policy                                                                      |
| The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved                                                                                           | <a href="https://www.kap.org.tr/tr/Bildirim/353068">https://www.kap.org.tr/tr/Bildirim/353068</a>                                                    |
| The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting                                                                     | None.                                                                                                                                                |
| Identified stakeholder groups that participated in the General Shareholders' Meeting, if any                                                                                                                        | In addition to shareholders, Company employees and Independent Audit Company representatives attended the Ordinary General Assembly Meeting of 2018. |
| <b>1.4. Voting Rights</b>                                                                                                                                                                                           |                                                                                                                                                      |
| Whether the shares of the company have differential voting rights                                                                                                                                                   | No                                                                                                                                                   |
| In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.                                                                                                       | -                                                                                                                                                    |
| The percentage of ownership of the largest shareholder                                                                                                                                                              | 75.95%                                                                                                                                               |
| <b>1.5. Minority Rights</b>                                                                                                                                                                                         |                                                                                                                                                      |
| Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association                                                                                                 | No                                                                                                                                                   |
| If yes, specify the relevant provision of the articles of association                                                                                                                                               | -                                                                                                                                                    |



|                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1.6. Dividend Right</b>                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| The name of the section on the corporate website that describes the dividend distribution policy                                                                                                        | Investor Relations / Corporate Governance / Policies / Dividend Policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend | <p>The decision dated 28/03/2019 of the Board of Directors for the use of the 2018 profit is as follows:</p> <p>“The company has achieved a net profit of 328,819,510.81-TRY according to legal records; 64,340,136.00-TRY according to Turkish Accounting Standards/Turkish Financial Reporting Standards in 2018. Due to the increased need for cash due to investments and the protection of the financial structure, the following matters are proposed;</p> <ul style="list-style-type: none"> <li>› Not distributing any dividends,</li> <li>› Allocating primary legal reserves based on profit in the tables prepared in accordance with legal records,</li> <li>› Transferring the remaining balance to extraordinary reserves.”</li> </ul> <p>The resolution of the Board of Directors regarding the profit distribution was submitted to the approval of the General Assembly. As a result of the voting made in physical and electronic environment, the Board of Directors’ decision regarding the use of the profit of 2018 was approved by the consensus votes</p> |
| PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends                                                 | <a href="https://www.kap.org.tr/tr/Bildirim/760862">https://www.kap.org.tr/tr/Bildirim/760862</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## GENERAL ASSEMBLY MEETINGS

| General Meeting Date | The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders’ Meeting | Shareholder participation rate to the General Shareholders’ Meeting | Percentage of shares directly present at the GSM | Percentage of shares represented by proxy | Specify the name of the page of the corporate website that contains the General Shareholders’ Meeting minutes, and also indicates for each resolution the voting levels for or against | Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them | The number of the relevant item or paragraph of General Shareholders’ Meeting minutes in relation to related party transactions | The number of declarations by insiders received by the board of directors | The link to the related PDP general shareholder meeting notification                              |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 02/05/2019           | 0                                                                                                                                         | 78,1044%                                                            | 0,0031%                                          | 78,1013%                                  | Investor Relations / General Assembly                                                                                                                                                  | Investor Relations / General Assembly                                                                                                             | -                                                                                                                               | 109                                                                       | <a href="https://www.kap.org.tr/tr/Bildirim/760862">https://www.kap.org.tr/tr/Bildirim/760862</a> |

## 2. DISCLOSURE AND TRANSPARENCY

### 2.1. Corporate Website

|                                                                                                                                                                                       |                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.                                                                           | Investor Relations / Trade Registry Information, Capital Structure, Articles of Association, KAP Announcements, Financial Data, Annual Report, General Assembly, Policies, Frequently Asked Questions |
| If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares. | Investor Relations / Corporate Governance / Capital Structure                                                                                                                                         |
| List of languages for which the website is available                                                                                                                                  | Turkish and English                                                                                                                                                                                   |

### 2.2. Annual Report

#### The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

|                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members                                                                                               | Annual Report / Corporate Governance Principles Compliance Report / 5.1. The Structure and Composition of the Board of Directors and Independent Members                |
| b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure                                                                                                                                                                                                    | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors |
| c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings                                                                                                                                                      | Annual Report / Corporate Governance Principles Compliance Report / 5.3. Type of the Board Meetings                                                                     |
| ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation                                                                                                                                                  | -                                                                                                                                                                       |
| d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof                                                                                                                                                             | Annual Report / Lawsuits Brought Against Our Company And Other Matters                                                                                                  |
| e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest | -                                                                                                                                                                       |
| f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%                                                                                                                                                         | -                                                                                                                                                                       |
| g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results                                                  | Annual Report / Corporate Governance Principles Compliance Report / 4.4. Ethical Rules and Social Responsibility                                                        |

## 3. STAKEHOLDERS

### 3.1. Corporation's Policy on Stakeholders

|                                                                                                            |      |
|------------------------------------------------------------------------------------------------------------|------|
| The name of the section on the corporate website that demonstrates the employee remedy or severance policy | None |
| The number of definitive convictions the company was subject to in relation to breach of employee rights   | 6    |

|                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)                                                                                                                                                           | Discipline Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| The contact detail of the company alert mechanism.                                                                                                                                                                                                       | etik.bildirim@gubretas.com.tr / +90 0216 468 50 55                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.                                                                                                   | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Corporate bodies where employees are actually represented                                                                                                                                                                                                | Union                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>3.3. Human Resources Policy</b>                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| The role of the board on developing and ensuring that the company has a succession plan for the key management positions                                                                                                                                 | The Board of Directors attaches importance to all kinds of development and managerial skills of our employees within the scope of our Company's Training and Development Procedure.                                                                                                                                                                                                                                                                                   |
| The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.                                  | Investor Relations / Corporate Governance / Corporate Governance Principles Compliance Report / 4.3. Human Resources Policy                                                                                                                                                                                                                                                                                                                                           |
| Whether the company provides an employee stock ownership program.                                                                                                                                                                                        | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.          | Investor Relations / Corporate Governance / Corporate Governance Principles Compliance Report / 4.3. Human Resources Policy                                                                                                                                                                                                                                                                                                                                           |
| The number of definitive convictions the company is subject to in relation to health and safety measures                                                                                                                                                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>3.5. Ethical Rules and Social Responsibility</b>                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| The name of the section on the corporate website that demonstrates the code of ethics                                                                                                                                                                    | Investor Relations / Corporate Governance / Corporate Governance Principles Compliance Report / 4.4. Ethical Rules and Social Responsibility                                                                                                                                                                                                                                                                                                                          |
| The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues. | Investor Relations / Corporate Governance / Corporate Social Responsibility                                                                                                                                                                                                                                                                                                                                                                                           |
| Any measures combating any kind of corruption including embezzlement and bribery                                                                                                                                                                         | All kinds of anti-corruption issues, including corruption and bribery, are included in the Ethical Principles and Labor Policy of our Company. Our employees are required to show the necessary diligence.<br>In addition, the Company has made necessary notification mechanisms for complaints that may arise in this context. notifications received via e-mail and telephone are evaluated by the Disciplinary Board and the process is progressed and finalized. |
| <b>4. BOARD OF DIRECTORS-I</b>                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>4.2. Activity of the Board of Directors</b>                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Date of the last board evaluation conducted                                                                                                                                                                                                              | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Whether the board evaluation was externally facilitated                                                                                                                                                                                                  | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|                                                                                                                                                                                                                       |                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Whether all board members released from their duties at the GSM                                                                                                                                                       | Yes                                                                                                                                                                                |
| Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties                                                                                                        | Fahrettin Poyraz- Chairman of the Board of Directors; Ahmet Bağcı - Vice Chairman of the Board of Directors; İbrahim Yumaklı- Member of the Board of Directors and General Manager |
| Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls                                                                 | Annual Report / Corporate Governance Principles Compliance Report / 5.2. Principles of Activity of the Board of Directors                                                          |
| Name of the Chairman                                                                                                                                                                                                  | Fahrettin Poyraz                                                                                                                                                                   |
| Name of the CEO                                                                                                                                                                                                       | İbrahim Yumaklı                                                                                                                                                                    |
| If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles                                                                        | There is no KAP announcement because they are not the same person.                                                                                                                 |
| Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital | -                                                                                                                                                                                  |
| The name of the section on the corporate website that demonstrates current diversity policy targeting women directors                                                                                                 | -                                                                                                                                                                                  |
| The number and ratio of female directors within the Board of Directors                                                                                                                                                | 0                                                                                                                                                                                  |

## COMPOSITION OF BOARD OF DIRECTORS

| Name, Surname of Board Member | Whether Executive Director Or Not | Whether Independent Director Or Not | The First Election Date To Board | Link to PDP Notification That Includes The Independency Declaration | Whether the Independent Director Considered By The Nomination Committee | Whether She/He is the Director Who Ceased to Satisfy The Independence or Not | Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not |
|-------------------------------|-----------------------------------|-------------------------------------|----------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| FAHRETTİN POYRAZ              | Non-executive                     | Not independent member              | 19/12/2017                       | -                                                                   | Not considered                                                          | No                                                                           | Yes                                                                                              |
| AHMET BAĞCI                   | Non-executive                     | Not independent member              | 03/05/2018                       | -                                                                   | Not considered                                                          | No                                                                           | No                                                                                               |
| SELAHATTİN KÜLCÜ              | Non-executive                     | Not independent member              | 22/03/2019                       | -                                                                   | Not considered                                                          | No                                                                           | No                                                                                               |
| İBRAHİM YUMAKLI               | Executive                         | Not independent member              | 28/10/2016                       | -                                                                   | Not considered                                                          | No                                                                           | Yes                                                                                              |
| MEHMET TUNÇAK                 | Non-executive                     | Not independent member              | 03/05/2018                       | -                                                                   | Not considered                                                          | No                                                                           | Yes                                                                                              |
| MEHMET OKAN ATEŞ              | Non-executive                     | Not independent member              | 02/05/2019                       | -                                                                   | Not considered                                                          | No                                                                           | Yes                                                                                              |
| SEYFULLAH ARSLANTÜRK          | Non-executive                     | Independent member                  | 28/02/2018                       | -                                                                   | Considered                                                              | No                                                                           | No                                                                                               |
| MEHMET BULUT                  | Non-executive                     | Independent member                  | 30/03/2018                       | -                                                                   | Considered                                                              | No                                                                           | Yes                                                                                              |
| MURAT YAŞA                    | Non-executive                     | Independent member                  | 11/05/2017                       | -                                                                   | Considered                                                              | No                                                                           | No                                                                                               |

| 4. BOARD OF DIRECTORS-II                                                                                                            |                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.4. Meeting Procedures of the Board of Directors                                                                                   |                                                                                                                                                                                                                       |
| Number of physical board meetings in the reporting period (meetings in person)                                                      | 12                                                                                                                                                                                                                    |
| Director average attendance rate at board meetings                                                                                  | 97.2%                                                                                                                                                                                                                 |
| Whether the board uses an electronic portal to support its work or not                                                              | No                                                                                                                                                                                                                    |
| Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter                     | It is presented to the members of the Board 14 days ago.                                                                                                                                                              |
| The name of the section on the corporate website that demonstrates information about the board charter                              | Investor Relations / Articles of Association / III. Board of Directors                                                                                                                                                |
| Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors | Although there is no established policy and no limit, the upper limit of Article 4.3.6 of the CMB Corporate Governance Principles has been adopted in the scope of the independent members of the Board of Directors. |
| 4.5. Board Committees                                                                                                               |                                                                                                                                                                                                                       |
| Page numbers or section names of the annual report where information about the board committees are presented.                      | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Interdependencies Of The Committees Constituted By The Board Of Directors                                            |
| Link(s) to the PDP announcement(s) with the board committee charters                                                                | <a href="https://www.kap.org.tr/tr/Bildirim/698446">https://www.kap.org.tr/tr/Bildirim/698446</a>                                                                                                                     |

## COMPOSITION OF BOARD COMMITTEES-I

| Names Of The Board Committees    | Name Of Committees Defined As "Other" In The First Column | Name-Surname of Committee Members | Whether Committee Chair Or Not | Whether Board Member Or Not |
|----------------------------------|-----------------------------------------------------------|-----------------------------------|--------------------------------|-----------------------------|
| Denetimden Sorumlu Komite        | -                                                         | MEHMET BULUT                      | Yes                            | Board member                |
| Denetimden Sorumlu Komite        | -                                                         | MURAT YAŞA                        | No                             | Board member                |
| Denetimden Sorumlu Komite        | -                                                         | SEYFULLAH ARSLANTÜRK              | No                             | Board member                |
| Kurumsal Yönetim Komitesi        | -                                                         | MURAT YAŞA                        | Yes                            | Board member                |
| Kurumsal Yönetim Komitesi        | -                                                         | MEHMET TUNÇAK                     | No                             | Board member                |
| Kurumsal Yönetim Komitesi        | -                                                         | KADİR BUDAK                       | No                             | Not board member            |
| Riskin Erken Saptanması Komitesi | -                                                         | SEYFULLAH ARSLANTÜRK              | Yes                            | Board member                |
| Riskin Erken Saptanması Komitesi | -                                                         | MEHMET BULUT                      | No                             | Board member                |
| Riskin Erken Saptanması Komitesi | -                                                         | ERTUĞRUL KÖSE                     | No                             | Not board member            |



| 4. BOARD OF DIRECTORS-III                                                                                                                                                       |                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.5. Board Committees-II                                                                                                                                                        |                                                                                                                                                                            |
| Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)                   | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Interdependencies Of The Committees Constituted By The Board Of Directors |
| Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)    | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Interdependencies Of The Committees Constituted By The Board Of Directors |
| Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)              | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Interdependencies Of The Committees Constituted By The Board Of Directors |
| Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website) | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Interdependencies Of The Committees Constituted By The Board Of Directors |
| Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)            | Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Interdependencies Of The Committees Constituted By The Board Of Directors |
| 4.6. Financial Rights                                                                                                                                                           |                                                                                                                                                                            |
| Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)                | Annual Report / Fertilizer Sector Review / Review of Year 2017                                                                                                             |
| Specify the section of website where remuneration policy for executive and non-executive directors are presented                                                                | Investor Relations / Corporate Governance / Policies / Remuneration Policy                                                                                                 |
| Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)        | Annual Report / Corporate Governance Principles Compliance Report / 5.7. Remuneration of the Board of Directors                                                            |

## COMPOSITION OF BOARD COMMITTEES-II

| Names Of The Board Committees        | Name Of Committees Defined As "Other" In The First Column | The Percentage Of Non-executive Directors | The Percentage Of Independent Directors In The Committee | The Number Of Meetings Held In Person | The Number of Reports on its Activities Submitted to the Board |
|--------------------------------------|-----------------------------------------------------------|-------------------------------------------|----------------------------------------------------------|---------------------------------------|----------------------------------------------------------------|
| Audit Committee                      | -                                                         | 100%                                      | 100%                                                     | 5                                     | 5                                                              |
| Corporate Governance Committee       | -                                                         | 67%                                       | 33%                                                      | 3                                     | 3                                                              |
| Committee of Early Detection of Risk | -                                                         | 67%                                       | 66%                                                      | 6                                     | 6                                                              |



GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

# Consolidated Financial Statements

FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Gübre Fabrikaları Türk Anonim Şirketi

### A) Report on the Audit of the Consolidated Financial Statements

#### 1. Opinion

We have audited the consolidated financial statements of Gübre Fabrikaları Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2019, and the consolidated statements of income, and other comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2. Basis for Qualified Opinion

As explained in Footnote 16, Razi Petrochemical Co. ("Razi") which is a subsidiary of the Company, has value added taxes receivable arising from export sales under the prevailing tax laws. There is an uncertainty about the collection time and collectability of tax receivables of TRY 120,587,913 (2,473 Billion IRR) that were accounted under the short-term other receivables and no provision has been recognized thereon in the consolidated financial statements.

As of December 31, 2019, the inventories of Razi, the consolidated subsidiary of the Group, include spare parts inventories amounting to TRY 67,828,040 (equivalent to IRR 1,351 Billion), related to which production costs amounting to TRY 21,036,231 (equivalent to IRR 419 Billion) are recorded to cost of goods sold. However, during the current period Razi made some changes in its inventory system whereby TRY 29,922,659 (596 Billion IRR equivalent) part of 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.

Our audit was conducted in accordance with the Standards on Independent Auditing published by the Capital Market Board ("CMB") and Standards on Independent Auditing (the "ISA") issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA") that are part of Turkish Standards on Auditing. Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



### 3. Emphasis of Matter

As explained in the Footnote 16, the sanctions imposed by the United Nations on the Islamic Republic of Iran since 2010 have recently been suspended and suspended to a certain extent. However, as a side of the agreement, the United States has stated that it had withdrawn from the agreement on May 8, 2018 and would reapply the sanctions that had been repealed previously. The first part of the sanctions was put into effect on August 6, 2018 and the second group sanctions, which were put into operation on November 4, 2018, will be the subject of sanctions for the petroleum, petroleum products and petrochemical products of Iran. On May 2, 2019, the United States abolished the exemption provided to some countries in trading of petroleum, petroleum products and petrochemical products. No company within the Group is not subjected to any sanction as of the date of these consolidated financial statements. This may affect the future operations of the Group's subsidiary in this country in the future. The economic stability of the Islamic Republic 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 the Islamic Republic of Iran may be different from the assumptions of the Group Management. This matter does not affect our qualified opinion.

As explained in the Footnote 16, 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 TRY 99,639,315 as of the balance sheet date. The Group has appealed against the case in its 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 a revision of the appeal court within the legal period and its request was accepted. The legal process is still ongoing as of the balance sheet date. 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. This matter does not affect our qualified opinion.

As explained in the 8th and 16th 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 in 2011 with the request to postpone bankruptcy in 2011 whereby the request was rejected by the court, which ruled on the bankruptcy of Tabosan and the establishment of a bankruptcy desk in order to transfer all transactions to the bankruptcy desk. The Group has become a joint guarantor on behalf of Tabosan to the Banks which provided finance during the purchase of Razi shares and to Iran Privatization Administration. Within the scope of this surety, the Group has made a payment of TRY 43,780,597 to the banks and the Iran Privatization Administration on behalf of Tabosan as a guarantor. Since the accumulated dividend receivable of Tabosan's 10.88% share in Razi have been transferred to the bankruptcy desk, the Bankruptcy Administration paid TRY 25,278,225 to the Group on July 8, 2015 and the principal due of TRY 5,548,880 on August 4, 2016. As of report date the principal and the interest receivable arising from the payments made by the Group amounted to TRY 33,273,552. The Bankruptcy Administration will repay the Group's outstanding receivables to the extent that it receives the dividend to be received by Razi from Tabosan's shareholding provided the transfer is made to the bankruptcy desk.

The Group management has not recognized any provision for this receivable in the prior nor in the current period in view of the fact that the dividend receivable by Tabosan pertaining to Razi shares and the mortgages and collaterals that were transferred to the Group by the bank. This matter does not affect our qualified opinion.

As explained in the Footnote 16, a lawsuit has been filed against Razi by the NIOC at the Ahwaz General and Revolutionary Court with claims amounting to TRY 31,328,421 (624,000 Billion IRR) due to excessive gas consumption. As a result of such litigious matter, the court put mortgages on the land of Razi having a carrying amount of TRY 69,460,933 (1,383,524 Billion IRR). In line with the opinion of the legal advisors, the Group Management has not recorded any provision in respect of matter in the consolidated financial statements owing to the fact that the court outcome remains uncertain at this stage. The attempts of the Group management to release the said mortgages are still ongoing. This matter does not affect our qualified opinion.

Since January 28, 2012, the Central Bank of the Islamic Republic of 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 Islamic Republic of Iran differ significantly from the fixed exchange rates. In September 2012, a Foreign Exchange Center was established by the administration of the Islamic Republic of Iran under the supervision of the Central Bank of the Islamic Republic 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 Islamic Republic of 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 Footnote 7, as of December 31, 2019, Razi has trade receivables amount-

ing to TRY 46,161,675 (919,449 Billion IRR) (December 31, 2018: TRY 64,381,842) (941,065 Billion IRR) from Iran Petrochemical Co. The Group has not recorded any provision for the uncollected and unsecured trade receivables from Iran Petrochemical due to the fact that negotiations are underway for the collection of this receivable and Razi continues trading with the said company.

