

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

**GÜBRE FABRİKALARI TÜRK
ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
JANUARY 1, - DECEMBER 31, 2021**

INDEPENDENT AUDITOR'S REPORT

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

Eren Bağımsız Denetim A.Ş.
Atasık Eski Büyükdere Cad
No:14 Kat:10
34396 Şişli /İstanbul,Turkey

T + 90 212 373 00 00
F + 90 212 291 77 97
www.grantthornton.com.tr

A) Report on the Audit of the Consolidated Financial Statements**1. Qualified Opinion**

We have audited the consolidated financial statements of Göbre Fabrikaları Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2021, 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 of December 31, 2021, 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

The financial statements of Razi Petrochemical Co. ("Razi"), a subsidiary of the Group operating in Iran, which is consolidated in the accompanying financial statements, have been audited by the component auditor. Razi's financial statements and financial information included in the accompanying consolidated financial statements are presented based on the report dated March 11, 2022. As explained in note 16 to the financial statements, there is a lawsuit filed in the local court amounting to TL 4.282.503.367 (80.995 billion IRR) (approximately 330 million USD) against Razi, who is audited by the auditor of the unit affiliated to the group, alleging excessive gas consumption. In the independent audit report prepared by the unit auditor, it is avoided to express an opinion on the financial statements on the grounds that there is a fundamental uncertainty regarding the final outcome of the case, since the final result of the case has not been finalized. In the independent audit report prepared by the unit auditor, it is avoided to express an opinion on the financial statements on the grounds that there is a fundamental uncertainty regarding the final outcome of the case, since the final result of the case has not been finalized.

In the accompanying financial statements, the consolidated subsidiary Razi recorded its export sales according to the Central Bank's exchange rate (NIMA) at the payment date instead of the Central Bank's exchange rate (NIMA) at the date of sale. Had the adjustment been reflected in the consolidated financial statements, current period sales would have decreased by TL 53,508,160 (1.012 billion IRR), while foreign exchange gains would have increased by the same amount. Had the comparative financial statements been adjusted, sales would have decreased by TL 370.697.341 (IRR 7.011 billion), distribution and commission expenses would have increased by TL 77.565.682 (IRR 1.467 billion) and foreign exchange gains would have increased by TL 293.131.658 (IRR 5.544 billion).



2. Basis for Qualified Opinion (Cont'd)

As of December 31, 2021, the inventories of Razi, the consolidated subsidiary of the Group, include spare parts inventories amounting to TL 228.361.406 (equivalent to IRR 4.319 billion), related to which production costs amounting to TL 89.145.017 (equivalent to IRR 1.686 billion) are recorded to cost of goods sold. Due to changes made by Razi in the current period, various reclassification and adjustment changes are required in the relevant accounts in order to show the inventories and cost of goods sold correctly; as the inventory purchases were included in the prepaid expenses account; the amounts were not correctly reflected to cost calculation during the year; the inventory purchases in foreign currency were not accounted for using the relevant foreign exchange rates; and there were variance deviations between the inventory registration system and the inventory accounts. In addition, due to the lack of sufficient information about the purchase dates regarding inventory purchases before 2018, it was not possible to make hyperinflation adjustments for the relevant part of inventories on the basis of price indices.

The amount of claims from Agricultural Support Services Co and its unions is TL 532.279.294 (IRR 10.067 Billion) regarding which enactment of government dated September 29, 2019, vote number 505 dated August 22, 2017 General Board of the Court Administrative Justice, Executive Branch of Judicial Deputy of Economic Affairs of the Administrative Justice Court and approvals of 24th meeting of the market regulation work group of Razi under examination regarding the difference between the selling price of Urea at the required price and the minimum price discovered price in the mercantile exchange in the last six months, has been realized as income. Regarding this matter, the relevant amount has not been collected, and it has not been determined how and when it will be collected, and it has not been possible to determine the effects of possible corrections due to the fact that a confirmation letter was not received for the confirmation of the relevant balance.

As of the balance sheet date, related party reconciliation and the information regarding the operations of Razi's related party North Star requested by the component auditor could not be obtained. Additionally, Razi's attorney statements, trade receivables reconciliation amounting to TL 83.011.671 (IRR 1.570 billion), trade payables reconciliation amounting to TL 209.961.366 (IRR 3.971 billion) and confirmation of six bank accounts amounting to TL 2.273.568 (IRR 43 billion) could not be obtained. In the reconciliations obtained, positive differences amounting to TL 65.563.358 (IRR 1.240 billion) and negative differences amounting to TL 9.993.125 (IRR 189 billion) were found.

Petro Saman Avaran Razi, subsidiary of Razi, which was consolidated in the accompanying financial statements, which is not important for its financial statements, is not included in the consolidation.

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 consolidated 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.