#### 4. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

## How our audit addressed the key audit matter

## Deferred tax assets generated from investment incentives and prior year losses

As of December 31, 2019, the Group has corporate tax advantages related to investment expenditures incurred under the investment incentive certificates. As of December 31, 2019, a total of TRY 29,590,115 deferred tax asset was recorded in the scope of these investment incentive certificates.

In addition, the Group has made an estimate of the recoverable amount of deferred tax assets reflected in the financial statements for the future financial losses based on the taxable profits for the future financial years and the periods in which the past losses can be deducted from the tax base. A deferred tax asset amounting to TRY 92,784,171 has been recorded on the basis of this estimate.

There are uncertainties in estimating the future taxable profit that determines whether deferred tax assets will be recognized or not and since the evaluation process requires an estimation, the assumptions upon the measurement and recoverability of deferred income assets is a key audit matter. Explanations on deferred tax assets are presented in the Footnote 28 and the assumptions on recoverability are presented in the Footnote 2.

Our audit procedures include the assessment of the assumptions and estimates made by the Board of Directors regarding the probability of generating sufficient future taxable profits based on previous years' budgets and business plans and past experiences, and it includes our knowledge and experience regarding the tax position of the Group, the timing of taxable profit forecasts and the implementation of the relevant tax legislation.

In addition, tax authorities within the same audit network, have been included in the audit team to examine the impact of deferred tax assets on investment incentives. Measurement of related deferred tax assets has been submitted to the review and evaluation of tax experts.

During our procedures, the consistency of the basic estimates was evaluated, and procedures were applied to ensure that the Group's entities fiscal losses, tax practices and financial statement disclosures were complete and accurate.

The conformity of the explanations in the consolidated financial statements to TFRSs were also evaluated.

## 5. Other Matter

The comparative consolidated financial statements of the Group as of and for the year ended December 31, 2018 were audited by another audit firm whose audit report dated March 11, 2019 expressed a qualified opinion on those consolidated financial statements.

## 6. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with

TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 7. Auditor's Responsibility for the Audit of the Financial Statements

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with ISA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

→ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

→ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

→ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

→ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

→ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

→ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within

the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the [consolidated] financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1, - December 31, 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

3) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 10, 2020.

The name of the engagement partner who supervised and concluded this audit is Jale Akkaş'tır.

**Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.**

**Member Firm of Grant Thornton International**

**Jale AKKAŞ**  
*Engagement Partner*

Istanbul, March 10, 2020

Abide-i Hürriyet Cad.  
Bolkan Center No:211  
C Blok Kat:2 34381  
Şişli-İstanbul



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of financial position as of December 31, 2019**

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

|                                               | Notes   | Audited<br>31 December 2019 | Restated<br>Audited<br>31 December 2018 |
|-----------------------------------------------|---------|-----------------------------|-----------------------------------------|
| <b>ASSETS</b>                                 |         |                             |                                         |
| <b>Current assets</b>                         |         |                             |                                         |
| Cash and cash equivalents                     | 5       | 174.457.909                 | 368.851.076                             |
| Financial investments                         | 31      | 39.543.797                  | 35.397.720                              |
| Trade receivables                             |         |                             |                                         |
| <i>Trade receivables from related parties</i> | 7,30    | 174.682.037                 | 104.052.340                             |
| <i>Trade receivables from third parties</i>   | 7       | 336.576.916                 | 543.266.746                             |
| Other receivables                             |         |                             |                                         |
| <i>Other receivables from related parties</i> | 8,30    | 10.135.215                  | --                                      |
| <i>Other receivables from third parties</i>   | 8       | 205.513.380                 | 216.078.981                             |
| Inventories                                   | 9       | 1.231.329.135               | 1.108.978.905                           |
| Prepaid expenses                              | 10      | 75.440.336                  | 27.772.064                              |
| Derivative Financial Instruments              | 20      | 9.462.872                   | --                                      |
| Assets related to the current period taxes    | 28      | 3.087.261                   | 2.113.486                               |
| Other current assets                          | 18      | 17.710.885                  | 21.373.133                              |
| <b>Current assets</b>                         |         | <b>2.277.939.743</b>        | <b>2.427.884.451</b>                    |
| Assets held for sale                          | 1.1, 27 | 520.307.521                 | --                                      |
| <b>Total current assets</b>                   |         | <b>2.798.247.264</b>        | <b>2.427.884.451</b>                    |
| <b>Non-current assets</b>                     |         |                             |                                         |
| Financial investments                         | 31      | 21.869.440                  | 6.662.887                               |
| Other receivables                             |         |                             |                                         |
| <i>Other receivables from third parties</i>   | 8       | 78.669.231                  | 59.948.500                              |
| Investments valued by equity method           | 3       | 19.765.952                  | 18.904.335                              |
| Investments properties                        | 11      | 84.478.876                  | 80.145.503                              |
| Property, plant and equipment                 | 12      | 1.070.283.898               | 1.536.317.781                           |
| Intangible assets                             | 13      |                             |                                         |
| <i>Goodwill</i>                               |         | 87.044.600                  | 121.614.875                             |
| <i>Other intangible assets</i>                |         | 22.204.900                  | 20.694.884                              |
| Prepaid expenses                              | 10      | 34.489.280                  | 19.573.127                              |
| Deferred tax assets                           | 28      | 68.585.422                  | 43.521.271                              |
| <b>Total non-current assets</b>               |         | <b>1.487.391.599</b>        | <b>1.907.383.163</b>                    |
| <b>Total Assets</b>                           |         | <b>4.285.638.863</b>        | <b>4.335.267.614</b>                    |

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of financial position as of December 31, 2019**

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

|                                                    | Notes   | Audited<br>31 December 2019 | Restated<br>Audited<br>31 December 2018 |
|----------------------------------------------------|---------|-----------------------------|-----------------------------------------|
| <b>LIABILITIES</b>                                 |         |                             |                                         |
| <b>Current liabilities</b>                         |         |                             |                                         |
| Short term borrowings                              | 6       | 1.465.961.474               | 1.352.015.844                           |
| Current portion of long-term borrowings            | 6       | 55.885.641                  | 198.437.226                             |
| Trade payables                                     |         |                             |                                         |
| <i>Trade payables to related parties</i>           | 7,30    | 1.821.087                   | 1.431.632                               |
| <i>Trade payables to third parties</i>             | 7       | 986.018.509                 | 778.200.783                             |
| Payables due to employee benefits                  | 17      | 32.161.760                  | 31.205.404                              |
| Other payables                                     |         |                             |                                         |
| <i>Other payables to related parties</i>           | 8,30    | 25.000.000                  | --                                      |
| <i>Other payables to third parties</i>             | 8       | 86.375.472                  | 34.850.876                              |
| Deferred income                                    | 10      | 17.163.951                  | 41.334.435                              |
| Current period tax liabilities                     | 28      | 2.641.986                   | 4.680.658                               |
| Derivative financial instruments                   | 20      | --                          | 4.703.497                               |
| Short term provisions                              |         |                             |                                         |
| <i>Short-term provisions for employee benefits</i> | 17      | 24.878.780                  | 32.496.815                              |
| <i>Other short-term provisions</i>                 | 16      | 138.046.967                 | 66.365.157                              |
| <b>Current liabilities</b>                         |         | <b>2.835.955.627</b>        | <b>2.545.722.327</b>                    |
| Liabilities related to assets held for sale        | 1.1, 27 | 358.058.558                 | --                                      |
| <b>Total current liabilities</b>                   |         | <b>3.194.014.185</b>        | <b>2.545.722.327</b>                    |
| <b>Non-current liabilities</b>                     |         |                             |                                         |
| Long-term borrowings                               | 6       | 117.472.564                 | 59.850.476                              |
| Other borrowings                                   |         |                             |                                         |
| <i>Other borrowings to third parties</i>           | 8       | --                          | 349.323.760                             |
| Long term provisions                               |         |                             |                                         |
| <i>Long-term provisions for employee benefits</i>  | 17      | 113.665.364                 | 116.286.123                             |
| Deferred tax liability                             | 28      | 19.577.929                  | 26.528.482                              |
| <b>Total non-current liabilities</b>               |         | <b>250.715.857</b>          | <b>551.988.841</b>                      |
| <b>Total liabilities</b>                           |         | <b>3.444.730.042</b>        | <b>3.097.711.168</b>                    |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of financial position as of December 31, 2019**

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

|                                                                                           |    |                      |                      |
|-------------------------------------------------------------------------------------------|----|----------------------|----------------------|
| <b>Shareholders' Equity</b>                                                               |    |                      |                      |
| Share Capital                                                                             | 19 | 334.000.000          | 334.000.000          |
| Accumulated other comprehensive income / expense not to be reclassified to profit or loss |    |                      |                      |
| <i>Impairment on property, plant and equipment</i>                                        |    | 328.930.319          | 328.930.319          |
| <i>Defined benefit plans re-measurement losses</i>                                        |    | (1.678.630)          | (937.828)            |
| Accumulated other comprehensive income / expense to be reclassified to profit or loss     |    |                      |                      |
| <i>Foreign currency translation differences</i>                                           |    | (359.020.958)        | (213.293.368)        |
| Restricted reserves from profit                                                           |    |                      |                      |
| <i>Legal reserves</i>                                                                     | 19 | 53.838.737           | 52.295.108           |
| Prior year profits                                                                        |    | 348.259.261          | 434.038.586          |
| Current year profit/loss                                                                  |    | (149.740.564)        | (84.235.696)         |
| <b>Shareholders' Equity</b>                                                               |    | <b>554.588.165</b>   | <b>850.797.121</b>   |
| Non-controlling interests                                                                 |    | 286.320.656          | 386.759.325          |
| <b>Total shareholders' equity</b>                                                         |    | <b>840.908.821</b>   | <b>1.237.556.446</b> |
| <b>Total liabilities and equities</b>                                                     |    | <b>4.285.638.863</b> | <b>4.335.267.614</b> |

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of profit or loss and other comprehensive income as of December 31, 2019**

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

|                                                             | Notes | Audited<br>31 December 2019 | Restated<br>Audited<br>31 December 2018 |
|-------------------------------------------------------------|-------|-----------------------------|-----------------------------------------|
| SALES                                                       | 21    | 4.344.496.369               | 4.559.086.668                           |
| Cost of Sales                                               | 21    | (3.494.521.126)             | (3.279.309.282)                         |
| <b>Gross Profit</b>                                         |       | <b>849.975.243</b>          | <b>1.279.777.386</b>                    |
| General and administrative expense                          | 22    | (146.751.465)               | (151.894.048)                           |
| Marketing, selling and distribution expense                 | 22    | (392.069.013)               | (350.838.860)                           |
| Other operating income                                      | 24    | 304.237.871                 | 720.918.514                             |
| Other operating expense                                     | 24    | (433.302.258)               | (1.113.512.910)                         |
| <b>Operating profit</b>                                     |       | <b>182.090.378</b>          | <b>384.450.082</b>                      |
| Income/(expenses) from investment activities                | 25    | 7.485.850                   | (11.234.651)                            |
| Profit/(loss) from investments accounted by equity method   | 3     | 861.617                     | 6.024.575                               |
| <b>Financial income / (expense) before operating profit</b> |       | <b>190.437.845</b>          | <b>379.240.006</b>                      |
| Financial income / expense                                  | 26    | (307.761.252)               | (238.262.659)                           |
| <b>Profit before tax from continuing operations</b>         |       | <b>(117.323.407)</b>        | <b>140.977.347</b>                      |
| - Current period tax (expense)                              | 28    | (5.853.910)                 | (4.833.529)                             |
| - Deferred tax (expense) / income                           | 28    | 24.536.311                  | (484.151)                               |
| <b>Total tax (expense) / income</b>                         |       | <b>18.682.401</b>           | <b>(5.317.680)</b>                      |
| <b>Net profit</b>                                           |       | <b>(98.641.006)</b>         | <b>135.659.667</b>                      |
| Distribution of income for the period                       |       |                             |                                         |
| Non-controlling interests                                   |       | 51.099.558                  | 219.895.363                             |
| Attributable to equity holders of the parent                |       | (149.740.564)               | (84.235.696)                            |

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Consolidated statements of profit or loss and other comprehensive income as of December 31, 2019

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

|                                                                                         | Notes | Audited<br>31 December 2019 | Restated<br>Audited<br>31 December 2018 |
|-----------------------------------------------------------------------------------------|-------|-----------------------------|-----------------------------------------|
| Loss per share (kr)                                                                     | 29    | (0,0045)                    | (0,0025)                                |
| Other Comprehensive Income                                                              |       |                             |                                         |
| Items not to be reclassified to profit or loss                                          |       |                             |                                         |
| Increases related to revaluation of fixed assets                                        | 12    | --                          | 74.433.149                              |
| Tax effect of other comprehensive income/expense                                        | 28    | --                          | (7.443.315)                             |
| Actuarial gain/(loss) arising from defined benefit plans                                | 12    | (926.003)                   | 650.904                                 |
| Tax effect of other comprehensive income/expenses                                       | 28    | 185.201                     | (130.181)                               |
| Items to be reclassified to profit or loss                                              |       |                             |                                         |
| Changes in currency translation differences                                             |       | (207.133.294)               | (265.108.639)                           |
| Changes in currency translation differences from investments accounted by equity method | 3     | --                          | 28.376.207                              |
| <b>Other comprehensive (expense)</b>                                                    |       | <b>(207.874.096)</b>        | <b>(169.221.875)</b>                    |
| <b>Total comprehensive (expense) / income</b>                                           |       | <b>(306.515.102)</b>        | <b>(33.562.208)</b>                     |
| <b>Distribution of total comprehensive income /(income)</b>                             |       |                             |                                         |
| Non-controlling interests                                                               |       | (10.306.146)                | 99.692.003                              |
| Equity holders of the parent                                                            |       | (296.208.956)               | (133.254.211)                           |

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



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of changes in equity as of December 31, 2019**

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

|                                           |           |                    | Items not to be reclassified to<br>profit or loss | Items to be reclassified to<br>profit or loss                      |                                                                                                                                                      |                                                   |
|-------------------------------------------|-----------|--------------------|---------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
|                                           | Notes     | Share capital      | Revaluation<br>reserves                           | Actuarial gain/<br>(loss) arising from<br>defined benefit<br>plans | Shares to be<br>classified in profit<br>/ (loss) from other<br>comprehensive<br>income of<br>investments<br>accountedf for<br>using equity<br>method | Foreign<br>currency<br>translation<br>differences |
| <b>Balances at</b>                        |           |                    |                                                   |                                                                    |                                                                                                                                                      |                                                   |
| <b>January 1, 2018</b>                    |           | <b>334.000.000</b> | <b>261.940.485</b>                                | <b>(1.458.551)</b>                                                 | <b>(28.376.207)</b>                                                                                                                                  | <b>(68.388.089)</b>                               |
| Adjustments of opening balances           |           | --                 | --                                                | --                                                                 | --                                                                                                                                                   | --                                                |
| Transfers                                 |           | --                 | --                                                | --                                                                 | --                                                                                                                                                   | --                                                |
| Acquisition and disposal of<br>Subsidiary |           | --                 | --                                                | --                                                                 | 28.376.207                                                                                                                                           | --                                                |
| Total comprehensive income/(expense)      |           | --                 | 66.989.834                                        | 520.723                                                            | --                                                                                                                                                   | (144.905.279)                                     |
| <b>Balances as restated at</b>            |           |                    |                                                   |                                                                    |                                                                                                                                                      |                                                   |
| <b>December 31, 2019</b>                  | <b>19</b> | <b>334.000.000</b> | <b>328.930.319</b>                                | <b>(937.828)</b>                                                   | <b>--</b>                                                                                                                                            | <b>(213.293.368)</b>                              |
| <b>Balances at January 1, 2019</b>        |           | <b>334.000.000</b> | <b>328.930.319</b>                                | <b>(937.828)</b>                                                   | <b>--</b>                                                                                                                                            | <b>(213.293.368)</b>                              |
| Effect of correction of errors            | 2.1       | --                 | --                                                | --                                                                 | --                                                                                                                                                   | --                                                |
| <b>Balances as restated</b>               |           | <b>334.000.000</b> | <b>328.930.319</b>                                | <b>(937.828)</b>                                                   | <b>--</b>                                                                                                                                            | <b>(213.293.368)</b>                              |
| Transfers                                 |           | --                 | --                                                | --                                                                 | --                                                                                                                                                   | --                                                |
| Dividend paid                             |           | --                 | --                                                | --                                                                 | --                                                                                                                                                   | --                                                |
| Total comprehensive income/<br>(expense)  |           | --                 | --                                                | (740.802)                                                          | --                                                                                                                                                   | (145.727.590)                                     |
| <b>Balances at December 31, 2019</b>      | <b>19</b> | <b>334.000.000</b> | <b>328.930.319</b>                                | <b>(1.678.630)</b>                                                 | <b>--</b>                                                                                                                                            | <b>(359.020.958)</b>                              |

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

## Accumulated profit

| Restricted<br>reserves | Retained earnings  | Net profit for<br>the year | Attributable to<br>equity holders of<br>the parent | Non controlling<br>interests | Total<br>Equity      |
|------------------------|--------------------|----------------------------|----------------------------------------------------|------------------------------|----------------------|
| <b>52.295.108</b>      | <b>387.155.939</b> | <b>33.317.912</b>          | <b>970.486.597</b>                                 | <b>237.024.490</b>           | <b>1.207.511.087</b> |
| --                     | 13.564.735         | --                         | 13.564.735                                         | 14.185.180                   | 27.749.915           |
| --                     | 33.317.912         | (33.317.912)               | --                                                 | --                           | --                   |
| --                     | --                 | --                         | 28.376.207                                         | 35.857.652                   | 64.233.859           |
| --                     | --                 | (64.340.136)               | (141.734.858)                                      | 99.692.003                   | (42.042.855)         |
| <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> |
| <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> |
| --                     | --                 | (19.895.560)               | (19.895.560)                                       | --                           | (19.895.560)         |
| <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> |
| 1.543.629              | (85.779.325)       | 84.235.696                 | --                                                 | --                           | --                   |
| --                     | --                 | --                         | --                                                 | (90.132.523)                 | (90.132.523)         |
| --                     | --                 | (149.740.564)              | (296.208.956)                                      | (10.306.146)                 | (306.515.102)        |
| <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>   |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of cash flows as of December 31, 2019**

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

|                                                                                              | Notes | January 1 -<br>December 31, 2019 | Restated<br>January 1 -<br>December 31, 2018 |
|----------------------------------------------------------------------------------------------|-------|----------------------------------|----------------------------------------------|
| <b>Cash flows from operating activities</b>                                                  |       |                                  |                                              |
| Period income / losses                                                                       |       | (98.641.006)                     | 135.659.667                                  |
| Adjustments to reconcile net profit/(loss) for the period                                    |       |                                  |                                              |
| Adjustments related to depreciation and amortization expense                                 | 12,13 | 94.543.534                       | 70.152.958                                   |
| Gain from investments accounted by equity method                                             | 3     | (861.617)                        | (6.024.575)                                  |
| Adjustments related to provisions for employee benefits                                      | 17    | 63.975.450                       | 74.132.884                                   |
| Adjustments related to interest expenses                                                     |       | 284.505.493                      | 133.624.166                                  |
| Adjustments related to impairment of inventories                                             | 9     | 7.202.382                        | 10.096.864                                   |
| Adjustments related to impairment of receivables                                             | 8     | 2.124.464                        | 1.290.086                                    |
| Deferred financial income                                                                    |       | (2.593.530)                      | --                                           |
| Adjustments related to lawsuit provision                                                     | 16    | 3.160.362                        | (3.769.651)                                  |
| Current period tax income                                                                    | 28    | (18.682.401)                     | 5.317.680                                    |
| Adjustments related to losses (gains) on sale of property, plant and equipments              | 25    | (340.386)                        | 652.179                                      |
| Adjustments related to fair value losses (gains) on derivative financial instruments         | 20    | (14.166.369)                     | 4.789.413                                    |
| Adjustments related to fair value losses (gains) on investment properties                    | 25    | (4.333.373)                      | 5.829.174                                    |
| <b>Cash flows from the operating activities before changes in the assets and liabilities</b> |       | <b>315.893.003</b>               | <b>431.750.845</b>                           |
| Change in working capital (net):                                                             |       |                                  |                                              |
| Increase in trade receivables                                                                |       | 133.394.116                      | (227.795.964)                                |
| Increase in other receivables                                                                |       | (18.504.295)                     | 45.540.266                                   |
| Decrease in inventories                                                                      |       | (62.010.591)                     | (37.409.562)                                 |
| Increase in trade payables                                                                   |       | 218.736.893                      | 293.646.476                                  |
| Increase / (decrease) in employee benefit obligations                                        |       | 956.356                          | (2.457.727)                                  |
| Increase / (decrease) in deferred income                                                     |       | (22.879.031)                     | 24.793.049                                   |
| Increase / (decrease) in prepaid expenses                                                    |       | (71.973.587)                     | 40.724.570                                   |
| Increase / (decrease) in other payables                                                      |       | (13.590.999)                     | (512.047.119)                                |
| Adjustments related to other decrease in working capital                                     |       | (81.490.398)                     | (237.395.024)                                |
| <b>Cash flows from the operations after the changes in working capital</b>                   |       | <b>398.531.467</b>               | <b>(180.650.190)</b>                         |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Consolidated statements of cash flows as of December 31, 2019**

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

|                                                                                                         |          | January 1 -<br>December 31, 2019 | Restated<br>January 1 -<br>December 31, 2018 |
|---------------------------------------------------------------------------------------------------------|----------|----------------------------------|----------------------------------------------|
|                                                                                                         | Notes    |                                  |                                              |
| Interest paid                                                                                           |          | (245.331.133)                    | (99.508.235)                                 |
| Taxes refunds/ (payments)                                                                               | 28       | (11.418.736)                     | (15.054.984)                                 |
| Payments related to provision for employee benefits                                                     | 17       | (11.801.276)                     | (59.812.558)                                 |
| <b>Cash flow regarding investment activities</b>                                                        |          | <b>129.980.322</b>               | <b>(355.025.967)</b>                         |
| Cash flow from investment activities                                                                    |          |                                  |                                              |
| Cash outflows from the purchases of property, plant and equipment and intangible assets                 | 12,13    | (129.405.003)                    | (69.840.423)                                 |
| Cash inflows from the sales of property, plant and equipment and intangible assets                      | 12,13    | 595.677                          | 11.603.762                                   |
| Other inflows (outflows) of cash                                                                        |          | (19.352.630)                     | (43.370.162)                                 |
| Cash flow from discontinued operations, net                                                             |          | (7.936.987)                      | --                                           |
| <b>Cash flow from investment activities</b>                                                             |          | <b>(156.098.943)</b>             | <b>(101.606.823)</b>                         |
| Cash flow from financing activities                                                                     |          |                                  |                                              |
| Cash inflows from financing borrowings                                                                  |          | 3.570.630.333                    | 2.700.686.948                                |
| Cash outflows from financing borrowings payments                                                        |          | (3.580.788.560)                  | (2.164.155.945)                              |
| <b>Cash flow from financing activities</b>                                                              |          | <b>(10.158.227)</b>              | <b>536.531.003</b>                           |
| <b>Net change in cash and cash equivalents before effect of foreign currency translation difference</b> |          | <b>(36.276.848)</b>              | <b>79.898.213</b>                            |
| <b>Cash and cash equivalents as of January 1</b>                                                        | <b>5</b> | <b>359.227.711</b>               | <b>223.188.075</b>                           |
| Foreign currency translation difference                                                                 |          | (148.492.954)                    | 56.141.423                                   |
| <b>Cash and cash equivalents as of December 31</b>                                                      | <b>5</b> | <b>174.457.909</b>               | <b>359.227.711</b>                           |

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

(Amounts expressed in Turkish Lira ("TRY") 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:

| Operational units              | Operation details                                               |
|--------------------------------|-----------------------------------------------------------------|
| Yarımca Facilities 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 December 31, 2019 is 1.569 (December 31, 2018: 1.639).

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:

| Name         | December 31, 2019 |                    | December 31, 2018 |                    |
|--------------|-------------------|--------------------|-------------------|--------------------|
|              | Share %           | Share amount       | Share %           | Share amount       |
| TKK          | %75,95            | 253.684.607        | %75,95            | 253.684.607        |
| Other        | %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> |



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**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, 2018: 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.

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 31 December 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.

**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 December 31, 2019, the shares held by GÜBRETAŞ is 40% of total shares of Tarkim (December 31, 2018: 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 TKK.

**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 March 10, 2020. The General Assembly has the power to amend the consolidated financial statements.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**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 subsidiaries 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").

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 considering 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.

Accordingly, the deferred taxes calculated over the tax deductions gained through the investments made within the scope of investment incentive certificates of

the Group were revised and the effect of this change was reflected in the consolidated financial statements of December 31, 2018. Accordingly, as of December 31, 2018, the deferred tax asset and deferred tax income in the statement of financial position and the statement of income was reduced by TRY 19.895.560, respectively, in comparison with the financial statements previously stated. In addition, the office flat with a carrying amount of TRY 16.335.678, which was classified in property, plant and equipment by the Group in prior year financial statements, was reclassified as investment properties in the comparative financial statements as of December 31, 2018.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**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 ("TRY") 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 participated in 2018, 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 | December 31, 2019 |                | December 31, 2018 |                |
|----------|-------------------|----------------|-------------------|----------------|
|          | Period End        | Period Average | Period End        | Period Average |
| IRR/TRY  | 0,000050206       | 0,000059189    | 0,000070145       | 0,000089246    |
| USD/TRY  | 5,9402            | 5,6708         | 5,2609            | 4,8378         |

**2.2 Changes in Turkish Financial Reporting Standards ("TFRS")****The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:**

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations

effective as of January 1, 2019.

**i. TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes

TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.).

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At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately. The effects of this standard on the financial position and performance of the Company are explained in the related notes.

**ii. TFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination

of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

Interpretation, January 1, 2019 has been applied and has not had any effect on the consolidated financial statements of the Group.

**iii. Other changes effective as of January 1, 2019 that have no impact on the consolidated financial statements of the Group:**

1. Amendment to TFRS 9: Prepayment Features with Negative Compensation
2. Amendments to TAS 28: Investments in Associates and Joint Ventures
3. Amendment to TAS 19: Plan Amendment, Curtailment or Settlement
4. Annual Improvements - 2015-2017 Cycle

**Standards and amendments issued but not yet effective**

Standards, interpretations and amendments to existing standards that are issued but 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.

**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

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**Changes in TFRS 3 - Business Definition**

Effective from 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.

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

The changes 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 relating to hedge accounting.

**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.

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

**2.3 Principles of Consolidation**

- a) The consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended on December 31, 2019 and include financial statements of GÜBRETAŞ and its subsidiaries.
- b) As of December 31, 2019, 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 on December 31, 2018. The assets and liabilities of the subsidiaries in which the loss of control occurred due to the disposal of the shares in the subsequent period were reclassified as Assets / Liabilities Held for Sale.
- 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 asset held for sale in which the total voting rights of the Group do not have a material impact or are not material to the consolidated financial statements and whose fair values cannot be reliably determined, or not quoted in organized markets, are measured in the consolidated financial statements at cost less impairment if any.



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**2.4.1 Revenue****2.4.1 Revenue**

The Group has started to use the five-step model below in recognizing revenues in accordance with TFRS 15 "Revenue from Contracts with Customers", which is applicable as of January 1, 2018.

- (a) Identification of customer contracts
- (b) Identification of performance obligations
- (c) Determination of transaction price in the contract
- (d) Allocation of price to performance obligations
- (e) Recognition of revenue

According to this model, firstly, the committed goods or services are evaluated in each contract made with the customers and each commitment made to transfer the said goods or services is determined as a separate performance obligation. Afterwards, it is determined whether performance obligations will be fulfilled over time or at a certain time. If the Group transfers control of a good or service over time and therefore fulfills its performance obligations regarding the related sales over time, it measures the progress towards the fulfillment of such performance obligations and

recognizes the revenue in the consolidated financial statements over time. Revenues related to performance obligations, which are the transfer of goods or services, are recognized when the control of goods or services passed to the customers.

The Group takes into account the following conditions evaluating the transfer of control of the goods or services to the customer:

- a) Right of the Group to collect related to goods or services,
- b) Ownership of the good or services of the customer,
- c) Transfer of possession of goods or services,
- d) Significant risk arising from the ownership of the customer of goods or services and the ownership of the returns and
- e) Acceptation of the goods or services by the customer.

**2.4.2 Dividend and interest income**

The interest income is realized at the related period at rate of the effective interest reducing the assumed cash input gained from the related financial asset with the remaining principal amount over its expected life to the recorded value of the asset. Dividends from the share investments are recorded when the shareholders get right to receive the dividend.

**2.4.3 Lease income**

The rental income from the real estate is accounted in accordance with linear method during the related leasing contract is in effect.

**2.4.4 Leases - TFRS 16 (as a lessee)**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

→ The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),

→ A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),

→ Group has the right to obtain substantially all of the economic benefits from use of the identified asset,

→ The Group has the right to direct the use of an identified asset. Group has the right to direct the use of the asset throughout the period of use only if either:

a) The Group has the right to direct how and for what purpose the asset is used throughout the period of use or

b) Relevant decisions about how and for what purpose the asset is used are predetermined:

i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or

ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above-mentioned factors.

**Right of use**

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

a) the amount of the initial measurement of the lease liability,

b) any lease payments made at or before the commencement date, less any lease incentives received,

c) any initial direct costs incurred by the Group, and

d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, the Group measures the right-of-use asset at cost:

a) less any accumulated depreciation and any accumulated impairment losses; and

b) adjusted for any remeasurement of the lease liability.

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The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset. Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease payments that are included in the measurement of the Group's lease obligation and which have not been realized at the actual date of the lease are as follows:

- a) fixed payments, less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the effective date of the lease, the Group measures the lease obligation as follows:

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) reducing the carrying amount to reflect the lease payments made, and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognizes the amount of the

remeasurement of the lease liability as an adjustment to the right-of-use asset.

**Practical expedients**

Short-term lease agreements with a lease term of 12 months or less and contracts for information technology equipment leases (predominantly printers, laptops, mobile telephones, etc.) designated by the Group as low value have been evaluated within the scope of the exemption recognized by TFRS 16 Leases Standard. The payments related to the contracts continued to be recognized as expense in the period in which they are incurred.

**2.4.5 Inventories**

Inventories are calculated with the lower one of the cost or net realizable value. Net realizable value is calculated by deducting the completion cost and assumed costs for sale from the assumed sale price fixed under normal commercial conditions. When the net realizable value of inventories falls below its cost, the inventories value is reduced to net realizable value and reflected to the income statement as an expense on the year when the value decrease happened. If the conditions causing the inventories to reduce to the net realizable value are no more effective or if the net realizable value increase due to changing economic conditions; the provision for decrease in value of the stocks is cancelled.

The cancelled amount is limited with the earlier determined amount of decrease in value of the inventories.

The phase cost system is used as the cost system. First in first our method is applied for raw materials, finished goods and trade goods, where monthly moving average cost method is for spare parts in inventories.

**2.4.6 Investment properties**

The investment properties are presented for rental income or/and value growth gain and they are initially valued with their main cost as well as operational cost. Following the initial accounting, the investment properties are evaluated with the fair values reflecting market realities as at the balance sheet date. Gains / losses from the fair value amendments are included in the income statement during the period when they occurred.

The real estate used by the owner has been considered as amortized until they become investment properties shown on the basis of fair value. Since then no amortization has been calculated.

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**2.4.7 Tangible fixed assets**

Landed properties and buildings that are held in use for the purpose of delivering product / service or for administrative purposes are expressed with their re-evaluated value. Re-evaluated value is determined by subtracting accumulated depreciation and accrued depredation that occur within the next period from fair value measured at the re-evaluation date. The re-evaluations are done on a regular basis in such a way that it will not differ from book value of fair value that is to be determined at the re-evaluation date.

Increase resulting from the re-evaluation of the aforementioned landed properties and buildings is recorded to re-evaluation fund in equity. If there is a depreciation that has been showed previously in income statement concerning the tangible-fixed assets, increment value resulting from the re-evaluation is recorded to income statement at the rate of said depreciation. Decrease in book value resulting from the re-evaluation of mentioned landed property and building is recorded to the income statement in case the asset exceeds its balance in re-evaluation fund relating its previous re-evaluation. Depreciation of re-evaluated building is included in income statement. When the re-evaluated real estate is sold or

upon its retirement, remaining balance in re-evaluation fund is transferred to profits which are not distributed directly. Unless the asset is excluded from the balance sheet, it shall not be transferred from re-evaluation fund to profits which are not distributed directly.

Except the lands and ongoing investments, cost value or valued amounts of tangible-fixed assets are subject to depreciation by using the straight-line method according to their expected useful life. Expected useful life, residual value and depreciation method are reviewed every year for possible effects of changes in estimations and if there is a change in estimations, they are accounted in advance. Proceeds and losses resulting from disposal or retirement of tangible-fixed assets are determined as a difference between sale revenue and book value of the asset and included in income statement.

Tangible-fixed assets are amortized considering below-mentioned economic lives by using the ordinary depreciation method and on basis of prorated depreciation.

***Buildings, land improvements***

10-50 Years

***Machines, facilities and equipment***

3-40 Years

***Vehicles***

4-10 Years

***Furnitures and fixtures***

3-15 Years

***Leasehold improvements***

5 Years

**2.4.8 Intangible-fixed assets**

Intangible-fixed asset is accounted in case expected future economic benefits are possible for the business and the cost of the asset can be measured reliably.

Intangible assets are accounted with their cost value at the initial recognition. The cost of a separately acquired intangible asset is calculated by deducting all discounts from the purchase price and including import taxes and non-refundable purchase taxes as well as all other kind of costs linked to the asset in order to operationalize it.

In the current period, the intangible assets are redeemed with straight line method according to their economic life based on the cost value. The amount noted at the financial statement is redeemed in 5 years.

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**2.4.9 Goodwill**

In the consolidated financial statements, goodwill showing the difference between the fair value of the Group's net assets acquired and the purchase price which is accounted within the frame of TFRS 3 Business Combinations Standard, is tested at the end of each year to determine whether there is impairment and an impairment provision is set aside.

In the impairment test, goodwill is allocated to each cash generating unit of the Group. In order to check whether there is impairment in cash-generating units where goodwill has been allocated, it is applied more frequently each year or in cases where there is an indication of impairment.

In cases where the recoverable amount of the cash generating unit is lower than the book value, the impairment is first used to reduce the book value of the goodwill allocated to the cash generating unit and then to reduce the book value of other assets within its relative rates. Provision for the decrease in the value reserved for goodwill cannot be canceled in the following periods. Profits and losses arising from the sale of an enterprise include the recorded value of the goodwill on the organization sold.

**2.4.10 Impairment of assets**

Assets with indefinite lives, such as goodwill, are not subject to amortization. An impairment test is performed annually for these assets. For the tangible and intangible assets that are subject to depreciation and amortization, impairment test shall be performed if there is a situation or events in which it is not possible to recover the book value.

An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, the assets are grouped at the lowest level of separately identifiable cash flows (cash-generating units). Non-financial assets that are subject to impairment, except for goodwill and economic life are reviewed for possible reversal of the impairment at each reporting date.

**2.4.11 Discontinued operations, asset groups held for sale and related liabilities**

Discontinued operation refers to the geographic part of the main line of business / activities planned to be disposed of or undertaken for sale within the framework of a coordinated plan. The details of the profit or loss before tax and the profit or loss of the discontinued operations that are reflected in the consolidated financial statements

during the disposal of the assets or asset groups that comprise the discontinued operations are explained in the footnotes. In addition, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the relevant footnote.

Fixed asset groups are classified as fixed asset groups held for sale where they are to be recovered through the sale transaction, not by using them. Liabilities directly associated with these assets are grouped similarly. Fixed assets or asset groups that meet the classification criteria for sales purposes are measured by the lower of the carrying value and the lower the carrying value by deducting the sales costs from their fair value.

**2.4.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.



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**2.4.13 Financial instruments**

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contract of the financial instrument. Normal purchases or sales of financial instruments are recognized in the financial statements or excluded from the financial statements by using one of the accounting methods on the transaction date or delivery date. The purchase and sale of securities are recognized on the delivery date. The initial recognition and classification of financial instruments depends on the contractual terms and the relevant business model. A financial asset or financial liability other than TFRS 15 Customer Contracts are measured at fair value when first recognized in financial statements. Transaction costs directly attributable to the acquisition or the issuance of financial assets and liabilities, except for the fair value changes recognized in profit or loss, are also added to the fair value or deducted from the fair value.

The financial assets and liabilities of the Group under TFRS 9 are as follows:

**Financial Assets**

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair

value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "financial assets measured at amortized cost", and "financial assets at fair value through other comprehensive income ("FVTOCI)".

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at FVTPL unless they are designated for hedging purposes.

**Financial assets measured at amortized cost**

Financial assets measured at amortized cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding

at specific dates. Financial assets measured at amortized cost with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. Interest income from financial assets measured at amortized cost are recognized in the income statement as an interest income.

**Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flows and to sell financial assets, and financial assets with contractual terms that lead to cash flows that are solely payments of principal and interest on the principle amount outstanding at specific dates.

Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction costs on the financial statements. However, if the fair value cannot be determined reliably, for those with a fixed maturity, the discount rate is calculated using the internal rate of return method for those who do not have a fixed maturity, they are valued using fair value pricing models or discounted cash flow techniques.

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Unrealized gains or losses arising from the changes in the fair value of financial assets at fair value through profit and loss is recognized in other comprehensive income are shown below Financial Assets Value Increase / Decrease Fund. In the event that the fair value differences of financial assets that are reflected in other comprehensive income are eliminated, the value in the equity accounts as a result of the fair value application is reflected to the period profit/loss.

**Recognition and derecognition of financial assets**

The Group reflects the financial assets or liabilities to its balance sheet when it becomes a party to the relevant financial instrument contracts. The Group derecognizes an asset; all or part of it, when it loses its control over its contractual rights. The Group derecognizes a financial liability only if the obligation defined in the contract is eliminated, cancelled or expired.

**Impairment of financial assets / expected credit loss**

At each reporting period, each financial asset's credit risk within the scope of impairment is assessed from the date which it is first recognized in the financial statements. Within this assessment, the change of the default risk of the financial asset is taken into consideration. The expected loss provision estimate is unbiased, weighted according

to probabilities, and includes information that can be supported about past events, current conditions, and forecasts for future economic conditions.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss. With the exception of equity instruments at fair value through other comprehensive income, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of equity securities, any increase in equity instruments at fair value through other comprehensive income,

subsequent to an impairment loss is recognized directly in equity.

**Derivative financial assets**

The Group holds derivative financial instruments to hedge its foreign currency risk and classifies it as financial instrument at fair value through profit or loss. Derivative instruments are initially recognized at their acquisition costs which reflect their fair value at the date of contract and are valued at their fair value in the following periods. A financial instrument is classified in this group if it is acquired for sale or repurchase at a later date. Derivative financial instruments are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative financial instruments at fair value through profit or loss of the Group consist of forward foreign currency purchase / sale contracts. Subsequent to initial recognition, derivative financial instruments are measured at fair value and are reflected to profit or loss at the time of changes in fair value.

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**Financial assets available for sale**

Quoted equity investments and some debt securities held by the Group that are traded in an active market are classified as available-for-sale financial assets and are measured at fair value. The Group has equity instruments that are not traded in an active market but are classified as available-for-sale financial assets and are stated at cost since their fair value cannot be measured reliably.

**Trade Receivables**

Trade receivables that are created as a result of providing products or services to the buyer are recognized at amortized cost at the original invoice amount by using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of the original effective interest rate is significant.