2. Emphasis of Matters

As explained in Note 7, the consolidated subsidiary Razi, which is consolidated as of December 31, 2021, has a trade receivable of TL 55,411,612 (1.048 billion IRR) from the Agricultural Support Services and National Iran Petrochemical Institutions, and it is due to the sales of urea in a significant amount and remains from the previous period. As of the report date, no collection has been made for the relevant amount.

As of December 31, 2021, the consolidated subsidiary Razi does not have sufficient insurance coverage for its stocks amounting to TL 664,891,918 as of the same date.

Due to the accumulative inflation rate of last three years in Iran exceeding 100% (120%), the commercial transactions have been adjusted according to the effects of inflation instead of historical cost basis, as of the beginning of the accounting period of 2020. IAS 29 "Financial Reporting in Highly Inflationary Economies" standard was applied during the preparation of the financial statements of Razi consolidated in the accompanying financial statements. Accordingly, the effect of the adjustment of the financial statements for inflation amounting to TL 894,409,298 related with the prior periods was recognized in the opening balances in the equity in the previous year's profits and the previous period was not restated. Regarding Razi's inflation accounting, as of January 1, 2021, opening equity balances have been restated to TL 111,745,971.

As explained in the Note 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.

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 Iran under the supervision of the Central Bank of Iran and indicator ratios close to the free-market rates have started to be explained. The TAS 21 The Effect of Changes in Foreign Currency Exchange Rates Standard states that in case of situations where various exchange rates are available, the Exchange rate to be used is the expected Exchange rate where the related transactions are realized, and the future cash flows will occur. Due to the ambiguity of the exchange rate regime in Iran and the uncertainty of the exchange rates of the future cash flows, the Group Management used the mentioned Center's announced exchange rates (NIMA) 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.

2.Emphasis of Matter (Cont'd)

As explained in the Note 8 and 16, 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 TL 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 10.38% share in Razi have been transferred to the bankruptcy desk, the Bankruptcy Administration paid TL 25,278,225 to the Group on July 8, 2015 and the principal due of TL 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 TL 36,391,022. 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.

As explained in the Note 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 TL 150,128,817 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.

3. 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
Inventories	
As of December 31, 2021, the inventories amounting to TL 5,018,321,850 in the consolidated financial statements constitute a significant portion of the assets in the financial statements. There is a risk of impairment of the relevant inventories due to reasons such as damage, partial or total loss of value or failure to recover due to decrease in the sales price, and economic factors. In addition, the calculation of the provision for inventory impairment includes management estimates and assumptions. These estimates and assumptions include the evaluation of slow-moving inventories and the provision for the non-moving and damaged inventories. Accordingly, inventories are a key audit matter. Explanations regarding the accounting policies of inventories are presented in the Note 2.	During our audit, the following audit procedures were applied in relation to inventories: - Understanding the accounting policy related to inventory impairment and evaluating the appropriateness of the policy applied, - Inquiries with the Group Management about the risk of impairment due to damage, partial or total loss of value and failure to recover due to decrease in the sales price. - Comparison of the inventory turnover rate with the previous year - Evaluating the adequacy of the provision for impairment on inventory in the current period against the impairment - Obtaining and examining inventory aging reports as to whether there is inventory that have not been moving or damaged for a long time during the year-end inventory census, - Net realizable values of stocks were tested on test basis based on selling prices net of discounts and we concluded that stocks were carried in the financial statements at fairly reasonable values. We had no material findings related to the impairment of the inventory as a result of these procedures.

4. Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Accounting for property, plant and equipment using the revaluation method As explained in detail in Footnotes 2 and 12, the land, underground and surface improvements and buildings, which are included in the Group's tangible assets, are valued by the revaluation method based on the valuation reports prepared by an independent real estate appraisal company. As of December 31, 2021, the revaluation of tangible fixed assets has been considered as a key audit matter by us, since the land, underground and surface improvements and buildings belonging to the Parent Company constitute a significant part of the Group's total assets and the valuation methods applied include significant estimations and assumptions.	In our audit, the appropriateness of the methods used by the valuation experts in the aforementioned valuation reports, which constitute the basis for the fair values of the relevant tangible fixed assets measured according to the revaluation model, has been evaluated. The relevance and reasonableness of the appraiser's findings and conclusions, and the consistency of these findings and conclusions with other audit evidence, were reviewed. The assumptions and methods used in the valuation report, the factors related to the evaluation of the methods, whether these assumptions and methods are generally accepted in the expert's field of expertise, whether they are consistent with the provisions of the applicable financial reporting framework, whether they are dependent on the use of featured models, and whether they are consistent with management's assumptions and methods, were questioned. As a result of the studies and examinations we have carried out on the revaluation calculations in question, we have evaluated whether the estimations and assumptions used in the valuation report are within an acceptable range of fair value as assessed by the Group's independent valuation experts. The accuracy of the valuation method used has been checked by evaluating the related tangible asset item together with its intended use.

5. Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables As of December 31, 2021, trade receivables amounting to TL 1,908,401,522 constitute a significant portion of total assets. On the other hand, provisions for impairment calculated for trade receivables are accounted for as a result of estimations made by taking into account the past payment performances and creditworthiness information of customers and the maturity analysis of the receivables balances. For these reasons, the recoverability of such receivables is an important issue for our audit. Explanations regarding the accounting policies of the trade receivables of the Group are presented in Note 2.	We performed the following procedures in relation to the recoverability of trade receivables: - Understanding the Group's process for collections from customers and evaluating the operational effectiveness of these controls - Understanding and evaluating the customer collections process, - Analytical procedures on aging of receivables and trade receivables turnover days, comparing them to the prior period, - Inquiries in relation to any disputes/lawsuits with customers, inquiries with legal counsels on outstanding litigation in relation to trade receivables, - Testing a sample of trade receivables due from third parties by obtaining confirmation letters from customers using sampling method, - Testing selected collections in the subsequent period, Assessing the adequacy of disclosures of the trade receivables due from third parties in the financial statements. We had no material findings related to the trade receivables as a result of these procedures.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Group 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 Group 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.

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

6) Auditor's Responsibility for the Audit of the Financial Statements

Our aim is to obtain reasonable assurance about whether the consolidated 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 and independent auditing standards published by the CMB, 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.

6) Auditor's Responsibility for the Audit of the Financial Statements (Cont'd)

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, 2020 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 11, 2022.

The name of the engagement partner who supervised and concluded this audit is Jalil Akkaş.

Eren Bağımsız Denetim A.Ş.
Member Firm of Grant Thornton International



Jalil Akkaş
Engagement Auditor

Istanbul, March 11, 2022

Contents	Page
Consolidated Statements of Financial Position	1-2
Consolidated Statements of Profit or Loss/Other Comprehensive Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6-74
1. Group's Organization and Nature of Operations	6-8
2. Basis of Presentation of Consolidated Financial Statements	8-31
3. Interest in Other Entities	32
4. Segment Reporting	33-35
5. Cash and Cash Equivalents	35-36
6. Financial Borrowings	36-38
7. Trade Receivables and Payables	39-40
8. Other Receivables and Payables	40-41
9. Inventories	41
10. Prepaid Expenses and Deferred Income	42
11. Investment Properties	42
12. Property, Plant and Equipment	43-45
13. Intangible Assets	46-47
14. Commitments	47
15. Government Grants	47-48
16. Provisions, Contingent Assets and Liabilities	48-50
17. Employee Benefits	51
18. Other Assets and Liabilities	52
19. Equity	52
20. Derivative Financial Instruments	53
21. Revenue and Cost of Sales	53-54
22. General Administrative Expenses, Marketing, Selling and Distributions Expenses	54-55
23. Expenses by Nature	55
24. Other Operating Income and Expenses	55-56
25. Investment Income and Expenses	56
26. Financial Income and Expenses	56-57
27. Assets held for sale	57
28. Income Taxes (Including Deferred Assets and Liabilities)	57-61
29. Earnings Per Share	61
30. Related Parties Transactions	62-63
31. Financial Instruments	64
32. Financial Instruments and Financial Risk Management	65-72
33. Financial Instruments (Fair Value Explanations and Explanations Within the Frame of Hedge Accounting)	73
34. Subsequent Events	74
35. Fees related to services received from independent audit firm	74

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated Statements of Financial Position as of December 31, 2021

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

		Audited	Audited
	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	5	1.179.720.584	659.990.037
Financial investments	31	191.032.590	19.087.380
Trade receivables			
- Trade receivables from related parties	30	1.248.779.873	590.662.054
- Trade receivables from third parties	7	659.621.649	232.137.472
Other receivables			
- Other receivables from related parties	30	--	--
- Other receivables from third parties	8	230.134.594	71.106.865
Inventories	9	5.018.321.850	1.389.767.975
Prepaid expenses	10	590.944.195	163.416.237
Derivative financial instruments	20	39.424.793	--
Assets related to the current period taxes	28	52.859	2.959.703
Other current assets	18	101.697.254	28.709.571
Current assets		9.259.730.241	3.157.837.294
Assets held for sale	27	--	--
Total current assets		9.259.730.241	3.157.837.294
Non-current assets			
Financial investments	31	22.967.162	13.744.887
Other receivables			
- Other receivables from third parties	8	18.937.471	9.000.553
Investments valued by equity method	3	40.676.021	23.582.630
Investment properties	11	191.478.293	139.506.066
Property, plant and equipment	12	3.081.727.065	1.685.905.290
Intangible assets	13		
- Goodwill		119.358.609	60.572.972
- Other intangible assets		82.712.134	18.711.986
Prepaid expenses	10	232.022.895	30.680.425
Deferred tax assets	28	--	29.360.848
Total non-current assets		3.789.879.650	2.011.065.657
Total assets		13.049.609.891	5.168.902.951