For the calculation of impairment of trade receivables that are measured at amortized cost and has no important financial component (a maturity with less than one year), "Simplified approach" is used. In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to the "lifetime

expected credit loss"

After recognizing allowance receivables, if the entire amount or a portion of the entire amount is collected, the amount deducted from the provision for receivables and the amount is recognized in other operating income.

**Cash and cash equivalents**

Cash and cash equivalent values are the short term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity.

**Financial Liabilities**

A financial liability is measured at fair value at initial recognition. During initial recognition of financial liabilities that are not accounted for at fair value through profit or loss, transaction costs directly attributable to the financial liability are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**2.4.14 Impact of exchange rates**

Financial statements of each enterprise of Group are presented with currency unit (functional currency unit) which is valid for basic economic environment that they operate. Financial situation and operation results of each enterprise are indicated as TRY which is valid currency unit for company and presentation unit for consolidated financial statements.

Foreign currency unit-based transactions (other currencies than TRY) made during the preparation of financial statement of each enterprise are recorded based on foreign exchange rates that are applicable on the date of transaction. The monetary assets and liabilities indexed to foreign currency used in balance sheet are converted to Turkish Lira by using foreign exchange bid rates valid on balance sheet date.

Those non-monetary items which are followed with their fair value and recorded in foreign currency unit are converted to TRY based on exchange rates on the date fair values are determined. Non-monetary items in foreign currency unit of which date is calculated over cost are not subjected to conversion again

Exchange rate differences, except for the conditions listed below, are accounted as profit or loss in the period which they come into existence:

→ Exchange rate differences which are handled with as adjustment item to interest costs on payables that are associated with assets constructed in order to use in future and indicated in foreign currency unit and which are included in costs of such assets,

→ Exchange rate differences caused by transactions made in order to provide financial protection against risks arising from foreign currency unit (accounting policies related to providing financial protection against risks are explained below),

→ Exchange rate differences arising from monetary payables and receivables which compose a part of net investment in foreign operation, are accounted in conversion reserve, are associated with profit and loss in net investment sale and derive from foreign operation of which there is no payment intention or possibility.

Assets and liabilities of Group in its foreign operations are expressed in consolidated financial statements in TRY by using exchange rates valid on the date of balance sheet. Income and expense items are converted by using average exchange rates during the period, in case that no substantial fluctuation has been occurred on foreign exchange rates during the period in which exchange rates valid on the date of transaction should be used (in case a substantial fluctuation occurs, exchange rates on transaction date

are used). Exchange rate difference which has occurred is classified as equity and transferred to Group's conversion fund. Conversion differences in question are recorded on consolidated income statement in the period when foreign operations are sold out.

Goodwill and fair value adjustments arising from foreign operation purchase are considered as assets and liabilities of foreign operation and converted by using period-end exchange rate.

**2.4.15 Earnings per share**

Earnings per share stated in consolidated income statement is calculated by dividing net profit by weighted average number of share certificate which exists in market during the year.

In Turkey companies increase their capitals by means of "non-paid up shares" which they distributed from their previous year profit to their shareholders. Such kind of "non-paid up shares" distribution is evaluated as exported shares in calculation of earnings per share. According to this, weighted average number of shares used in this calculation is found by taking into account past effects of share distribution in question.

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

**2.4.16 Subsequent Events**

Even though the events after balance sheet date have come up after any announcement made about profit or any public announcement about other selected financial information, they cover all the events occurred between balance sheet date and date of authorization for balance sheet publication.

In case that the events requiring adjustment have come up after balance sheet date, Group adjusts the amounts included in financial statements in compliance with this new situation.

**2.4.17 Provisions, conditional assets and liabilities**

A provision is reserved in consolidated financial statements, in case that there is a current liability arising from past events, it is possible to carry out the liability and the amount of liability in question can be estimated in a safe way.

The amount reserved as provision is calculated by estimating in the safest way the expense to be made in order to fulfill the liability as of balance sheet date by taking into account risks and uncertainties about liability.

In case that provision is measured by using estimated cash flow required for meeting current liability, the book value of provision

in question is equal to present value of relevant cash flows.

In case that either a part or whole of economic benefit required for paying the provision is expected to be met by third parties, the amount to be collected is accounted in case that the collection of relevant amount is almost certain and can be measured in a safe way.

**2.4.18 Tax calculated on the basis of the company's earnings**

Since Turkish tax legislation does not allow preparation of consolidated tax statement of a main company with its subsidiary, tax provisions are calculated separately based on each enterprise as it is reflected on attached consolidated financial statements. Expense of income tax consists of sum of current tax and deferred tax expense.

**Current tax**

Current year tax liability is calculated over the part of period income which is subjected to tax. The profit subjected to tax is different than the profit included in income statement since it excludes the items which is taxable in other years or is tax deductible as well as those which are impossible to tax or could not be tax deductible. Current tax liability of Group has been calculated by using tax rate which has become legal as of the date of balance sheet or become legal at a considerable extend.

**Deferred tax**

Deferred tax liability or asset is found out by calculating temporary differences between the amounts of assets and liabilities shown in financial statement and the amounts taken into consideration in calculation of legal tax base by balance sheet method taking into account legalized tax rates of tax effects. While deferred tax liabilities are calculated for all of taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that benefiting from the differences in question is highly likely by making profit subjected to tax in future. The mentioned assets and liabilities are not accounted in case that they arise from inclusion of temporary difference, goodwill related to transaction not affecting commercial or financial profit/loss or other assets and liabilities in the financial statement for the first time (except for business enterprise merger).

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

Deferred tax liabilities are calculated for all of taxable temporary differences which are associated with investments in subsidiaries and affiliates and shares in joint ventures except for the conditions under which Group is able to control removal of temporary differences and under which possibility of removal of these differences in near future is low. Deferred tax assets arising from taxable temporary differences which are associated with such kind of investments and shares are calculated provided that benefiting from the differences in question is highly-likely by making sufficient profit subjected to tax in near future and removal of relevant differences in future is possible.

Recorded value of deferred tax asset is reviewed as of each balance sheet date. Recorded value of deferred tax asset is reduced at extend to which it is impossible to obtain financial profit which will enable to benefit from it partially or wholly.

Deferred tax assets and liabilities are calculated over tax rate which has become legal or become legal at a considerable extend (tax regulations) as of the date of balance sheet and which is expected to be valid in the period during which assets will realize or liabilities will be fulfilled. During the calculation of deferred tax assets and liabilities, tax results of methods anticipated for Group assets' regaining their book value or fulfilling its liabilities as of

balance sheet date are taken into consideration.

Deferred tax assets and liabilities are deducted in case that there is a legal right related to deducting current tax assets and current tax liabilities or assets and liabilities in question are associated with income tax collected by the same taxation authority or Group has the intention to pay it by way of clarifying its current tax assets and liabilities.

Current tax except for those which are associated with the items accounted as receivable or payable directly in equity (under these circumstances deferred tax related to relevant items are accounted directly in equity) or those which arises from first recording of business enterprise mergers as well as deferred tax of the period are accounted as income or expense in income statement. Tax effect is taken into account during business enterprise mergers, calculation of cost control or determination of purchase-cost exceeding part of share obtained by purchaser at the fair value of identifiable asset, liability and contingent payables of purchased subsidiary.

**2.4.19 Benefits for employees*****Severance pay***

In accordance with provisions of current laws and collective labor agreements in Turkey, termination indemnity is made in case of retirement or displacement.

In compliance with TAS 19 Employee Benefits Standard ("IAS 19") which has been updated, such payments in question are described as identified retirement benefit plans. In fact, Turkish and Iranian seniority indemnity systems are similar, there are not core differences between them. Moreover, during Razi's privatization, the right of early retirement was granted to employees and the obligation arising from such entitled rights was accounted for within the scope of TAS 19 by Razi.

Termination indemnity liability which was accounted in balance sheet was calculated according to net present value of estimated amount of liability which was expected to arise in future due to retirement of all employees and reflected on financial statements.

***Severance incentive premium***

In accordance with the prevailing collective labor agreement, seniority incentive premium is paid to the staff within the scope of agreement in the years when they complete certain seniority incentive periods. The liability calculated for incentive premium in question is reflected on records.



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

***Vacation Pay provision***

The company makes a provision for the wages corresponding to the unused portion of vacation allowances of its employees in the previous years.

**2.4.20 Statement of cash flow**

The cash flows pertaining to the period are classified and reported in a manner that will include the costs of main activities, investments and financing.

Cash flows originating from main activities indicate cash flow of Group arising from activities of fertilizer and petro-chemical products sale. Cash flows related to investment operations indicate Group's cash flow used in and obtained through investment operations (fixed investments and financial investments). Cash flows related to finance operations indicate resources of Group used in finance operations and repayment of these resources.

Cash and cash equivalent values are the short term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity.

**2.4.21 Capital and dividends**

Ordinary shares are classified as equity capital. Dividends distributed on ordinary shares are recorded by deducting from the accumulated profit in the period that the dividend payment decision is reached.

**2.4.22 Critical accounting estimates and judgements**

At the process of preparing of consolidated financial statements pursuant to Turkish Financial Reporting Standards, The Group's management should make critical accounting estimates and judgments that determines as date of reporting period, amount of income and expenses and amount of probable liabilities and guarantees that may be occurred as date of balance sheet. Although these forecasts and assumptions, is depend on the groups' well knowledge that is associated current event and transactions, may differ from actual results. Forecasts are reviewed on a regular basis, required adjustments is made and reflected to periods' income statement.

In the next financial period, forecasts and assumptions that may risk of adjustment of assets and liabilities' registered values, are shown as follows:

***Net realizable value***

Stock is valued at lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

***Goodwill impairment***

The Group reviews goodwill for impairment annually. Razi has been identified as the cash generating unit since the goodwill balance has been recognized through the acquisition of Razi. The value in use calculations are based on post-tax Turkish Lira cash flow projections as approved the Group management. 14% discount rate and 4% growth rate (31 December 2018: discount 14%, growth 4%) have been used in calculations of the value in use. Discount rate before tax for presentation is about 14% (31 December 2018: 14%) The discount rate represents the risk associated with the entity. Based on the impairment analysis performed by Group management, no impairment of goodwill has been identified. As of 31 December 2018, the Group does not determine impairment in goodwill amount according to results of value impairment tests which was made by using the above assumptions

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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**Deferred tax**

The Group recognized deferred tax asset and liability for temporary timing difference arising from difference between its financial statement which constitute the basis of Tax and financial statement is prepared according to TFRS. Deferred tax assets' partially or whole recoverable amount is estimated in current circumstances. While evaluating, projections of future profits, occurred loss in current period, deadline of use of inappropriate loss and other tax assets and tax planning strategies can be used if necessary has been taken into account. In the light of data obtained, if group's taxable profit will be obtained in future is not enough to meet all deferred tax assets, partially or whole of deferred tax is reserved. If operating results in future excess Group's expectations, it may be required to enroll unregistered/recorded deferred tax assets.

**Fair value of properties**

Fair value of the properties of the Group as of December 31, 2019 is established based on valuation performed by an independent expertise company. Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is an independent valuation company authorized by the Capital Markets Board of Turkey and Banking Regulation and Supervision Authority, which is authorized and licensed by the Turkish

Capital Markets Board and the Banking Supervisory Board possess the appropriate expertise and experience concerning the valuation of properties at the aforementioned locations. The valuation has been established through Market Value Approach, Cost Approach and Capitalization of Revenues Approach which are considered as appropriate methods under International Valuation Standards. Unit price determination is made following the performance of price adjustment in the framework of criteria which can affect Market value considering the similar properties which are put on sale or sold/rented recently in the Market Value Approach.

Judgement on the valuation does not take deed liens into consideration and assumes there are no litigation concerning the property. Cost approach is based on the replacement cost of the building under the current circumstances. Capitalization of Revenues Approach takes into account the return capitalization by calculating the rate of return with an appropriate discount rate including the potential revenue sources, cash flows, inclusive of non-operating rental losses and deduction of operation expenses and sale turnover.

**2.5 Mergers**

In accordance with a sharing agreement signed on March 5, 2018, the Company has

transferred its 40% shareholding in Negmar to Etis Denizcilik Yatırım A.Ş. ("Etis") Accordingly, the effects of Negmar, which is accounted for using equity method, are eliminated from the consolidated financial statements as of December 31, 2018. Therefore, 100% of the shares of Nbulkgas owned by Negmar were transferred to the Company. Hence, the Company acquired indirect shareholding of 50% of the shares of IGLC Anka and IGLC Dicle. Since the Company has control over Nbulkgas and the majority of the board members of IGLC Anka ile 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 Company has control over IGLC Anka and IGLC Dicle companies, these entities are considered as subsidiaries. The indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50 % each, whereby the Group has control over their operating activities and the ownership rate on Nbulkgas is 100%.

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

|                                    | Nbulkgas         | IGLC Anka          | IGLC Dicle         | Fair<br>Value at<br>Purchase TRY |
|------------------------------------|------------------|--------------------|--------------------|----------------------------------|
| Cash and cash equivalents          | 12.780           | 1.621.966          | 207.850            | 1.842.596                        |
| Trade receivables                  | --               | 5.458.471          | 1.195.157          | 6.653.628                        |
| Other receivables                  | 3.842.780        | 12.157.879         | 32.329.635         | 48.330.294                       |
| Inventories                        | --               | 2.100.401          | 648.910            | 2.749.311                        |
| Other current assets               | 1.131            | 321.441            | 289.326            | 611.898                          |
| Tangible assets                    | 233.141          | 160.889.024        | 180.031.669        | 341.153.834                      |
| Deferred tax asset                 | 46.615           | --                 | --                 | 46.615                           |
| <b>Total assets</b>                | <b>4.136.447</b> | <b>182.549.182</b> | <b>214.702.547</b> | <b>401.388.176</b>               |
| Financial payables                 | 39.313           | 45.158             | 45.158             | 129.629                          |
| Trade payables                     | 53.381           | 2.028.094          | 829.702            | 2.911.177                        |
| Other payables                     | 2.642.018        | 173.850.719        | 144.029.934        | 320.522.671                      |
| Other short-term liabilities       | 169.808          | 1.030.057          | 3.677.603          | 4.877.468                        |
| <b>Total liabilities</b>           | <b>2.904.520</b> | <b>176.954.028</b> | <b>148.582.397</b> | <b>328.440.945</b>               |
| <b>Net assets at purchase date</b> | <b>1.231.927</b> | <b>5.595.154</b>   | <b>66.120.150</b>  | <b>72.947.231</b>                |
| Minority shares at purchase date   | --               | 2.797.577          | 33.060.075         | 35.857.652                       |
| <b>Shareholders' equity</b>        | <b>1.231.927</b> | <b>2.797.577</b>   | <b>33.060.075</b>  | <b>37.089.579</b>                |
| <b>Purchase value</b>              |                  |                    |                    | <b>37.089.579</b>                |
| <b>Goodwill</b>                    |                  |                    |                    | <b>--</b>                        |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 3****INTEREST IN OTHER ENTITIES**

The balance sheet and income statement of the subsidiaries accounted for using the equity method are as follows:

| Tarkim Bitki Koruma San. ve Tic. A.Ş. |                   |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | December 31, 2019 | December 31, 2018 |
| Current assets                        | 106.505.240       | 132.159.635       |
| Non-current assets                    | 8.972.137         | 11.036.353        |
| Short-term liabilities                | (64.654.286)      | (58.460.427)      |
| Long-term liabilities                 | (1.408.213)       | (37.474.724)      |
| <b>Net Assets</b>                     | <b>49.414.878</b> | <b>47.260.837</b> |

| Tarkim Bitki Koruma San. ve Tic. A.Ş. |                               |                               |
|---------------------------------------|-------------------------------|-------------------------------|
|                                       | January 1 - December 31, 2019 | January 1 - December 31, 2018 |
| Net sales                             | 115.199.567                   | 100.826.721                   |
| Net profit                            | 2.154.042                     | 13.235.317                    |

Net assets in the consolidated statement of financial position of associates accounted for using the equity method are as follows:

| Tarkim Bitki Koruma San. ve Tic. A.Ş. |                   |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | December 31, 2019 | December 31, 2018 |
| Tarkim Bitki Koruma San. ve Tic. A.Ş. | 19.765.952        | 18.904.335        |
| <b>Total net liabilities</b>          | <b>19.765.952</b> | <b>18.904.335</b> |

The effect of the affiliates accounted for using the equity method on the results of the period is as follows:

|                                                   | December 31, 2019 | December 31, 2018 |
|---------------------------------------------------|-------------------|-------------------|
| Tarkim Bitki Koruma San. ve Tic. A.Ş., net profit | 861.617           | 5.294.127         |
| <b>Total</b>                                      | <b>861.617</b>    | <b>5.294.127</b>  |

| Tarkim Bitki Koruma San. ve Tic. A.Ş.          |                   |                   |
|------------------------------------------------|-------------------|-------------------|
|                                                | 2019              | 2018              |
| Participation rate                             | 40%               | 40%               |
| Total equity                                   | 49.414.878        | 47.260.837        |
| <b>As the date of January 1</b>                | <b>18.904.335</b> | <b>12.879.760</b> |
| Total comprehensive income in the current year | 861.617           | 6.024.575         |
| <b>As the date of December 31</b>              | <b>19.765.952</b> | <b>18.904.335</b> |

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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

## Note 4

## SEGMENT REPORTING

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.

The distribution of segment assets and liabilities pertaining to the years ending December 31, 2019 and December 31, 2018 is as follows:

|                          | Turkey<br>December 31,<br>2019 | Iran<br>December 31,<br>2019 | Consolidation<br>Adjustments<br>December 31,<br>2019 | Total<br>December 31,<br>2019 |
|--------------------------|--------------------------------|------------------------------|------------------------------------------------------|-------------------------------|
| <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>          |
|                          | Turkey<br>December 31,<br>2018 | Iran<br>December 31,<br>2018 | Consolidation<br>Adjustments<br>December 31,<br>2018 | Total<br>December 31,<br>2018 |
| <b>Assets</b>            |                                |                              |                                                      |                               |
| Current assets           | 1.327.870.800                  | 1.167.769.398                | (67.755.747)                                         | 2.427.884.451                 |
| Non-current assets       | 1.741.339.131                  | 474.018.940                  | (307.974.908)                                        | 1.907.383.163                 |
| <b>Total assets</b>      | <b>3.069.209.931</b>           | <b>1.641.788.338</b>         | <b>(375.730.655)</b>                                 | <b>4.335.267.614</b>          |
| <b>Liabilities</b>       |                                |                              |                                                      |                               |
| Short-term liabilities   | 1.877.474.202                  | 736.003.872                  | (67.755.747)                                         | 2.545.722.327                 |
| Long-term liabilities    | 421.593.363                    | 130.395.478                  | --                                                   | 551.988.841                   |
| Equities                 | 770.142.366                    | 775.388.988                  | (307.974.908)                                        | 1.237.556.446                 |
| <b>Total Liabilities</b> | <b>3.069.209.931</b>           | <b>1.641.788.338</b>         | <b>(375.730.655)</b>                                 | <b>4.335.267.614</b>          |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

The distribution of income statements by segments for the years ending December 31, 2019 and 2018 is as follows:

|                                                             | Turkey<br>January 1, -<br>December 31,<br>2019 | Iran<br>January 1, -<br>December 31,<br>2019 | Consolidation<br>Adjustments<br>January 1, -<br>December 31,<br>2019 | Total<br>January 1, -<br>December 31,<br>2019 |
|-------------------------------------------------------------|------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------|
| Sales                                                       | 3.223.516.040                                  | 1.859.297.848                                | (738.317.519)                                                        | 4.344.496.369                                 |
| Cost of sales                                               | (2.837.720.556)                                | (1.364.875.628)                              | 708.075.058                                                          | (3.494.521.126)                               |
| <b>Gross profit</b>                                         | <b>385.795.484</b>                             | <b>494.422.220</b>                           | <b>(30.242.461)</b>                                                  | <b>849.975.243</b>                            |
| Marketing, selling and distribution expense                 | (188.020.921)                                  | (204.048.092)                                | --                                                                   | (392.069.013)                                 |
| General and administrative expense                          | (38.368.989)                                   | (99.158.835)                                 | (9.223.641)                                                          | (146.751.465)                                 |
| Other operating income / expense, net                       | (46.987.659)                                   | (114.996.436)                                | 32.919.708                                                           | (129.064.387)                                 |
| <b>Operating profit</b>                                     | <b>112.417.915</b>                             | <b>76.218.857</b>                            | <b>(6.546.394)</b>                                                   | <b>182.090.378</b>                            |
| Income from investments, net                                | 68.872.437                                     | --                                           | (61.386.587)                                                         | 7.485.850                                     |
| Profit from investments accounted by equity method          | 861.617                                        | --                                           | --                                                                   | 861.617                                       |
| <b>Operation profit before financial income / (expense)</b> | <b>182.151.969</b>                             | <b>76.218.857</b>                            | <b>(67.932.981)</b>                                                  | <b>190.437.845</b>                            |
| Financial expense, net                                      | (360.199.677)                                  | 52.438.425                                   | --                                                                   | (307.761.252)                                 |
| <b>Profit / (loss) before tax</b>                           | <b>(178.047.708)</b>                           | <b>128.657.282</b>                           | <b>(67.932.981)</b>                                                  | <b>(117.323.407)</b>                          |
| Deferred tax income / (expense)                             | 23.031.634                                     | (5.789.440)                                  | 1.440.207                                                            | 18.682.401                                    |
| <b>Profit / (loss) for the period</b>                       | <b>(155.016.074)</b>                           | <b>122.867.842</b>                           | <b>(66.492.774)</b>                                                  | <b>(98.641.006)</b>                           |



## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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

|                                                             | Turkey<br>January 1, -<br>December 31,<br>2018 | Iran<br>January 1, -<br>December 31,<br>2018 | Adjustments<br>January 1, -<br>December 31,<br>2018 | Consolidation<br>Total<br>January 1, -<br>December 31,<br>2018 |
|-------------------------------------------------------------|------------------------------------------------|----------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------|
| Sales                                                       | 2.638.318.593                                  | 1.990.946.875                                | (70.178.800)                                        | 4.559.086.668                                                  |
| Cost of sales                                               | (2.219.675.317)                                | (1.129.812.765)                              | 70.178.800                                          | (3.279.309.282)                                                |
| <b>Gross profit</b>                                         | <b>418.643.276</b>                             | <b>861.134.110</b>                           | <b>-</b>                                            | <b>1.279.777.386</b>                                           |
| Marketing, selling and distribution expense                 | (119.680.095)                                  | (231.158.765)                                | -                                                   | (350.838.860)                                                  |
| General and administrative expense                          | (38.854.592)                                   | (113.039.456)                                | -                                                   | (151.894.048)                                                  |
| Other operating income / expense, net                       | (221.838.449)                                  | (170.755.947)                                | -                                                   | (392.594.396)                                                  |
| <b>Operating profit</b>                                     | <b>38.270.140</b>                              | <b>346.179.942</b>                           | <b>-</b>                                            | <b>384.450.082</b>                                             |
| Income from investments, net                                | 17.141.556                                     | -                                            | (28.376.207)                                        | (11.234.651)                                                   |
| Profit from investments accounted by equity method          | 6.024.575                                      | -                                            | -                                                   | 6.024.575                                                      |
| <b>Operation profit before financial income / (expense)</b> | <b>61.436.271</b>                              | <b>346.179.942</b>                           | <b>(28.376.207)</b>                                 | <b>379.240.006</b>                                             |
| Financial expense, net                                      | (316.576.863)                                  | 78.314.204                                   | -                                                   | (238.262.659)                                                  |
| <b>Profit / (loss) before tax</b>                           | <b>(255.140.592)</b>                           | <b>424.494.146</b>                           | <b>(28.376.207)</b>                                 | <b>140.977.347</b>                                             |
| Deferred tax income / (expense)                             | (2.224.899)                                    | (3.092.781)                                  | --                                                  | (5.317.680)                                                    |
| <b>Profit / (loss) for the period</b>                       | <b>(257.365.491)</b>                           | <b>421.401.367</b>                           | <b>(28.376.207)</b>                                 | <b>135.659.667</b>                                             |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

Investment expenditures pertaining to segment assets for the year ending December 31, 2019 and 2018 are as follows:

|              | January 1, -<br>December 31, 2019 | January 1, -<br>December 31, 2018 |
|--------------|-----------------------------------|-----------------------------------|
| Turkey       | 94.201.716                        | 57.503.480                        |
| Iran         | 35.203.287                        | 9.774.848                         |
| <b>Total</b> | <b>129.405.003</b>                | <b>67.278.328</b>                 |

**Depreciation and amortization:**

Depreciation and amortization expenditures pertaining to segment assets for the year ending December 31, 2019 and 2018 are as follows:

|              | January 1, -<br>December 31, 2019 | January 1, -<br>December 31, 2018 |
|--------------|-----------------------------------|-----------------------------------|
| Turkey       | 66.197.875                        | 27.731.525                        |
| Iran         | 28.345.659                        | 42.421.433                        |
| <b>Total</b> | <b>94.543.534</b>                 | <b>70.152.958</b>                 |

**Note 5****CASH AND CASH EQUIVALENTS**

|                                                                | December 31,<br>2019 | December 31,<br>2018 |
|----------------------------------------------------------------|----------------------|----------------------|
| Cash on hands                                                  | 251.583              | 317.371              |
| Bank                                                           | 173.995.566          | 368.517.959          |
| - demand deposits                                              | 45.202.413           | 106.160.602          |
| - time deposits                                                | 128.793.153          | 262.357.357          |
| Other cash equivalents                                         | 210.760              | 15.746               |
| <b>Total</b>                                                   | <b>174.457.909</b>   | <b>368.851.076</b>   |
| Blocked deposit                                                | --                   | (9.623.365)          |
| <b>Cash and cash equivalents at the statement of cash flow</b> | <b>174.457.909</b>   | <b>359.227.711</b>   |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**5.1 Time Deposits (TRY)**

| Interest rate (%) | Maturity | December 31,<br>2019 |
|-------------------|----------|----------------------|
| 10,75             | 1-3 days | 56.691.692           |
| <b>Total</b>      |          | <b>56.691.692</b>    |
| Interest rate (%) | Maturity | December 31,<br>2018 |
| 18 - 24           | 1-3 days | 48.484.587           |
| <b>Total</b>      |          | <b>48.484.587</b>    |

**5.2 Time deposits (Foreign Currency)**

| December 31, 2019 |           |          |                            |                    |
|-------------------|-----------|----------|----------------------------|--------------------|
| Interest rate (%) | Maturity  | Currency | Foreign<br>currency amount | Amount in TRY      |
| 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>  |
| December 31, 2019 |           |          |                            |                    |
| Interest rate (%) | Maturity  | Currency | Foreign<br>currency amount | Amount in TRY      |
| Euribor           | 1-3 days  | EUR      | 3.188                      | 19.220             |
| 10                | 1-3 days  | Mil. IRR | 1.606.094                  | 112.659.999        |
| 1,80              | 1-3 days  | USD      | 19.235.027                 | 101.193.551        |
| <b>Total</b>      |           |          |                            | <b>213.872.770</b> |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 6****FINANCIAL BORROWINGS**

| Short-term and Long-term borrowings | December 31,<br>2019 | December 31,<br>2018 |
|-------------------------------------|----------------------|----------------------|
| Payable within 1 year               | 1.521.847.115        | 1.550.453.070        |
| Payable within 1 – 5 years          | 117.472.564          | 59.850.476           |
| <b>Total</b>                        | <b>1.639.319.679</b> | <b>1.610.303.546</b> |

As of December 31, 2019, and December 31, 2018, details of short-term and long-term borrowings are as follows:

| Short-term borrowings                      | December 31,<br>2019 | December 31,<br>2018 |
|--------------------------------------------|----------------------|----------------------|
| Short-term borrowings                      | 1.458.191.882        | 1.350.135.187        |
| Short-term portion of long-term borrowings | 55.885.641           | 198.437.226          |
| Lease liabilities                          | 6.187.432            | 1.880.657            |
| <b>Total</b>                               | <b>1.520.264.955</b> | <b>1.550.453.070</b> |

**6.1 Short-term borrowings and short-term portion of long-term borrowings**

As of December 31, 2019, and December 31, 2018, the details of short-term and long-term borrowings are as follows:

| December 31, 2019<br>Currency     | Average effective<br>annual interest rate (%) | Original amount | Amount<br>in TRY     |
|-----------------------------------|-----------------------------------------------|-----------------|----------------------|
| <b>Bank loans</b>                 |                                               |                 |                      |
| EUR                               | 3,40                                          | 5.455.324       | 36.311.669           |
| USD                               | 3,43                                          | 10.000.000      | 59.402.000           |
| TRY                               | 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> |
| December 31, 2018<br>Currency     | Average effective<br>annual interest rate (%) | Original amount | Amount<br>in TRY     |
| <b>Bank loans</b>                 |                                               |                 |                      |
| EUR                               | 3,07                                          | 46.837.417      | 282.335.952          |
| USD                               | 2,09                                          | 1.999.739       | 10.520.425           |
| TRY                               |                                               | 24,18           | 1.189.725.341        |
| <b>Other Financial Borrowings</b> |                                               |                 |                      |
| Mil. IRR (*)                      | 18,00                                         | 940.771         | 65.990.695           |
| <b>Total</b>                      |                                               |                 | <b>1.548.572.413</b> |

(\*)The amounts included in the short-term and long-term other financial borrowings represent the financial payables to National Petrochemical Company ("NPC"), which was the owner of Razi prior to the privatization.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**6.2 Finance Lease Liabilities**

| December 31, 2019<br>Currency | Average effective<br>annual interest rate (%) | Original amount | Amount<br>in TRY |           |
|-------------------------------|-----------------------------------------------|-----------------|------------------|-----------|
| TRY                           |                                               | %12             | 7.769.592        | 7.769.592 |
| <b>Total</b>                  |                                               |                 | <b>7.769.592</b> |           |
| December 31, 2018<br>Currency | Average effective<br>annual interest rate (%) | Original amount | Amount<br>in TRY |           |
| TRY                           |                                               | 21              | 1.880.657        | 1.880.657 |
| <b>Total</b>                  |                                               |                 | <b>1.880.657</b> |           |

**6.3 Long-term Borrowings**

|                              | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------|----------------------|----------------------|
| Long-term bank loans         | 102.185.456          | 58.261.655           |
| Lease liabilities (Note 2.4) | 15.287.108           | 1.588.821            |
| <b>Total</b>                 | <b>117.472.564</b>   | <b>59.850.476</b>    |

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

**Bank Loans:**

| Currency     | Maturity | Average effective<br>annual interest<br>rate (%) | amount | in TRY             |             |
|--------------|----------|--------------------------------------------------|--------|--------------------|-------------|
| TRY          |          | 2024                                             | 12,30  | 102.185.456        | 102.185.456 |
| <b>Total</b> |          |                                                  |        | <b>102.185.456</b> |             |

As December 31, 2018 details of long-term borrowings are as follows:

**Bank Loans:**

| Currency     | Maturity | Average effective<br>annual interest<br>rate (%) | amount     | in TRY            |  |
|--------------|----------|--------------------------------------------------|------------|-------------------|--|
| EUR          | 2020     | 3,40                                             | 5.271.513  | 31.776.678        |  |
| TRY          | 2022     | 14,83                                            | 26.484.977 | 26.484.977        |  |
| <b>Total</b> |          |                                                  |            | <b>58.261.655</b> |  |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Finance Lease Liabilities**

| December 31, 2019<br>Currency | Maturity      | Average effective<br>annual interest<br>rate (%) | Original amount | Amount<br>in TRY  |
|-------------------------------|---------------|--------------------------------------------------|-----------------|-------------------|
| TRY                           | December 2023 | 12                                               | 15.287.108      | 15.287.108        |
| <b>Total</b>                  |               |                                                  |                 | <b>15.287.108</b> |

| December 31, 2018<br>Currency | Maturity       | Average effective<br>annual interest<br>rate (%) | Original amount | Amount<br>in TRY |
|-------------------------------|----------------|--------------------------------------------------|-----------------|------------------|
| TRY                           | September 2020 | 21                                               | 1.588.821       | 1.588.821        |
| <b>Total</b>                  |                |                                                  |                 | <b>1.588.821</b> |

**Note 7****TRADE RECEIVABLES AND PAYABLES****7.1 Short-term trade receivables:**

|                                                     | December 31,<br>2019 | December 31,<br>2018 |
|-----------------------------------------------------|----------------------|----------------------|
| Trade receivables                                   | 302.628.203          | 488.508.390          |
| Receivables from Iran Oil Ministry's participations | 46.161.675           | 64.381.842           |
| Notes receivable                                    | --                   | 465.012              |
|                                                     | <b>348.789.878</b>   | <b>553.355.244</b>   |
| Provision for doubtful trade receivables            | (12.212.962)         | (10.088.498)         |
| <b>Total</b>                                        | <b>336.576.916</b>   | <b>543.266.746</b>   |



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

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

| Time after maturity | December 31,<br>2019 | December 31,<br>2018 |
|---------------------|----------------------|----------------------|
| More than 9 months  | 12.212.962           | 10.088.498           |
| <b>Total</b>        | <b>12.212.962</b>    | <b>10.088.498</b>    |

For the years ended December 31, 2019 and December 31, 2018, the movement of doubtful trade receivables provision is as follows:

|                                     | December 31,<br>2019 | December 31,<br>2018 |
|-------------------------------------|----------------------|----------------------|
| Balance at beginning of the period  | 10.088.498           | 8.798.412            |
| Period cost                         | 2.124.464            | 1.290.086            |
| <b>Balance at end of the period</b> | <b>12.212.962</b>    | <b>10.088.498</b>    |

As December 31, 2019 and December 31, 2018 guarantees obtained for receivables not due yet are as follows:

|                              | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------|----------------------|----------------------|
| Guarantee letters            | 222.142.247          | 245.044.412          |
| Collateral cheques and notes | 2.790.001            | 790.001              |
| <b>Total</b>                 | <b>224.932.248</b>   | <b>245.834.413</b>   |

**7.2 Short-term trade payables**

|                      | December 31,<br>2019 | December 31,<br>2018 |
|----------------------|----------------------|----------------------|
| Payables to NIOC     | 602.725.593          | 435.870.054          |
| Creditors            | 352.131.253          | 337.249.522          |
| Other trade payables | 31.161.663           | 5.081.207            |
| <b>Total</b>         | <b>986.018.509</b>   | <b>778.200.783</b>   |

(\*) The commercial debts of Razi, a subsidiary of GÜBRETAŞ, to NIOC (National Iranian Oil Co.) arising from the purchase of natural gas are payable to Tehran Tax Office until further notice due to the fact that the assets and receivables of NIOC were confiscated by the Tehran Tax Office on the grounds of tax debts.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 8****OTHER RECEIVABLES AND PAYABLES****8.1 Other short-term receivables:**

|                                                   | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------------------------------|----------------------|----------------------|
| VAT receivables (Iran)                            | 120.587.913          | 142.369.070          |
| VAT receivables - Turkey                          | 18.666.711           | 18.833.591           |
| Due from personnel                                | 5.698.894            | 8.849.346            |
| Other various receivables (Tabosan) (*)           | 33.273.552           | 32.482.253           |
| Receivables from other government agencies - Iran | 11.661.904           | 7.238.858            |
| Other receivables from related parties (Note 30)  | 10.135.215           | --                   |
| Other various receivables                         | 15.624.406           | 6.305.863            |
| <b>Total</b>                                      | <b>215.648.595</b>   | <b>216.078.981</b>   |

(\*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TRY 33.273.552 as of report date. The Group management requested from the Bankruptcy Administration to effect 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 TRY 25.278.225 on July 8, 2015. Thus the said receivable registration case was finalized. The Bankruptcy Administration paid TRY 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.

**8.2 Other long-term receivables**

|                               | December 31,<br>2019 | December 31,<br>2018 |
|-------------------------------|----------------------|----------------------|
| Deposits and guarantees given | 63.115.925           | 52.084.226           |
| Due from personnel (*)        | 1.820.900            | 2.666.364            |
| Other long-term receivables   | 13.732.406           | 5.197.910            |
| <b>Total</b>                  | <b>78.669.231</b>    | <b>59.948.500</b>    |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**8.3 Other short-term payables**

|                                                | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------------------------|----------------------|----------------------|
| Dividend payables to non-controlling interests | 46.049.817           | 1.518.717            |
| Other payables to related parties (Note 30)    | 25.000.000           | --                   |
| Other payables and liabilities                 | 40.325.655           | 33.332.159           |
| <b>Total</b>                                   | <b>111.375.472</b>   | <b>34.850.876</b>    |

**8.4 Other long-term payables**

|                                     | December 31,<br>2019 | December 31,<br>2018 |
|-------------------------------------|----------------------|----------------------|
| Other payables to third parties (*) | --                   | 349.323.760          |
| <b>Total</b>                        | <b>--</b>            | <b>349.323.760</b>   |

Other payables to third parties consist of other payables of the consolidated subsidiaries of the Group, Anka and Dicle. The Group sold all of its shares in Nbulkgas Deniz İşletmeciliği Ltd. Şti. in accordance with the share transfer agreement dated February 5, 2020. As of 31 December 2019, due to the existence of a sale plan that has resulted in the loss of control of the subsidiary, Nbulkgas, IGLC Dicle and IGLC Anka, all related liabilities were classified as Liabilities Held for Sale.

**Note 9****INVENTORIES**

|                              | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------|----------------------|----------------------|
| Raw materials and supplies   | 200.437.149          | 175.923.775          |
| Finished goods               | 310.773.646          | 259.492.688          |
| Trade goods                  | 642.840.114          | 465.740.737          |
| Other inventories            | 96.091.705           | 226.752.282          |
|                              | <b>1.250.142.614</b> | <b>1.127.909.482</b> |
| Provision of inventories (-) | (18.813.479)         | (18.930.577)         |
| <b>Total</b>                 | <b>1.231.329.135</b> | <b>1.108.978.905</b> |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 10****PREPAID EXPENSES AND DEFERRED INCOME**

|                                         | December 31,<br>2019 | December 31,<br>2018 |
|-----------------------------------------|----------------------|----------------------|
| <b>Short-term prepaid expenses</b>      |                      |                      |
| Order advances given for stock purchase | 29.416.193           | 13.620.570           |
| Expenses for next month                 | 46.024.143           | 14.151.494           |
| <b>Total</b>                            | <b>75.440.336</b>    | <b>27.772.064</b>    |
| <b>Long-term prepaid expenses</b>       |                      |                      |
| Order advances given for stock purchase | 33.283.839           | 19.573.127           |
| Other prepaid expenses                  | 1.205.441            | --                   |
| <b>Total</b>                            | <b>34.489.280</b>    | <b>19.573.127</b>    |
| <b>Short term deferred income</b>       |                      |                      |
| Received advances                       | 17.163.951           | 41.334.435           |
| <b>Total</b>                            | <b>17.163.951</b>    | <b>41.334.435</b>    |

**Note 11****INVESTMENT PROPERTIES**

|                                               | December 31, 2019    |                   |                   | December 31, 2018    |                   |                   |
|-----------------------------------------------|----------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
|                                               | Lands and<br>parcels | Building          | Total             | Lands and<br>parcels | Building          | Total             |
| Net value at the beginning of the period      | 42.892.477           | 37.253.026        | 80.145.503        | 49.272.477           | 36.702.200        | 85.974.677        |
| Receptions                                    | --                   | --                | --                | --                   | --                | --                |
| Transfer from tangible assets                 | --                   | --                | --                | --                   | --                | --                |
| Fair value increase / (decrease)<br>(Note 25) | 3.757.523            | 575.850           | 4.333.373         | (6.380.000)          | 550.826           | (5.829.174)       |
| <b>Total</b>                                  | <b>46.650.000</b>    | <b>37.828.876</b> | <b>84.478.876</b> | <b>42.892.477</b>    | <b>37.253.026</b> | <b>80.145.503</b> |

During the year ended December 31, 2019, the Group has obtained rental income of TRY 3.875.896 from its investment properties (December 31, 2018: TRY 3.086.147).