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

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated Statements of Financial Position as of December 31, 2021

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

	Notes	Audited December 31, 2021	Audited December 31, 2020
LIABILITIES			
Current liabilities			
Short term borrowings	6	2.559.498.555	1.542.470.426
Current portion of long-term borrowings	6	--	25.729.366
Trade payables			
- Trade payables to related parties	30	7.177.456	2.423.949
- Trade payables to third parties	7	4.696.694.049	1.429.845.764
Payables due to employee benefits	17	77.065.830	30.867.564
Other payables			
- Other payables to related parties		--	--
- Other payables to third parties	8	192.789.251	58.688.797
Deferred income	10	752.793.129	30.579.281
Liabilities related to current period tax	28	72.397.614	9.252.087
Derivative financial instruments	20	--	--
Short term provisions			
- Short-term provisions for employee benefits	17	51.430.512	28.045.036
- Other short-term provisions	16	189.136.960	72.430.797
Current liabilities		8.598.983.356	3.230.345.066
Liabilities related to assets held for sale	27	--	--
Total current liabilities		8.598.983.356	3.230.345.066
Non-current liabilities			
Long-term borrowings	6	8.354.465	70.585.949
Long-term provisions			
- Long-term provisions for employee benefits	17	338.204.352	94.829.669
Deferred tax liability	28	75.809.339	10.887.382
Total non-current liabilities		422.368.156	176.303.000
Total liabilities		9.021.351.512	3.406.648.066
Equity			
Share Capital	19	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Tangible Fixed Assets Revaluation Increases of Investments Valued by Equity Method		6.243.916	--
- Impairment on property, plant and equipment		549.972.967	317.298.232
- Defined benefits plans re-measurement losses		(2.811.836)	(1.097.445)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency translation differences		332.976.445	(490.429.269)
Restricted reserves from profit			
- Legal reserves	19	53.838.737	53.838.737
Retained earnings / losses		921.268.125	604.583.289
Current year profit/loss		523.125.635	262.056.082
Shareholders' equity		2.718.613.989	1.080.254.626
Non-controlling interests		1.309.644.390	682.000.259
Total shareholders' equity		4.028.258.379	1.762.254.885
Total liabilities and equities		13.049.609.891	5.168.902.951

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

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated Statements of Profit or Loss and

Other Comprehensive Income as of December 31, 2021

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

		Audited January 1 – December 31, 2021	Audited January 1 – December 31, 2020
	Notes		
Sales	21	10.769.401.513	5.413.712.238
Cost of sales	21	(8.184.433.439)	(4.127.022.757)
Gross profit		2.584.968.074	1.286.689.481
General and administrative expense	22	(238.116.647)	(140.504.951)
Marketing, selling and distribution expense	22	(351.857.021)	(488.723.374)
Other operating income	24	732.234.384	506.821.135
Other operating expense	24	(2.314.554.940)	(691.116.163)
Operating profit		463.293.850	472.763.948
Income from investment activities	25	59.692.808	1.279.962
Expenses from investment activities	25	(214.144)	(44.132)
Profit/(loss) from investments accounted by equity method	3	10.849.475	3.814.678
Financial income / (expense) before operating profit		533.621.989	484.816.406
Financial income	26	529.986.248	376.081.862
Financial expense	26	(493.019.975)	(336.263.224)
Gains / (losses) from net monetary position	26	39.675.421	(53.425.534)
Profit before tax from continuing operations		608.263.683	471.209.510
- Current period tax (expense)	28	(80.271.870)	(14.339.476)
- Deferred tax (expense) / income	28	(58.202.465)	(40.801.926)
Total tax (expense) / income		(138.474.285)	(55.141.392)
Net period profit / (loss)		469.789.398	416.068.118
Distribution of income / (loss) for the period			
Non-controlling interests		(53.336.237)	154.012.046
Attributable to equity holders of the parent		523.125.635	262.056.062
Loss per share (kr)	29	1,566	0,785
Other comprehensive income			
Items not to be reclassified to profit or loss			
Property, plant and equipment revaluation increases	12	6.243.916	—
Taxes on other comprehensive income	28	(25.852.744)	—
Actuarial gain/(loss) arising from defined benefit plans	17	(2.142.989)	726.481
Tax effect of other comprehensive income/ (expense)	28	428.598	(145.296)
Items to be reclassified to profit or loss			
Changes in currency translation differences		1.602.223.637	(246.897.203)
Other comprehensive (expense)		1.839.427.897	(256.316.018)
Total comprehensive income / (expense)		2.309.217.295	159.752.100
Distribution of total comprehensive income /			
Non-controlling interests		725.481.686	28.523.154
Equity holders of the parent		1.583.735.609	131.228.946