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Not 12****PROPERTY, PLANT AND EQUIPMENT**

The details of depreciation and amortization expenses calculated by the Group as of December 31, 2019 and 2018 are given below.

| December 31, 2019    | GÜBRETAŞ          | Razi              | Total             |
|----------------------|-------------------|-------------------|-------------------|
| Depreciation expense | 64.758.903        | 28.345.660        | 93.104.563        |
| Amortization expense | 1.438.971         | --                | 1.438.971         |
| <b>Total</b>         | <b>66.197.874</b> | <b>28.345.660</b> | <b>94.543.534</b> |

During the year ended 31 December 2019, depreciation and amortization expense amounting to TRY 94.543.534; 89.855.378 TRY is included in general production expenses, 1.352.487 TRY in sales and marketing expenses, 3.335.669 TRY in general administrative expenses.

| December 31, 2018    | GÜBRETAŞ          | Razi              | Total             |
|----------------------|-------------------|-------------------|-------------------|
| Depreciation expense | 27.210.485        | 42.421.433        | 69.631.918        |
| Amortization expense | 521.040           | --                | 521.040           |
| <b>Total</b>         | <b>27.731.525</b> | <b>42.421.433</b> | <b>70.152.958</b> |

During the year ended December 31, 2018, TRY 66,031,402 of the amortization and amortization expenses amounting to TRY 70,152,958 were included in general production expenses, TRY 1,166,280 in sales and marketing expenses, and TRY 2,955,276 in general administrative expenses.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

|                                            | Lands              | Land<br>improvements | Buildings            | Machinery,<br>equipment and<br>installations |
|--------------------------------------------|--------------------|----------------------|----------------------|----------------------------------------------|
| <b>Cost Value</b>                          |                    |                      |                      |                                              |
| Opening balance at January 1,2019          | 487.225.047        | 128.434.581          | 341.010.265          | 828.132.342                                  |
| Foreign currency translation differences   | (27.586.799)       | --                   | (21.837.554)         | (177.177.072)                                |
| Additions                                  | 1.351.714          | 1.310.862            | 2.420.786            | 2.389.251                                    |
| Sales / disposals                          | --                 | --                   | (3.467)              | (386.486)                                    |
| Transfer to assets for sale                | --                 | --                   | --                   | --                                           |
| Transfer from construction in progress     | --                 | 1.063.243            | 51.993.304           | 45.878.485                                   |
| <b>Closing balance on December 31,2019</b> | <b>460.989.962</b> | <b>130.808.686</b>   | <b>373.583.334</b>   | <b>698.836.520</b>                           |
| <b>Accumulated depreciation</b>            |                    |                      |                      |                                              |
| Opening balance at January 1,2019          | --                 | (50.620.073)         | (145.623.103)        | (543.716.808)                                |
| Foreign currency translation differences   | --                 | --                   | 11.109.121           | 130.638.095                                  |
| Period cost                                | --                 | (10.723.624)         | (11.894.058)         | (33.215.029)                                 |
| Sales                                      | --                 | --                   | --                   | 268.961                                      |
| Transfer to assets for sale                | --                 | --                   | --                   | --                                           |
| <b>Closing balance on December 31,2019</b> | <b>--</b>          | <b>(61.343.697)</b>  | <b>(146.408.040)</b> | <b>(446.024.781)</b>                         |
| <b>Net book value on December 31,2019</b>  | <b>460.989.962</b> | <b>69.464.989</b>    | <b>227.175.294</b>   | <b>252.811.739</b>                           |



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

| Vehicles (*)       | Furnitures and fixtures | Initial recognition of right-of-use assets within the scope of TFRS 16 (**) | Special Costs    | Construction in progress | Total                |
|--------------------|-------------------------|-----------------------------------------------------------------------------|------------------|--------------------------|----------------------|
| 575.107.962        | 31.834.492              | --                                                                          | 1.018.158        | 45.392.380               | 2.438.155.228        |
| 111.794.871        | (3.887.176)             | --                                                                          | --               | (11.173.692)             | (129.867.422)        |
| 204.109            | 2.422.888               | 25.778.418                                                                  | 99.310           | 86.713.302               | 122.690.640          |
| (381.009)          | (125.742)               | --                                                                          | --               | (425.093)                | (1.321.797)          |
| (680.578.537)      | (676.421)               | --                                                                          | --               | --                       | (681.254.958)        |
| 814.338            | 1.120.945               | --                                                                          | --               | (101.104.065)            | (233.750)            |
| <b>6.961.735</b>   | <b>30.688.986</b>       | <b>25.778.418</b>                                                           | <b>1.117.468</b> | <b>19.402.832</b>        | <b>1.748.167.941</b> |
| (145.988.137)      | (15.379.287)            | --                                                                          | (510.037)        | --                       | (901.837.445)        |
| (8.832.792)        | 2.939.784               | --                                                                          | --               | --                       | 135.854.208          |
| (29.818.791)       | (3.710.931)             | (3.571.865)                                                                 | (170.265)        | --                       | (93.104.563)         |
| 387.414            | 66.278                  | --                                                                          | 3.467            | --                       | 726.120              |
| 179.801.216        | 676.421                 | --                                                                          | --               | --                       | 180.477.637          |
| <b>(4.451.090)</b> | <b>(15.407.735)</b>     | <b>(3.571.865)</b>                                                          | <b>(676.835)</b> | <b>--</b>                | <b>(677.884.043)</b> |
| <b>2.510.645</b>   | <b>15.281.251</b>       | <b>22.206.553</b>                                                           | <b>440.633</b>   | <b>19.402.832</b>        | <b>1.070.283.898</b> |

(\*) During the period ended December 31,2019, the Group revised the remaining useful lives of IGCL Anka and IGCL Dicle and determined the remaining useful lives as 25 years in the light of the data in the valuation report. Group, Nbulkgas Deniz İşletmeciliği Ltd. Sti. Sold its shares on 5 February 2020 with a share transfer agreement. As of 31 December 2019, all assets and liabilities of affiliated Nbulkgas, IGLC Dicle and IGLC Anka have been classified as Assets / Liabilities Held for Sale (Note 27).

(\*\*) As of December 31,2019, the net book value of the light of us assets classified under tangible assets is TRY 25.778.418. The depreciation expenses of the right of use assets for the period ended December 31,2019 is TRY 3.571.865. Details of the initial recognition of right-of-use assets under TFRS 16 are presented in Note 2.4.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

|                                            | Lands              | Land<br>improvements | Buildings            |
|--------------------------------------------|--------------------|----------------------|----------------------|
| <b>Cost Value</b>                          |                    |                      |                      |
| <b>Opening balance at January 1,2018</b>   | <b>467.703.378</b> | <b>125.964.958</b>   | <b>311.372.652</b>   |
| Foreign currency translation differences   | (47.653.693)       | --                   | (38.406.589)         |
| Valuation difference                       | 57.697.786         | 1.250.663            | 40.118.362           |
| Entries from subsidiaries purchase         | --                 | --                   | --                   |
| Purchase                                   | 9.809.076          | 922.984              | 792.676              |
| Sales                                      | (7.357.927)        | --                   | (4.346.039)          |
| Transfer from construction in progress     | 7.026.427          | 295.976              | 31.479.203           |
| <b>Closing balance on December 31,2018</b> | <b>487.225.047</b> | <b>128.434.581</b>   | <b>341.010.265</b>   |
| <b>Accumulated depreciation</b>            |                    |                      |                      |
| <b>Opening balance at January 1,2018</b>   | <b>--</b>          | <b>(46.433.852)</b>  | <b>(127.478.338)</b> |
| Foreign currency translation differences   | --                 | --                   | 19.986.858           |
| Valuation difference                       | --                 | 4.044.062            | (28.677.724)         |
| Entries from subsidiaries purchase         | --                 | --                   | --                   |
| Period Cost                                | --                 | (8.230.283)          | (10.149.164)         |
| Sales                                      | --                 | --                   | 695.265              |
| <b>Closing balance on December 31,2018</b> | <b>--</b>          | <b>(50.620.073)</b>  | <b>(145.623.103)</b> |
| <b>Net book value on December 31,2018</b>  | <b>487.225.047</b> | <b>77.814.508</b>    | <b>195.387.162</b>   |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

| Machinery,<br>equipment and<br>installations | Vehicles (*)  | Furnitures and<br>fixtures | Initial recognition<br>of right-of-use<br>assets within the<br>scope of TFRS 16<br>(**) | Special Costs | Construction in<br>progress |
|----------------------------------------------|---------------|----------------------------|-----------------------------------------------------------------------------------------|---------------|-----------------------------|
| 1.118.941.632                                | 10.857.084    | 32.882.870                 | 1.018.158                                                                               | 59.072.463    | 2.127.813.195               |
| (299.311.680)                                | (3.191.807)   | (6.131.851)                | --                                                                                      | (12.078.762)  | (406.774.382)               |
| --                                           | --            | --                         | --                                                                                      | --            | 99.066.811                  |
| 3.544.582                                    | 566.856.606   | 449.668                    | --                                                                                      | --            | 570.850.856                 |
| 9.259.320                                    | 1.610.083     | 3.756.139                  | --                                                                                      | 41.128.050    | 67.278.328                  |
| (6.982.934)                                  | (1.092.466)   | (300.214)                  | --                                                                                      | --            | (20.079.580)                |
| 2.681.422                                    | 68.463        | 1.177.880                  | --                                                                                      | (42.729.371)  | --                          |
| 828.132.342                                  | 575.107.962   | 31.834.492                 | 1.018.158                                                                               | 45.392.380    | 2.438.155.228               |
| (724.560.768)                                | (7.018.239)   | (15.427.880)               | (342.730)                                                                               | --            | (921.261.807)               |
| 218.864.022                                  | 2.199.130     | 3.460.201                  | --                                                                                      | --            | 244.510.211                 |
| --                                           | --            | --                         | --                                                                                      | --            | (24.633.662)                |
| --                                           | (140.423.970) | --                         | --                                                                                      | --            | (140.423.970)               |
| (44.658.423)                                 | (954.617)     | (3.731.296)                | (167.307)                                                                               | --            | (67.891.090)                |
| 6.638.361                                    | 209.558       | 319.687                    | --                                                                                      | --            | 7.862.871                   |
| (543.716.808)                                | (145.988.137) | (15.379.287)               | (510.037)                                                                               | --            | (901.837.445)               |
| 284.415.533                                  | 429.119.825   | 16.455.205                 | 508.121                                                                                 | 45.392.380    | 1.536.317.781               |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 13****INTANGIBLE ASSETS****13.1 Rights**

|                                          | December 31, 2019  | December 31, 2018  |
|------------------------------------------|--------------------|--------------------|
| <b>Cost</b>                              |                    |                    |
| Opening balance at January 1             | 24.399.705         | 30.393.260         |
| Purchases                                | 6.714.363          | 2.562.095          |
| Sales                                    | --                 | (39.232)           |
| Transfers                                | 233.750            | --                 |
| Foreign currency translation differences | (3.999.126)        | (8.516.418)        |
| <b>Closing balance</b>                   | <b>27.348.692</b>  | <b>24.399.705</b>  |
| <b>Accumulated Depreciation</b>          |                    |                    |
| Opening balance at January 1             | (3.704.821)        | (1.442.953)        |
| Current period amortization expense      | (1.438.971)        | (2.261.868)        |
| <b>Closing balance</b>                   | <b>(5.143.792)</b> | <b>(3.704.821)</b> |
| <b>Net Book Value</b>                    | <b>22.204.900</b>  | <b>20.694.884</b>  |

**13.2 Goodwill**

|                                          | December 31, 2019 | December 31, 2018  |
|------------------------------------------|-------------------|--------------------|
| Opening balance at January 1             | 121.614.875       | 181.331.891        |
| Foreign currency translation differences | (34.570.275)      | (59.717.016)       |
| <b>Closing balance</b>                   | <b>87.044.600</b> | <b>121.614.875</b> |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 14****COMMITMENTS****14.1 Razi's share purchase**

Related to Razi's purchase agreement, all shares of Razi are 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 1 August 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, the proceeding related to the delivery of the 143.138.376 remaining shares is in progress.

**14.2 Purchasing commitments**

As of December 31, 2019, the Group has USD 108.076.341 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, 2018: USD 97.654.560).

**Note 15****GOVERNMENT GRANTS**

The completion visa for the Investment Incentive Certificate numbered 110061 was made on September 20, 2018 by the Ministry of Trade of Turkish Republic. The fixed investment amount is TRY 290.369.160. The investment supports to be utilized consist of Employer Share Support, Customs Duty Exemption, Tax Reduction Ratio (100%), Investment Contributions (40%) and VAT exemption. In 2018, the Company benefited from Insurance Premium Employer Share Support and VAT Exemption in the construction of twin NPK plants and ammonia tanks.

The Investment Incentive Certificate dated 16 May 2018 and numbered 136984 was obtained in regards the application dated 26 March 2018 and numbered 38928 made to the Ministry of Trade. The Investment Incentive Certificate is valid until 26 March 2021 and includes fixed asset investment plans of TRY 84.000.000. The investment supports to be utilized consist of Tax Reduction Ratio (70%), Investment Contribution Ratio (30%) and VAT exemption. In 2018, VAT exemption was utilized in the modernization processes of İskenderun Facilities.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

The Investment Incentive Certificate dated 11 June 2019 and numbered 136984 was obtained in regards the application dated 26 March 2018 and numbered 38928 made to the Ministry of Trade. The Investment Incentive Certificate is valid until 26 March 2022 and includes fixed asset investment plans of TRY 235.000.000. The investment support elements to be utilized are the Tax Reduction Ratio (50%), Investment Allowance Ratio (25%), Employer Share Support for Insurance Premium and VAT Exemption.

With the approval of the Ministry of Industry and Technology of Turkish Republic, the R&D Center was established on May 8, 2018 in GÜBRETAŞ Yarımcı Facility. Accordingly, the Company benefits from R&D discount, income tax withholding incentive, insurance premium support, stamp tax exemption and cash contribution support.

**Note 16****PROVISIONS, CONTINGENT ASSETS AND LIABILITIES****16.1 Short-term provisions**

|                                                  | December 31, 2019  | December 31, 2018 |
|--------------------------------------------------|--------------------|-------------------|
| Provisions for costs                             | 80.618.320         | 54.068.584        |
| Fertilizer tracking system expense provision (*) | 46.454.760         | --                |
| Provisions for pending claims and lawsuits       | 4.663.112          | 1.502.750         |
| Other short-term debt provisions                 | 6.310.775          | 10.793.823        |
| <b>Total</b>                                     | <b>138.046.967</b> | <b>66.365.157</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:

|                        | December 31, 2019 | December 31, 2018 |
|------------------------|-------------------|-------------------|
| As of January 1,       | 1.502.750         | 8.984.280         |
| Additional provision   | 3.160.362         | (7.481.530)       |
| <b>Closing Balance</b> | <b>4.663.112</b>  | <b>1.502.750</b>  |

A lawsuit amounting to TRY 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 TRY 4.663.112 TRY (2018: TRY 1.502.750) in respect of other lawsuits.



## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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

## 16.2 Guarantees given

As of December 31, 2019 and December 31, 2018, the tables related to the Group's tables related to Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position are as follows:

|                                                                                                       | December 31, 2019 |                          |                          | December 31, 2018 |                  |                   |
|-------------------------------------------------------------------------------------------------------|-------------------|--------------------------|--------------------------|-------------------|------------------|-------------------|
|                                                                                                       | Currency          | Currency amount          | Amount in TRY            | Currency          | Currency amount  | Amount in TRY     |
| CPMB given by the company                                                                             |                   |                          |                          |                   |                  |                   |
| A. CPMB's given for Company's own legal personality                                                   | TRY<br>USD        | 33.405.490<br>10.750.000 | 33.405.490<br>63.857.150 | TRY<br>--         | 18.353.334<br>-- | 18.353.334<br>--  |
| B. CPMB's given on behalf of fully consolidated companies                                             | --                | --                       | --                       | --                | --               | --                |
| C. CPMB's given on behalf of third parties for ordinary course 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>97.262.640</b>        |                   |                  | <b>18.353.334</b> |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**16.3 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 8 May 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 the Islamic Republic of Iran may differ from the Group Management's assumptions.

***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, Sariseki 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 99.639.315 TRY 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 favour 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, Iskenderun and Sariseki 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.

***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 28 April 2014 the court decided to dismiss the case.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

Thereupon, GÜBRETAS 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 15 July 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 TRY 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.

**Use of Gas**

A lawsuit has been filed at the Ahwaz General and Revolutionary Court for claims amounting to TRY 31.328.421 due to the alleged excessive use of gas. The title deed of Razi's land carried at TRY 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.

**VAT Receivable**

Razi, the subsidiary of the Company, has value added taxes receivable amounting to TRY 120.587.913 (2.473 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.

**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.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

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.

**Note 17****EMPLOYEE BENEFITS****Liabilities for employee benefits:**

|                                  | December 31, 2019 | December 31, 2018 |
|----------------------------------|-------------------|-------------------|
| Due to the personnel             | 30.330.252        | 30.065.223        |
| Social security premiums payable | 1.831.508         | 1.140.181         |
| <b>Total</b>                     | <b>32.161.760</b> | <b>31.205.404</b> |

**Provision for Employee Benefits:**

| Short Term                                                | December 31, 2019 | December 31, 2018 |
|-----------------------------------------------------------|-------------------|-------------------|
| Provision for allowance and employee termination benefits | 7.867.564         | 13.523.316        |
| Provision for premium                                     | 4.376.320         | 4.996.550         |
| Provision for early retirement salary (*)                 | 12.634.896        | 13.976.949        |
| <b>Total</b>                                              | <b>24.878.780</b> | <b>32.496.815</b> |

| Long Term                                 | December 31, 2019  | December 31, 2018  |
|-------------------------------------------|--------------------|--------------------|
| Allowance for retirement pay (GÜBRETAŞ)   | 15.817.545         | 12.419.151         |
| Allowance for retirement pay (Razi)       | 73.355.219         | 54.203.094         |
| Provision for early retirement salary (*) | 24.492.600         | 49.663.878         |
| <b>Total</b>                              | <b>113.665.364</b> | <b>116.286.123</b> |

(\*)During the period of Razi's privatization, the right of early retirement was granted to employees and the obligation arising from these rights was accounted for in accordance with TAS 19 by Razi.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

As of December 31, 2019, termination indemnity liability of the company has been calculated with and annual inflation of 9% and discount rate of 13,50%, and by using 4,13% real discount rate (31 December 2018: 4,91%). As the termination indemnity cap of the company's provision for termination indemnities is adjusted on every six months basis, it is calculated as TRY 6.380, which is valid as of the date of December 31, 2019 onwards (December 31, 2018: TRY 5.434).

|                                          | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|------------------------------------------|---------------------------------|---------------------------------|
| Provisions as of January 1               | 116.286.123                     | 196.320.157                     |
| Adjustments on opening balance           | (35.628.849)                    | (27.749.915)                    |
| Service cost                             | 57.511.659                      | 65.992.585                      |
| Interest cost                            | 6.463.791                       | 8.140.299                       |
| Payment termination indemnity            | (11.801.276)                    | (59.812.558)                    |
| Foreign currency translation differences | (20.092.178)                    | (65.953.541)                    |
| Actuarial gain/loss                      | 926.094                         | (650.904)                       |
| <b>Provision as of December 31</b>       | <b>113.665.364</b>              | <b>116.286.123</b>              |

**Note 18****OTHER ASSETS AND LIABILITIES**

|                              | 31 December<br>2019 | 31 December<br>2018 |
|------------------------------|---------------------|---------------------|
| Other current assets         |                     |                     |
| Deferred VAT                 | 13.571.350          | 18.705.655          |
| Job advances                 | 3.824.537           | 1.712.572           |
| Other various current assets | 314.998             | 954.906             |
| <b>Total</b>                 | <b>17.710.885</b>   | <b>21.373.133</b>   |

**Note 19****EQUITY****Paid-in capital**

The equity structure as of 31 December 2019 and 31 December 2018 is as follows:

|                                                   | %             | December 31,<br>2019 | %             | December 31,<br>2018 |
|---------------------------------------------------|---------------|----------------------|---------------|----------------------|
| Türkiye Tarım Kredi Kooperatifleri Merkez Birliği | 75.95         | 253.684.607          | 75.95         | 253.684.607          |
| Public                                            | 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>   |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

The capital of the Company consists of 33.400.000.000 shares and there are no privileged shares (2018: 33.400.000.000 shares). The nominal value of the shares is 0,01 TRY (2018: 0,01 TRY).

**Reserves on retained earnings**

The legal reserves consist of first and second composition of legal reserves according to the Turkish Code of Commerce. The first composition of legal reserves is composed of 5% of the previous period's commercial profits until the date it reaches 20% of the paid capital. The second composition of legal reserves is allocated as 10% of the total cash dividend distributions following the first composition of legal reserves and dividends. The profit reserves were comprised of as follows as of December 31, 2019 and December 31, 2018:

|                                                     | December 31,<br>2019 | December 31,<br>2018 |
|-----------------------------------------------------|----------------------|----------------------|
| Legal reserves                                      | 52.456.085           | 52.456.085           |
| Real estate sales gain to be added to share capital | 1.382.652            | 1.382.652            |
| <b>Total</b>                                        | <b>53.838.737</b>    | <b>53.838.737</b>    |

According to the statutory records of the Company, there are no earnings available for distribution.

**Note 20****DERIVATIVE FINANCIAL INSTRUMENTS**

The Group uses derivative financial instruments to protect against foreign currency risk and classifies them as financial instruments at fair value through profit or loss. Derivative instruments are first recorded at acquisition cost reflecting their fair value on the contract date and are valued at fair value in the periods following their registration. If a financial instrument is acquired to be sold or bought back at a later date, it is classified in this group. Derivative instruments are recognized as assets if fair value is positive, and liabilities if negative.

The derivative instruments of the Group, whose fair value differences are reflected in profit / loss, comprise foreign currency forward contracts. The Group does not have any derivative transactions within the scope of hedge accounting. For this reason, following the initial recording of derivative financial instruments, they were measured with their fair values and reflected to profit or loss as soon as changes in their fair values took place. The details of derivative instruments as of December 31, 2019 are as follows:



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

| Forward agreement | Maturity   | Nominal value (USD) | Fair value (TRY) |
|-------------------|------------|---------------------|------------------|
| USD buying        | Şubat 2020 | 70.605.000          | 9.693.235        |
| USD selling       | Şubat 2020 | (5.000.000)         | (230.363)        |
| <b>Total</b>      |            | <b>65.605.000</b>   | <b>9.462.872</b> |

As of December 31, 2018, financial instruments of the Company as below.

| Forward agreement | Maturity  | Nominal value (USD) | Fair value (TRY)   |
|-------------------|-----------|---------------------|--------------------|
| USD buying        | Mart 2019 | 56.485.000          | (4.703.497)        |
| <b>Total</b>      |           | <b>56.485.000</b>   | <b>(4.703.497)</b> |

**Note 21****REVENUE**

| Sales                          | January 1 - December 31, 2019 | January 1 - December 31, 2018 |
|--------------------------------|-------------------------------|-------------------------------|
| Domestic sales                 | 3.244.140.252                 | 2.780.154.361                 |
| Foreign sales                  | 1.088.417.662                 | 1.810.235.184                 |
| Service sales                  | 78.261.518                    | 89.574.101                    |
| Sales returns (-)              | (6.065.160)                   | (56.664.436)                  |
| Sales discounts (-)            | (45.175.361)                  | (61.541.338)                  |
| Other discounts from sales (-) | (15.082.542)                  | (2.671.204)                   |
| <b>Total</b>                   | <b>4.344.496.369</b>          | <b>4.559.086.668</b>          |

| Cost of sales (-)                              | January 1 - December 31, 2019 | January 1 - December 31, 2018 |
|------------------------------------------------|-------------------------------|-------------------------------|
| Cost of goods produced                         | 1.926.099.129                 | 1.845.386.215                 |
| Change in the finished goods                   | (51.280.958)                  | (69.481.398)                  |
| -Finished goods at the beginning of the period | 259.492.688                   | 190.011.290                   |
| -Finished goods at the end of the period       | (310.773.646)                 | (259.492.688)                 |
| Cost of finished goods sold                    | 1.874.818.171                 | 1.775.904.817                 |
| -Trade goods at the beginning of the period    | 465.740.737                   | 407.533.261                   |
| -Purchases                                     | 1.710.828.651                 | 1.490.490.001                 |
| -Trade goods at the end of the period          | (642.840.114)                 | (465.740.737)                 |
| Cost of trade goods sold                       | 1.533.729.274                 | 1.432.282.525                 |
| Cost of other sales                            | 76.148.476                    | 66.564.920                    |
| Cost of services sold                          | 9.825.205                     | 4.557.020                     |
| <b>Total</b>                                   | <b>3.494.521.126</b>          | <b>3.279.309.282</b>          |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 22****GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES**

|                                 | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|---------------------------------|---------------------------------|---------------------------------|
| General administrative expenses | 146.751.465                     | 151.894.048                     |
| Marketing and selling expenses  | 392.069.013                     | 350.838.860                     |
| <b>Total</b>                    | <b>538.820.478</b>              | <b>502.732.908</b>              |

| General administrative expenses        | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|----------------------------------------|---------------------------------|---------------------------------|
| Personnel expenses                     | 101.790.533                     | 104.553.501                     |
| Outsourced services (*)                | 4.303.050                       | 3.687.431                       |
| Depreciation and amortization expenses | 3.335.669                       | 2.955.276                       |
| Taxes and duties                       | 2.536.775                       | 2.924.520                       |
| Other expenses                         | 34.785.438                      | 37.773.320                      |
| <b>Total</b>                           | <b>146.751.465</b>              | <b>151.894.048</b>              |

| Marketing and selling expenses           | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|------------------------------------------|---------------------------------|---------------------------------|
| Outsourced services (*)                  | 305.777.463                     | 316.338.288                     |
| Fertilizer tracking system expenses (**) | 43.051.051                      | --                              |
| Personnel expenses                       | 20.204.702                      | 16.247.098                      |
| Depreciation and amortization expenses   | 1.352.487                       | 1.166.280                       |
| Taxes and duties                         | 720.398                         | 199.603                         |
| Other expenses                           | 20.962.912                      | 16.887.591                      |
| <b>Total</b>                             | <b>392.069.013</b>              | <b>350.838.860</b>              |

(\*) The benefits and services providing from the outside are formed mainly by the transportation costs, maintenance-repair expenses, energy, fuel, water and communication costs.

(\*\*) System usage expenses related to the fertilizer tracking system which started to be implemented at the end of 2018 and was used throughout 2019.

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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

## Note 23

## EXPENSES BY NATURE

|                                        | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|----------------------------------------|---------------------------------|---------------------------------|
| Cost of goods sold                     | 1.784.043.389                   | 1.709.873.415                   |
| Cost of trade goods sold               | 1.533.729.274                   | 1.432.282.525                   |
| Outsourced services                    | 310.080.513                     | 320.025.719                     |
| Personnel expenses                     | 121.995.235                     | 120.800.599                     |
| Depreciation and amortization expenses | 94.543.534                      | 70.152.958                      |
| Tax and duties                         | 3.257.173                       | 3.124.123                       |
| Cost of other sales                    | 76.148.476                      | 66.564.920                      |
| Cost of service sold                   | 9.825.205                       | 4.557.020                       |
| Other expenses                         | 99.718.805                      | 54.660.911                      |
| <b>Total</b>                           | <b>4.033.341.604</b>            | <b>3.782.042.190</b>            |

## Note 24

## OTHER OPERATING INCOME AND EXPENSES

## 24.1 Other operating income

|                                                       | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|-------------------------------------------------------|---------------------------------|---------------------------------|
| Foreign exchange income related to trade transactions | 258.078.701                     | 694.173.315                     |
| Interest income                                       | 10.284.689                      | 4.788.368                       |
| Other revenues                                        | 35.874.481                      | 21.956.832                      |
| <b>Total</b>                                          | <b>304.237.871</b>              | <b>720.918.514</b>              |

## 24.2 Other operating expense

|                                                         | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|---------------------------------------------------------|---------------------------------|---------------------------------|
| Foreign exchange expenses related to trade transactions | 385.247.421                     | 956.125.981                     |
| Provision expenses                                      | 12.979.358                      | 4.863.908                       |
| Other expenses                                          | 35.075.479                      | 152.523.021                     |
| <b>Total</b>                                            | <b>433.302.258</b>              | <b>1.113.512.910</b>            |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 25****INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES**

|                                                         | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|---------------------------------------------------------|---------------------------------|---------------------------------|
| Increase/(decrease) in the value of investment property | 4.333.373                       | (5.829.174)                     |
| Dividend income                                         | 2.275.012                       | --                              |
| Loss on sales of associates                             | --                              | (4.753.298)                     |
| Loss on sales of property plant and equipment           | 340.386                         | (652.179)                       |
| Other income                                            | 537.079                         | --                              |
| <b>Total</b>                                            | <b>7.485.850</b>                | <b>(11.234.651)</b>             |

**Note 26****FINANCIAL INCOME AND EXPENSES**

|                                      | January 1-<br>December 31, 2019 | January 1-<br>December 31, 2018 |
|--------------------------------------|---------------------------------|---------------------------------|
| Interest expenses on bank loans      | 328.957.115                     | 163.565.525                     |
| <b>Total interest expenses, net</b>  | <b>328.957.115</b>              | <b>163.565.525</b>              |
| Net foreign exchange (gain)/losses   | 25.085.342                      | (18.320.282)                    |
| Income from derivative instruments   | (9.462.872)                     | 4.703.497                       |
| Other financial (income)/expenses    | (36.818.333)                    | 88.313.920                      |
| <b>Total financial expenses, net</b> | <b>307.761.252</b>              | <b>238.262.659</b>              |

**Note 27****ASSETS HELD FOR SALE**

The Group sold all of its shares in Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. in accordance with the 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 31 December 2019, due to the existence of a disposal plan that resulted in the loss of control of the subsidiary Nbulkgas, IGLC Dicle and IGLC Anka, all the assets and liabilities of subsidiaries were classified as Assets / Liabilities Held for Sale.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

|                                                    | December 31, 2019  |
|----------------------------------------------------|--------------------|
| Cash and cash equivalents                          | 7.936.987          |
| Trade and other receivables                        | 33.202             |
| Property plant and equipment                       | 500.777.321        |
| Other current assets                               | 7.052.405          |
| Other non-current assets                           | 4.507.606          |
| <b>Assets held for sale</b>                        | <b>520.307.521</b> |
| Trade payables                                     | 1.934.942          |
| Other payables                                     | 354.821.930        |
| Other short-term liabilities                       | 1.295.756          |
| Other long-term liabilities                        | 5.930              |
| <b>Liabilities related to assets held for sale</b> | <b>358.058.558</b> |

**Note 28****INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)****Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years. Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax. As of December 31, 2019, and 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020. Corporate tax rate in Iran is 25% (December 31, 2018: 25%).

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

**Tax assets and liabilities****Corporate tax**

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus

calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2019 and 2018, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Tax provision included in the balance sheet pertaining to the years ended 31 December 2019 and 2018 is as follows:

| December 31, 2019                          | GÜBRETAŞ         | Razi               | Total          |
|--------------------------------------------|------------------|--------------------|----------------|
| Provision for current period corporate tax | --               | (5.853.910)        | (5.853.910)    |
| Prepaid tax                                | 3.087.261        | 6.429.623          | 9.516.884      |
| Prior year's corporate tax liabilities     | --               | (3.350.133)        | (3.350.133)    |
| Translation differences                    | --               | 132.434            | 132.434        |
| <b>Total</b>                               | <b>3.087.261</b> | <b>(2.641.986)</b> | <b>445.275</b> |

| December 31, 2018                          | GÜBRETAŞ         | Razi               | Total              |
|--------------------------------------------|------------------|--------------------|--------------------|
| Provision for current period corporate tax | --               | (4.833.529)        | (4.833.529)        |
| Prepaid tax                                | 2.113.486        | 7.135.348          | 9.248.834          |
| Prior year's corporate tax liabilities     | --               | (6.982.477)        | (6.982.477)        |
| <b>Total</b>                               | <b>2.113.486</b> | <b>(4.680.658)</b> | <b>(2.567.172)</b> |

**Deferred tax assets and liabilities**

The Group recognizes deferred tax assets and liabilities on the basis of the temporary differences arising from the difference between consolidated financial statements that are prepared in accordance with TFRS and the local financial statements prepared for tax purposes. In general, the differences result from the income and expense amounts included in the local financial statements to take place in different periods in the consolidated financial statements that are prepared in accordance with TFRS.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

| Deferred tax reflected to the income statement                             | December 31, 2019     |                                      | December 31, 2018     |                                      |
|----------------------------------------------------------------------------|-----------------------|--------------------------------------|-----------------------|--------------------------------------|
|                                                                            | Temporary differences | Deferred tax, assets and liabilities | Temporary differences | Deferred tax, assets and liabilities |
| Investment incentive                                                       | 147.950.576           | 29.590.115                           | 149.486.109           | 29.897.222                           |
| Losses for usable tax                                                      | 463.920.856           | 92.784.171                           | 295.694.859           | 59.138.992                           |
| Adjustments for inventories                                                | 10.776.888            | 2.370.915                            | 2.680.964             | 589.812                              |
| Trade and other receivables                                                | 2.057.213             | 452.587                              | 13.836.858            | 3.044.109                            |
| Property plant and equipment / Intangible assets and Investment properties | 149.760.758           | 29.952.152                           | 155.217.391           | 31.043.478                           |
| Other differences                                                          | 942.235               | 207.292                              | 1.009.859             | 222.169                              |
| Provisions for termination indemnity                                       | 21.060.688            | 4.317.000                            | 17.150.385            | 3.464.077                            |
| Unearned financial expenses                                                | 3.795.828             | 835.082                              | 3.286.039             | 722.929                              |
| Derivative financial instruments                                           | --                    | --                                   | 4.703.497             | 940.699                              |
| Expense accruals                                                           | 5.027.718             | 1.106.098                            | 14.713.837            | 3.237.044                            |
| <b>Deferred tax assets</b>                                                 | <b>805.292.760</b>    | <b>161.615.412</b>                   | <b>657.779.798</b>    | <b>132.300.531</b>                   |
| Property plant and equipment / Intangible assets and Investment properties | 356.439.942           | 71.287.988                           | 351.636.981           | 70.327.396                           |
| Expense accruals (net)                                                     | 804.194               | 176.923                              | 1.972.773             | 361.108                              |
| Derivative financial instruments                                           | 9.462.872             | 2.081.832                            | --                    | --                                   |
| Trade receivables                                                          | 2.834.552             | 623.601                              | --                    | --                                   |
| Unearned financial income                                                  | 3.103.319             | 682.730                              | --                    | --                                   |
| Other differences                                                          | 181.769.168           | 18.176.916                           | 180.907.551           | 18.090.755                           |
| <b>Deferred tax liabilities</b>                                            | <b>554.414.047</b>    | <b>93.029.990</b>                    | <b>534.517.305</b>    | <b>88.779.260</b>                    |
| <b>Net deferred tax asset</b>                                              |                       | <b>68.585.422</b>                    |                       | <b>43.521.271</b>                    |
| <b>Razi Co. deferred tax asset / (liability) (*)</b>                       |                       | <b>(19.577.929)</b>                  |                       | <b>(26.528.482)</b>                  |
| <b>Total deferred tax asset / (liability)</b>                              |                       | <b>49.007.493</b>                    |                       | <b>16.992.789</b>                    |

(\*) The liability of TRY 26.528.482 arises from the deferred tax effect of the property valuation adjustment of the Razi. (December 31, 2018: TRY 26.528.482).

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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Information related to deferred tax transaction table:

|                                                                 | 2019                                | 2018                                |
|-----------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Opening balance on January 1                                    | 16.992.789                          | 13.986.000                          |
| Impact of foreign currency translation of deferred tax of Razi  | 7.293.192                           | 11.064.436                          |
| <b>Sub Total</b>                                                | <b>24.285.981</b>                   | <b>25.050.436</b>                   |
| Deferred tax income /(expense)                                  | 24.536.311                          | (484.151)                           |
| Tax revenue recognized in other comprehensive income            | 185.201                             | (7.573.496)                         |
| <b>Closing balance on December 31</b>                           | <b>49.007.493</b>                   | <b>16.992.789</b>                   |
| Reconciliation of the tax provision:                            | January 1 -<br>December 31,<br>2019 | January 1 -<br>December 31,<br>2018 |
| Profit / (Loss) before tax                                      | (117.323.407)                       | 140.977.347                         |
| <b>Calculated tax (%22)</b>                                     | <b>25.811.150</b>                   | <b>(31.015.016)</b>                 |
| Impact of foreign subsidiaries subjected to different tax rates | (129.713)                           | (380.744)                           |
| Disallowable expenses                                           | (9.385.040)                         | (2.415.806)                         |
| Tax effects of discount and exemptions                          | (2.733.438)                         | 2.548.010                           |
| Previous period tax expense of Razi                             | (3.350.133)                         | (6.982.477)                         |
| Total discounts of investment incentives                        | 29.590.115                          | 29.897.222                          |
| Other differences                                               | 4.690.610                           | 3.031.131                           |
| <b>Tax income / expense</b>                                     | <b>18.682.401</b>                   | <b>(5.317.680)</b>                  |

## Note 29

## EARNINGS 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 year. The weighted average of the shares and profit per share calculations are as follows:

|                                                               | January 1 -<br>December 31,<br>2019 | January 1 -<br>December 31,<br>2018 |
|---------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Net period (loss) on parent's shares)                         | (149.740.564)                       | (84.235.696)                        |
| Weighted average number of issued ordinary shares (1 kr each) | 33.400.000.000                      | 33.400.000.000                      |
| <b>Earnings per share (kr) (*)</b>                            | <b>(0,0045)</b>                     | <b>(0,0025)</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.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**Note 30****RELATED PARTIES TRANSACTIONS****30.1 Balances due to / from related parties**

| Trade receivables     | December 31, 2019  | December 31, 2018  |
|-----------------------|--------------------|--------------------|
| TKK                   | 173.404.172        | 99.019.932         |
| Other related parties | 1.277.865          | 5.032.408          |
| <b>Total</b>          | <b>174.682.037</b> | <b>104.052.340</b> |

The maturity in sales to TKK varies between 15 and 75 days.

| Trade Payables  | December 31, 2019 | December 31, 2018 |
|-----------------|-------------------|-------------------|
| Tarkim          | 18.359            | 1.204.133         |
| Tarnet          | 889.673           | 194.774           |
| TKK             | 20.098            | 32.725            |
| Tarım Kredi Yem | 238.021           | --                |
| TK Taşımacılık  | 632.182           | --                |
| Bereket Sigorta | 22.754            | --                |
| <b>Total</b>    | <b>1.821.087</b>  | <b>1.431.632</b>  |

| Other Receivables            | December 31, 2019 | December 31, 2018 |
|------------------------------|-------------------|-------------------|
| Tarım Kredi Holding A.Ş. (*) | 10.135.215        | --                |
| <b>Total</b>                 | <b>10.135.215</b> | <b>--</b>         |

| Other Payables                        | December 31, 2019 | December 31, 2018 |
|---------------------------------------|-------------------|-------------------|
| Tarım Kredi Yem San. ve Tic. A.Ş. (*) | 25.000.000        | --                |
| <b>Total</b>                          | <b>25.000.000</b> | <b>--</b>         |