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

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÖBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Consolidated Statements of Changes in Equity as of December 31, 2020
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Accumulated other comprehensive income / (expense) not to be reclassified to profit or loss			Accumulated other comprehensive income / expense to be reclassified to profit or loss		Accumulated profit			Equity of the holders of the parent	Non controlling interests	Total equity
		Share capital	Impairment on property, plant and equipment	-Defined benefit plans re-measurement losses	Shares to be classified in profit / (loss) from other comprehensive income or investments accounted for using equity method	Foreign currency translation differences	Restricted reserves	Retained earnings	Net profit / (loss) for the year			
Balances at												
January 1, 2020		334,000,000	328,938,319	(1,678,630)	--	(259,030,958)	53,838,737	348,259,261	(149,740,564)	554,598,165	286,320,656	840,908,821
Adjustments for mandatory changes in accounting policies		--	(11,632,087)	--	--	--	--	444,440,632	--	432,808,545	461,600,753	894,409,298
Balances as restated		334,000,000	317,298,232	(1,678,630)	--	(359,030,958)	53,838,737	792,699,893	(149,740,564)	987,396,710	747,921,409	1,735,318,119
Transfer of subsidiary acquisition and disposal		--	--	--	--	--	--	1149,740,564	149,740,564	--	--	--
Dividend paid		--	--	--	--	--	--	(38,171,040)	--	(38,371,040)	(40,590,643)	(98,951,683)
Total comprehensive income / (expense)	19	--	--	581,185	--	(131,408,311)	--	--	262,056,082	134,238,596	38,523,154	159,752,110
Balances at												
December 31, 2020	19	334,000,000	317,298,232	(1,097,445)	--	(490,439,269)	53,838,737	604,588,239	262,056,082	1,094,254,626	682,004,259	1,762,258,885
Balances at												
January 1, 2021		334,000,000	317,298,232	(1,097,445)	--	(490,439,269)	53,838,737	604,588,239	262,056,082	1,094,254,626	682,004,259	1,762,258,885
Other corrections		--	--	--	--	--	--	54,623,754	--	54,623,754	17,127,217	111,745,971
Balances as restated		334,000,000	317,298,232	(1,097,445)	--	(490,439,269)	53,838,737	659,212,043	262,056,082	1,134,878,380	799,132,476	1,974,000,856
Transfer of Dividend paid		--	--	--	--	--	--	262,056,082	(262,056,082)	--	--	--
Total comprehensive income / (expense)	19	--	232,674,735	(1,714,391)	6,243,916	829,405,714	--	--	523,125,635	1,503,735,609	725,481,866	2,309,217,295
Balances at												
December 31, 2021	19	334,000,000	549,972,967	(2,811,836)	6,243,916	1,129,764,445	53,838,737	921,268,125	523,125,635	2,718,613,989	1,309,644,390	4,028,258,379

This accompanying notes form an integral part of these consolidated financial statements

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated Statements of Cash Flows as of December 31, 2021

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

	Notes	January 1 - December 31, 2021	January 1 - December 31, 2020
Cash flows from operating activities			
Period income / (loss)		449,789,398	416,068,128
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	12, 13	701,604,164	126,339,368
Adjustments for undistributed profits of investments valued by equity method	5	(10,849,475)	(3,816,676)
Adjustments related to provisions for employee benefits	17	288,473,114	63,540,117
Adjustments related to interest expenses		230,750,721	145,776,390
Adjustments related to impairment of inventories	9	1,857,449	(4,061,519)
Adjustments related to impairment of receivables	8	5,548,535	(3,088,209)
Deferred financial income		2,145,920	(58,988)
Adjustments related to lawsuit provision	16	13,052,548	20,623,957
Adjustments related to current period tax income	28	138,474,255	55,141,382
Adjustments related to losses (gains) on sale of property, plant and equipment	25	(6,511,428)	45,357
Adjustments related to fair value losses (gains) on derivative financial instruments	20	(39,474,793)	9,462,872
Adjustments related to fair value losses (gains) on investment properties	25	(51,972,227)	(2,176,495)
Cash flows from the operating activities before changes in the assets and liabilities		1,243,678,011	823,591,892
Change in working capital (net):			
Increase in trade receivables		(1,054,552,350)	(306,901,651)
Increase in other receivables		(168,964,617)	214,210,408
Decrease in inventories		(3,792,741,434)	(32,545,738)
Increase in trade payables		3,272,115,891	442,942,391
Increase / (decrease) in employee benefit obligations		46,198,266	(1,291,196)
Increase / (decrease) in deferred income		723,213,848	13,415,350
Increase / (decrease) in prepaid expenses		(628,870,428)	(54,167,046)
Increase / (decrease) in other payables		(20,859,318)	(86,330,336)
Adjustments related to other decreases in working capital		83,212,115	(144,945,824)
Cash flows from the operations after the changes in working capital		(333,570,043)	837,918,238
Interest paid		(175,649,906)	(107,563,666)
Taxes refunds / (payments)	28	42,956,514	(10,694,391)
Payments related to provision for employee benefits	17	(97,972,780)	(39,569,575)
Cash flow regarding investment activities		(514,236,215)	680,687,898
Cash flow from investment activities			
Cash outflows from the purchases of property, plant and equipment and intangible assets	12, 13	(298,593,156)	(138,208,049)
Cash inflows from the sales of property, plant and equipment and intangible assets	12, 13	38,127,244	159,326
Other inflows (outflows) of cash		(151,167,485)	28,583,971
Cash flow from discontinued operations, net		-	63,327,280
Cash flow from investment activities		(411,543,397)	(46,148,472)
Cash flow from financing activities			
Cash inflows from financing borrowings		3,079,000,000	2,141,937,440
Cash outflows from financing borrowings payments		(2,255,043,336)	(2,182,674,301)
Cash flow from financing activities		823,956,664	(38,736,861)
Net change in cash and equivalents before effect of foreign currency translation difference		(131,823,148)	593,209,765
Cash and cash equivalents as of January 1	1	657,508,103	174,457,909
Foreign currency translation difference		645,806,583	(112,159,572)
Cash and cash equivalents as of December 31	5	1,171,491,537	657,508,102

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

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Gübre Fabrikaları T.A.Ş. ("Gübretaş" or "the Company") and its subsidiaries (altogether referred to as "the Group") are composed of direct or indirect four subsidiaries (December 31, 2020: four) and two associates (December 31, 2020: two). 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 Plant Directorate	Production / Port facilities / Storage
Aegean Regional Directorate	Sales-marketing / Liquid-powder fertilizer production / Storage
Black Sea Regional Directorate	Sales-marketing / Storage
Eastern Mediterranean Regional Directorate	Sales-marketing / Port facilities / Storage
Marmara Regional Directorate	Sales-marketing / Storage
Central Anatolia Regional Directorate	Sales-marketing
Southeastern Anatolia Regional Directorate	Sales-marketing
GAP Regional Directorate	Sales-marketing
Western Mediterranean Regional Directorate	Sales-marketing

The number of employees of the Company and its subsidiaries for the period ended December 31, 2021 is 1 576 (December 31, 2020: 1,569).

23,67% 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, 2021		December 31, 2020	
	Share %	Share amount	Share %	Share amount
TKK	%75,95	253.684.607	%75,95	253.684.607
Other – public	%24,05	80.315.393	%24,05	80.315.393
Total	%100,00	334.000.000	%100,00	334.000.000

1.1 Subsidiaries

The companies, which are included in the scope of consolidation as of December 31, 2021 and December 31, 2020, the direct and indirect voting rights of Gübretaş and their effective partnership rates (%) and the valid currencies according to the countries of operation are shown below:

Name	Currency in Use	December 31, 2021		December 31, 2020	
		Voting Right	Effective Ownership Rate	Voting Right	Effective Ownership Rate
Razi Petrochemical Co.	IRR	48,88%	48,88%	48,88%	48,88%
Arya Phosphoric Jomsh Co.	IRR	48,88%	48,88%	48,88%	48,88%
Tasfiye Bölünde Rafinade Petrolkimya ve Dış Ticaret A.Ş.	TL	48,88%	48,88%	48,88%	48,88%
Gübretaş Maden Yatırımları A.Ş.	TL	100,00%	100,00%	100,00%	100,00%
Türkim Bitki Koruması Sanayi ve Ticaret A.Ş.	TL	40,00%	40,00%	40,00%	40,00%
Tarım Tarım Kredi Bilgi ve Yatırım Hizmetleri A.Ş.	TL	15,78%	15,78%	15,78%	15,78%

GÜBRE FABRİKALARI TÖRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Cont'd)

1.1 Subsidiaries (Cont'd)

Razi Petrochemical Co.

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, 2020: 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.

Raintrade Petrokimya ve Dış Ticaret A.Ş. in Liquidation.

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 the Extraordinary General Assembly of Razi held on August 19, 2020, it was decided to liquidate Raintrade Petrokimya ve Dış Ticaret A.Ş. and the relevant liquidation process has not been realized yet as of the report date.

Arya Phosphoric Joncob Co.

In 2012, Razi has purchased 87,5% of Arya Phosphoric Joncob 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.

Gübretaş Maden Yatırımları A.Ş.