(\*) In the current year, the Group had borrowed TRY 25.000.000 from Tarım Kredi Yem San. ve Tic. A.Ş., a related party of the Group, in the line with the Group regulations, and TRY 10.000.000 part of this borrowing was given to Tarım Kredi Holding A.Ş. and TRY 15.000.000 part was given to Tarım Kredi Birlik Tarım Ürünleri A.Ş. in accordance with the same Group regulations. Tarım Kredi Birlik Tarım Ürünleri A.Ş. had paid its debt in the current period as cash. These borrowing transactions were carried out at market interest in accordance with the Group regulations.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**30.2 Transactions with Related Parties**

|                                    | January 1 -<br>December 31,<br>2019 | January 1 -<br>December 31,<br>2018 |
|------------------------------------|-------------------------------------|-------------------------------------|
| <b>Sales of goods and services</b> |                                     |                                     |
| TKK                                | 2.329.449.460                       | 1.996.671.714                       |
| Tarım Kredi Birlik Tarım Ürünleri  | 7.624.372                           | --                                  |
| Tarkim                             | 1.198.961                           | 1.566.014                           |
| Tarnet                             | 76.554                              | 256.125                             |
| Bereket Sigorta                    | 23.002                              | --                                  |
| TK Sera                            | 19.539                              | --                                  |
| <b>Total</b>                       | <b>2.338.391.888</b>                | <b>1.998.493.853</b>                |

|                                        | January 1 -<br>December 31,<br>2019 | January 1 -<br>December 31,<br>2018 |
|----------------------------------------|-------------------------------------|-------------------------------------|
| <b>Purchases of goods and services</b> |                                     |                                     |
| TKK                                    | 20.684.435                          | 25.285.851                          |
| Tarnet                                 | 3.984.144                           | 3.419.872                           |
| Tarım Kredi Birlik                     | 890.863                             | --                                  |
| Tarkim                                 | 18.767                              | 3.719.801                           |
| Tarım Kredi Yem                        | 114.037                             | --                                  |
| TK Taşımacılık                         | 3.218.781                           | --                                  |
| <b>Total</b>                           | <b>28.911.027</b>                   | <b>32.425.524</b>                   |

|                                   | January 1 -<br>December 31,<br>2019 | January 1 -<br>December 31,<br>2018 |
|-----------------------------------|-------------------------------------|-------------------------------------|
| <b>Interest income</b>            |                                     |                                     |
| Tarım Kredi Holding               | 114.589                             | --                                  |
| Tarım Kredi Birlik Tarım Ürünleri | 62.568                              | --                                  |
| <b>Total</b>                      | <b>177.157</b>                      | <b>--</b>                           |

|                          | January 1 -<br>December 31,<br>2019 | January 1 -<br>December 31,<br>2018 |
|--------------------------|-------------------------------------|-------------------------------------|
| <b>Interest expenses</b> |                                     |                                     |
| Tarım Kredi Yem          | 2.677.363                           | --                                  |
| <b>Total</b>             | <b>2.677.363</b>                    | <b>--</b>                           |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

**30.3 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 years ended December 31, 2019 and 2018 are as follows:

|                              | December 31, 2019 |                  | December 31, 2018 |                  |
|------------------------------|-------------------|------------------|-------------------|------------------|
|                              | GÜBRETAŞ          | Razi             | GÜBRETAŞ          | Razi             |
| Short-term employee benefits | 3.790.511         | 5.692.686        | 2.577.102         | 6.145.198        |
| <b>Total</b>                 | <b>3.790.511</b>  | <b>5.692.686</b> | <b>2.577.102</b>  | <b>6.145.198</b> |

**Note 31****FINANCIAL INSTRUMENTS**

| Short-term financial investments | Maturity  | Int.rates (%) | December 31, 2019 |
|----------------------------------|-----------|---------------|-------------------|
| Private sector bonds and bills   | Mart 2020 | 15-20         | 39.543.797        |

|              |                   |
|--------------|-------------------|
| <b>Total</b> | <b>39.543.797</b> |
|--------------|-------------------|

| Short-term financial investments | Maturity  | Int.rates (%) | December 31, 2018 |
|----------------------------------|-----------|---------------|-------------------|
| Private sector bonds and bills   | Mart 2019 | 15            | 35.397.720        |

|              |                   |
|--------------|-------------------|
| <b>Total</b> | <b>35.397.720</b> |
|--------------|-------------------|

| Long-term financial investments | Maturity | Int.rates (%) | December 31, 2019 |
|---------------------------------|----------|---------------|-------------------|
| Public sector bonds and bills   | 2021     | 24,5          | 19.131.925        |

|              |                   |
|--------------|-------------------|
| <b>Total</b> | <b>19.131.925</b> |
|--------------|-------------------|

| Long-term financial investments | Maturity | Int.rates (%) | December 31, 2018 |
|---------------------------------|----------|---------------|-------------------|
| Public sector bonds and bills   | 2020     | 24,5          | 3.925.372         |

|              |                  |
|--------------|------------------|
| <b>Total</b> | <b>3.925.372</b> |
|--------------|------------------|

|              |                                                      | December 31, 2019 |                       | December 31, 2018 |                       |
|--------------|------------------------------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| Title        | Subject of activities                                | % Share           | Amount of participant | % Share           | Amount of participant |
| Tarnet       | Internet Service Provider etc.                       | 15,78             | 2.537.515             | 15,78             | 2.537.515             |
| Tareksav     | Agricultural Credit Cooperative Education Foundation | 24,10             | 200.000               | 24,10             | 200.000               |
| <b>Total</b> |                                                      |                   | <b>2.737.515</b>      |                   | <b>2.737.515</b>      |

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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## Note 32

## FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's risk management program focuses on the fluctuations of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

## Capital risk management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to increase the returns provided to shareholders and benefits for other stakeholders and to maintain an optimal debt / equity structure effectively. The capital structure of the Group comprises of debt, cash and cash equivalents and equity items including paid in capital, equity reserves and profit reserves, which are disclosed in Note 19.

The Group evaluates the risks associated with each capital item together with capital cost and monitors capital to obtain the optimal debt/total equity ratio. Debt/total equity ratio is calculated dividing the net financial debt by total capital. Net financial debt is calculated as total financial liabilities less cash and cash equivalents.

Net financial debt/total equity ratio as of December 31, 2019 and 2018 is as follows:

|                                | December 31,<br>2019 | December 31,<br>2018 |
|--------------------------------|----------------------|----------------------|
| Total debt                     | 3.444.730.042        | 3.097.711.168        |
| Cash and cash equivalents (-)  | (174.457.909)        | (368.851.076)        |
| <b>Net debt</b>                | <b>3.270.272.133</b> | <b>2.728.860.092</b> |
| Total equity                   | 840.908.821          | 1.237.556.446        |
| <b>Net debt / total equity</b> | <b>%389</b>          | <b>%221</b>          |



**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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**Hedging activities and derivative instruments****Liquidity risk**

The Group Management manages the liquidity risk by managing the balance sheet and its cash flows in compliance. Accordingly, the Group Management ensures that the maturities of receivables and payables are in compliance; net working capital management targets are set to protect the short-term liquidity; liquidity opportunities are kept available in the financial institutions to meet the possible liquidity problems and balance sheet ratios are trying to be kept in acceptable level.

In medium- and long-term liquidity management, the Group's cash flow estimates are based on financial markets and industry dynamics, the cash flow cycle is monitored and tested according to various scenarios.

| December 31, 2019                           | Book value           | Total of contractual cash outflows I | Shorter than 3 months | Between 3-12 months | Longer than 5 years |
|---------------------------------------------|----------------------|--------------------------------------|-----------------------|---------------------|---------------------|
| <b>Non-derivative financial liabilities</b> |                      |                                      |                       |                     |                     |
| Financial borrowings                        | 1.639.319.679        | 1.733.844.051                        | 920.014.314           | 678.816.50          | 135.013.387         |
| Trade payables                              | 987.839.596          | 987.839.596                          | 987.839.596           | --                  | --                  |
| Other payables                              | 111.375.472          | 111.375.472                          | 111.375.472           | --                  | --                  |
| <b>Total</b>                                | <b>2.738.534.747</b> | <b>2.833.059.119</b>                 | <b>2.019.229.382</b>  | <b>678.816.50</b>   | <b>135.013.387</b>  |

| December 31, 2018                           | Book value           | Total of contractual cash outflows | Shorter than 3 months | Between 3-12 months | Longer than 5 years |
|---------------------------------------------|----------------------|------------------------------------|-----------------------|---------------------|---------------------|
| <b>Non-derivative financial liabilities</b> |                      |                                    |                       |                     |                     |
| Financial borrowings                        | 1.610.303.546        | 1.733.862.059                      | 1.613.258.162         | 49.525.890          | 71.078.006          |
| Trade payables                              | 779.632.415          | 779.632.415                        | 779.632.415           | --                  | --                  |
| Other payables                              | 34.850.876           | 34.850.876                         | 34.850.876            | --                  | --                  |
| <b>Total</b>                                | <b>2.424.786.837</b> | <b>2.548.345.350</b>               | <b>2.427.741.453</b>  | <b>49.525.890</b>   | <b>71.078.006</b>   |

**Interest rates risk**

The Group is exposed to significant interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed-floating interest mainly.

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|                                             | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------------------------|----------------------|----------------------|
| <b>Fixed interest financial instruments</b> |                      |                      |
| Financial assets                            |                      |                      |
| -Time deposits                              | 128.793.153          | 262.357.357          |
| -Financial investments                      | 61.413.237           | 42.060.607           |
| Financial borrowings                        | 1.639.319.679        | 1.610.303.546        |
| <b>Floating rate financial instruments</b>  |                      |                      |
| Time deposits                               | --                   | 19.220               |

**Funding risk**

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

**Credit risk**

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantee (letter of guarantee, letter of credit, etc.)
- Credit insurance (Global insurance policy, Eximbank and factoring insurance etc.)
- Mortgage

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

**Credit risk management**

The Group is exposed to credit risk due to the trade receivables arising from the sales on account. Management minimizes the credit risk regarding its trade receivables by taking guarantees (such as bank letter of guarantee, mortgage, etc.) from customers (except for related parties). These credit risks are monitored continuously by the Group and the quality of the receivables are evaluated by considering past experiences and current economic condition. The trade receivables are presented in the consolidated balance sheet in net amount after deducting the allowance for doubtful receivables not to be collected. Approximately 54% of the Group sales were made to the main shareholder TTK.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

The credit risks exposed by the financial instrument types as of December 31, 2019 and December 31, 2018 are as follows:

|                                                                                     | Trade receivables |              |
|-------------------------------------------------------------------------------------|-------------------|--------------|
|                                                                                     | Related party     | Other party  |
| <b>December 31, 2019</b>                                                            |                   |              |
| Minimum credit risk exposed as of reporting date (A+B+C+D)                          | 174.682.037       | 336.576.916  |
| <i>part of maximum risk secured by guarantee etc.</i>                               | --                | --           |
| A. Net book value of financial assets which are undue or not exposed to depredation | 174.682.037       | 336.576.916  |
| B. Net book value of assets which are overdue but not exposed to depredation        | --                | --           |
| C. Net book value of assets which are exposed to depredation                        | --                | --           |
| Overdue (gross book value)                                                          | --                | 12.212.962   |
| Value decrease (-)                                                                  | --                | (12.212.962) |
| Part of net value secured by guarantee, etc.                                        | --                | --           |
| Undue (gross book value)                                                            | --                | --           |
| Value decrease (-)                                                                  | --                | --           |
| Part of net value secured by guarantee, etc.                                        | --                | --           |
| D. Off-balance sheet elements carrying credit risk                                  | --                | --           |
| <b>December 31, 2018</b>                                                            |                   |              |
| Minimum credit risk exposed as of reporting date (A+B+C+D)                          | 104.052.340       | 543.266.746  |
| <i>part of maximum risk secured by guarantee etc.</i>                               | --                | --           |
| A. Net book value of financial assets which are undue or not exposed to depredation | 104.052.340       | 543.266.746  |
| B. Net book value of assets which are overdue but not exposed to depredation        | --                | --           |
| C. Net book value of assets which are exposed to depredation                        | --                | --           |
| Overdue (gross book value)                                                          | --                | 10.088.498   |
| Value decrease (-)                                                                  | --                | (10.088.498) |
| Part of net value secured by guarantee, etc.                                        | --                | --           |
| Undue (gross book value)                                                            | --                | --           |
| Value decrease (-)                                                                  | --                | --           |
| Part of net value secured by guarantee, etc.                                        | --                | --           |
| D. Off-balance sheet elements carrying credit risk                                  | --                | --           |

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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

| Receivables       |             | Deposit in banks | Derivative financial instruments | Financial investments |
|-------------------|-------------|------------------|----------------------------------|-----------------------|
| Other receivables |             |                  |                                  |                       |
| Related party     | Other party |                  |                                  |                       |
| 10.135.215        | 284.182.611 | 173.995.566      | 9.462.872                        | 61.413.237            |
| --                | --          | --               | --                               | --                    |
| 10.135.215        | 284.182.611 | 173.995.566      | 9.462.872                        | 61.413.237            |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | 276.027.481 | 368.517.959      | --                               | 42.060.607            |
| --                | --          | --               | --                               | --                    |
| --                | 276.027.481 | 368.517.959      | --                               | 42.060.607            |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |
| --                | --          | --               | --                               | --                    |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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*Foreign currency risk*

Grup'un faaliyet gösterdiği ülkelerin ekonomilerine göre geçerli fonksiyonel para birimleri dışında kalan para 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 December 31, 2019 are as follows:

|                                                                                 | December 31, 2019            |                      |                     |
|---------------------------------------------------------------------------------|------------------------------|----------------------|---------------------|
|                                                                                 | TRY<br>(functional currency) | USD                  | EURO                |
| 1 Trade receivables                                                             | 192.177.940                  | 32.089.094           | 234.911             |
| 2 Monetary financial assets (including 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 currency assets (1 + 2 + 3)</b>                                    | <b>254.786.951</b>           | <b>40.682.963</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>(96.444.795)</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>(96.444.795)</b>  | <b>(20.459.565)</b> |
| 15 Fair value of derivative instruments classified for hedging purposes         | 9.462.872                    | --                   | --                  |
| <b>16 Amount of hedged portion of foreign currency liabilities</b>              | <b>389.706.821</b>           | <b>65.605.000</b>    | <b>--</b>           |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

Assets and liabilities denominated in foreign currency held by the Group in terms of original and Turkish Lira currency units as of December 31, 2018 are as follows:

|                                                                                 | December 31, 2018            |                     |                     |
|---------------------------------------------------------------------------------|------------------------------|---------------------|---------------------|
|                                                                                 | TRY<br>(functional currency) | USD                 | EURO                |
| 1 Trade receivables                                                             | 373.850.389                  | 69.095.689          | 1.716.137           |
| 2 Monetary financial assets (including cash, bank accounts)                     | 159.982.999                  | 11.091.566          | 16.859.884          |
| 3 Other current assets                                                          | 11.645.169                   | 227.058             | 1.733.683           |
| <b>4 Foreign currency assets (1 + 2 + 3)</b>                                    | <b>545.478.557</b>           | <b>80.414.313</b>   | <b>20.309.704</b>   |
| 5 Trade payables                                                                | (428.272.123)                | (467.873)           | (70.638.801)        |
| 6 Financial borrowings                                                          | (350.205.991)                | (51.736.524)        | (12.943.814)        |
| 7 Other short-term liabilities, net                                             | (88.624)                     | (60)                | (14.650)            |
| <b>8 Short term liabilities in foreign currency (5 + 6 + 7)</b>                 | <b>(778.566.738)</b>         | <b>(52.204.457)</b> | <b>(83.597.265)</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>(778.566.738)</b>         | <b>(52.204.457)</b> | <b>(83.597.265)</b> |
| <b>13 Net foreign currency asset, liability position (4-12)</b>                 | <b>(233.088.181)</b>         | <b>28.209.856</b>   | <b>(63.287.561)</b> |
| <b>14 Monetary items net foreign currency asset / liability position (4-12)</b> | <b>(233.088.181)</b>         | <b>28.209.856</b>   | <b>(63.287.561)</b> |
| 15 Fair value of derivative instruments classified for hedging purposes         | (4.703.497)                  | --                  | --                  |
| <b>16 Amount of hedged portion of foreign currency liabilities</b>              | <b>297.161.937</b>           | <b>56.485.000</b>   | <b>--</b>           |

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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As of December 31, 2019, and December 31, 2018, 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:

|                                                 | December 31, 2019<br>Profit/(loss)     |                                        |
|-------------------------------------------------|----------------------------------------|----------------------------------------|
|                                                 | Appreciation of<br>foreign<br>currency | Depreciation of<br>foreign<br>currency |
| <b>Change of USD by 10% against TRY</b>         |                                        |                                        |
| 1 - Assets/liability denominated in USD - net   | (57.290.137)                           | 57.290.137                             |
| 2 - The part hedged for USD risk (-)            | 38.970.682                             | (38.970.682)                           |
| 3 -The impact of TRY net profit for the period  | (18.319.455)                           | 18.319.455                             |
| <b>Change of EUR by 10% against TRY</b>         |                                        |                                        |
| 1 - Assets/liability denominated in EUR - net   | (13.606.838)                           | 13.606.838                             |
| 2 - The part hedged for EUR risk (-)            | --                                     | --                                     |
| 3 -The impact of TRY net profit for the period  | (13.606.838)                           | 13.606.838                             |
|                                                 |                                        |                                        |
|                                                 | December 31, 2018<br>Profit/(loss)     |                                        |
|                                                 | Appreciation of<br>foreign<br>currency | Appreciation<br>of foreign<br>currency |
| <b>Change of USD by 10% against TRY</b>         |                                        |                                        |
| 1 - Assets/liability denominated in USD - net   | 14.840.924                             | (14.840.924)                           |
| 2 - The part hedged for USD risk (-)            | 29.716.194                             | (29.716.194)                           |
| 3 - The impact of TRY net profit for the period | 44.557.118                             | (44.557.118)                           |
| <b>Change of EUR by 10% against TRY</b>         |                                        |                                        |
| 1 - Assets/liability denominated in EUR - net   | (38.149.742)                           | 38.149.742                             |
| 2 - The part hedged for EUR risk (-)            | --                                     | --                                     |
| 3 - The impact of TRY net profit for the period | (38.149.742)                           | 38.149.742                             |



## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

## Notes to the consolidated financial statements as of December 31, 2019

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

## Note 33

## FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING)

## Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

*Financial assets*

The carrying values of foreign currency denominated monetary assets which are translated at year end exchange rates are considered

to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

*Financial liabilities*

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

The fair value of financial assets and liabilities are determined as follows:

which are similar.

→ **Second level:** Financial assets and liabilities are valued over the inputs used to find out observable price of relevant asset or liability directly or indirectly in the market other than its stock exchange price specified in first level.

→ **Third level:** Financial assets and liabilities are valued over the inputs not based on an observable data in the market, which is used to find out fair value of asset and liability.

→ **First level:** Financial assets and liabilities are valued over stock exchange prices used in active market for assets and liabilities

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ****Notes to the consolidated financial statements as of December 31, 2019**

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

Fair value hierarchy table as of December 31, 2019 and December 31, 2018 is as follows:

| December 31,2019                            | Level 1 | Level 2     | Level 3 |
|---------------------------------------------|---------|-------------|---------|
| Derivative financial assets / (liabilities) | --      | 9.462.872   | --      |
| December 31,2018                            | Level 1 | Level 2     | Level 3 |
| Derivative financial assets / (liabilities) | --      | (4.703.497) | --      |

**Note 34****SUBSEQUENT EVENTS**

The Group had sold all of its shares of Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. in accordance with the share transfer agreement dated February 5, 2020, which made a bid amounting to USD 75.120.000 (including related debts) in the tender held on January 8, 2020. As of 31 December 2019, due to the existence of a disposal plan that resulted in the loss of control of the subsidiary Nbulkgas, IGLC Dicle and IGLC Anka, all assets and liabilities of subsidiaries were classified as Assets / Liabilities Held for Sale.

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 TRY 550.000 and 100% of the share owned by the Group, in order to make investments in mines in national and international areas, which is one of the activities of the Group, and to authorize the administration to carry out all establishment work and operations of the new company.

According to the Board Decision dated 30 July 2019, the relevant legislation of the CMB and the authority given by the Article 15 of the Articles of Incorporation of the Company, and also with the approval of the CMB dated January 2, 2020; it has been decided to sign an agreement between the Group and Halk Varlık Kiralama A.Ş. for the purpose to issue lease certificates, where the Group will be "Fund User/Resource Entity" and in this context to issue lease certificates up to TRY 500.000.000 to be sold to dedicated and/or qualified investors.





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GÜBRETAŞ IS AN AFFILIATE OF THE TURKISH AGRICULTURAL CREDIT COOPERATIVES.