According to the Board Decision dated January 22, 2020, it was decided to establish Gübretaş Maden Yatırımları A.Ş. with a paid in capital of TL 550.000 and 100% of the shares owned by the Group, where the incorporation procedures were completed with the trade registration effected on March 31, 2020. On February 24, 2021, the Sığdı Gold Mine license with registration number 82050 and the works within the scope of the license were transferred to Gübretaş Maden. In the General Assembly of Gübretaş Maden dated January 29, 2021, it was decided to increase the capital of the company to TL 40.000.000. and it was fully paid on May 6, 2021 in cash. Gübretaş Maden, which is included in the consolidation, continues its construction activities to start mining activities as of the date of the report.

1.2 Affiliates

Gübretaş has participated in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. ("Tarkim"), which operates in agricultural pesticide sector on April 13, 2009. As of the balance sheet date, the shares held by Gübretaş is 40% of total shares of Tarkim (December 31, 2020: 40%).

1.3 Other financial statements

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 TEK.

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Cont'd)

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 11, 2022. The General Assembly has the power to amend the consolidated financial statements.

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. However due to the accumulative inflation rate of last three years in Iran exceeding 100% (120%), the financial statements have been prepared accounting the effects of inflation instead of historical cost basis, as of the beginning of the accounting period of 2020. IAS 29 "Financial Reporting in Highly Inflationary Economies" standard was applied during the preparation of the financial statements of the subsidiary in Iran.

Going Concern

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

Netting/ Offset

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1 Basis of presentation (Continued)

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.

Functional Currency

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

The functional currency of the Company's subsidiary operating in Iran is Iranian Rial ("IRR") and the functional currency of the subsidiaries sold and removed from the consolidation in 2020, IGLC Anka and IGLC Dicle, is US Dollar ("USD"). In Iran, the exchange rates used in the market for foreign currency-based transactions differ significantly from the announced fixed exchange rates. The Center for Foreign Exchange Transactions ("Center") has been established under the supervision of the Central Bank of Iran and the benchmark rates, which are close to the free market rates, have begun to be announced. In the foreign currency valuations of Razi, as the exchange rate regime in Iran is ambiguous and it is uncertain with which exchange rate will be realized in the future cash flows, the year-end exchange rate (NTMA) announced by the Center is used. Similarly, while calculating the period average exchange rates, the average of the rates announced by the Center was taken into consideration.

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, 2021		December 31, 2020	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000052874	0,000032305	0,000028789	0,000027051

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.1 Basis of presentation (Cont'd)

Restatement of Previous Period and Restatement Financial Statements in High Inflation Periods

CMB declared with the decision taken on March 17, 2005, that the listed companies operating in Turkey and preparing financial statements for the accepted financial reporting standards by the Capital Markets Board ("CMB Financial Reporting Standards") were not subjected to inflation accounting effective as from January 1, 2005. In the statement made by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, Since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74.41%, it is stated that there is no need to make any adjustments within the scope of TAS 29 in the financial statements for 2021. In this respect, while preparing the financial statements as of December 31, 2021, no inflation adjustment was made according to TAS 29. On the other hand, within the scope of tax legislation, inflation accounting has been postponed starting from the financial statements dated 31 December 2023, with the "Law on Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022. However due to the accumulative inflation rate of last three years in Iran exceeding 100% (120%), the financial statements have been prepared accounting the effects of inflation instead of historical cost basis, as of the beginning of the accounting period of 2020. IAS 29 "Financial Reporting in Highly Inflationary Economies" standard was applied during the preparation of the financial statements of the subsidiary in Iran.

Financial statements are prepared on the basis of historical costs of purchases and sales; thus, the balance sheet items that have not yet been expressed in currency in the balance sheet should be converted using a general price index. This also should be applying for income and expenses. Monetary assets and liabilities are not required to be converted using a general price index, if they are subject to price changes depending on the contract or are expressed as current value.

Subsidiaries reporting in a hyperinflationary currency of the parent company in a non-hyperinflationary economy

According to TAS 21, when the financial statements and financial information of an entity, whose functional currency is the currency of a hyperinflationary economy, are converted to the currency of a non-hyperinflationary economy, comparative amounts may be those presented as current year amounts in the relevant previous year's financial statements (not adjusted according to changes in price level or foreign currency in next period).

The effect of the adjustment of the financial statements for inflation amounting to TL 394,409,298 related with the prior periods was recognized in the opening balances in the equity in the previous year's profits as of January 1, 2020. As of January 1, 2021, the equity opening balances of the subsidiary have been corrected by TL 111,745,971 regarding inflation accounting.

2.2 Changes in Turkish Financial Reporting Standards ("TFRS")

The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2020 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, 2021.

GÖBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.2 Changes in Turkish Financial Reporting Standards ("TFRS") (Cont'd)

The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows (Cont'd):

Amendments to IFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform — Phase 2

In December 2020, POA introduced and published amendment of the Benchmark Rate Reform – Phase 2- TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, which introduced temporary exemptions in order to eliminate the effects on financial reporting of replacing the benchmark interest rate (IBOR) with an alternative reference interest rate. Businesses will apply these changes for annual accounting periods beginning on or after January 1, 2021. This change does not have a material impact on the consolidated financial position and performance of the Group.

Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions

Effective from April 1, 2021, this change has been extended to June 2022 as of March 31, 2021. As a result of coronavirus (COVID-19) pandemic, rent concession have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for a such rent concessions in the same ways as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Standards published but not yet effective and not early adopted

The new standards, interpretations and amendments that have been published as of the approval date of the consolidated financial statements but have not yet entered into effect for the current reporting period and have not been applied early by the Group are as follows. Unless stated otherwise, the Group will make the necessary changes that will affect its consolidated financial statements and notes after the new standards and interpretations come into effect.

TFRS 3 Amendments – Amendment to References to the Conceptual Framework

POA made changes to the TFRS Business Combinations standard in July 2020. The amendment was made with the intent to replace the reference to the old version of the Conceptual Framework (the 1989 Framework) with a reference to the current version (Conceptual Framework) released in March 2018, without materially changing the requirements of TFRS 3. However, a new paragraph has been added to TFRS 3 to define contingent assets that do not meet the recognition criteria at the acquisition date. The amendment will be applied prospectively for annual accounting periods beginning on or after January 1, 2022. Early application is permitted if the entity implements all changes in IFRS standards that refer to the Conceptual Framework (March 2018) at the same time or earlier. The effects of the said change on the financial position and performance of the Group are being evaluated.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.2 Changes in Turkish Financial Reporting Standards ("TFRS") (Cont'd)

Standards published but not yet effective and not early adopted (Cont'd)

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

Amendments to TAS 16 - Proceeds before Intended Use

In July 2020, POA made changes to TAS 16 Tangible Fixed Assets standard. With the amendment, companies do not allow revenues from the sale of manufactured products to be deducted from the cost of the tangible fixed asset item, while making a tangible asset fit for its intended use. Companies will now recognize such sales revenue and related costs in profit or loss. The amendment will be applied for annual accounting periods beginning on or after 1 January 2022. Changes may be applied retrospectively only for items of property, plant and equipment that are made available at the beginning or after the earliest presented period in comparison with the accounting period in which the entity first applied the change. There is no exemption for those who will apply TFRS for the first time. The effects of these changes on the financial position and performance of the Group are being evaluated.

Amendments to TAS 37 - Onerous contracts - Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after January 1, 2022, to specify which costs an entity needs to include 54 when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2023; 53 early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.2. Changes in Turkish Financial Reporting Standards ("TFRS") (Cont'd)

Standards issued but not yet effective and not early adopted (Cont'd)

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after January 1, 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Annual Improvements – 2018–2020 Cycle

In July 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.

All of the improvements made will be applied for the annual accounting periods starting from January 1, 2022 and after. Early application is allowed. The impacts of the new standards, amendments and improvements on the consolidated financial position and performance of the Group being assessed.

TAS 8 Amendments – Definition of accounting estimates

In August 2021, POA published amendments to TAS 8 that introduce a new definition for "accounting forecasts". The amendments published for TAS 8 are valid for annual accounting periods beginning on or after January 1, 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. It also clarifies how businesses can use measurement techniques and inputs to improve accounting estimates. The amended standard clarifies that the effects of a change in input or a change in a measurement technique on the accounting estimate are changes in accounting estimates unless they result from a correction for prior period errors. The previous definition of change in accounting estimate indicated that changes in accounting estimates could result from new information or new developments. Therefore, such changes are not considered as corrections of errors. This aspect of the definition has been preserved by the UPS. The effects of the said change on the financial position and performance of the Group are being evaluated.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.2. Changes in Turkish Financial Reporting Standards ("TFRS") (Cont'd)

Standards issued but not yet effective and not early adopted (Cont'd)

TAS 1 Amendments – Disclosure of accounting policies

In August 2021, POA published amendments to TAS 1, providing guidance and examples to help businesses apply materiality estimates to accounting policy disclosures. The amendments published in TAS 1 are valid for annual accounting periods beginning on or after January 1, 2023. Due to the lack of a definition of the term "significant" in TFRS, POA has decided to replace this term with "significant" in the context of disclosing accounting policy information. 'Significant' is a term defined in TFRS and is widely understood by users of financial statements according to POA. In assessing the materiality of accounting policy information, entities need to consider both the size of transactions, other events or conditions, and their nature. In addition, examples of situations in which the entity may consider accounting policy information to be important are included. The effects of the said change on the financial position and performance of the Group are being evaluated.

TAS 12 Amendments – Deferred tax on assets and liabilities arising from a single transaction

In August 2021, POA published amendments to TAS 12 that narrows the scope of the initial recognition exemption and thus ensures that the exemption is not applied to transactions that result in equal taxable and deductible temporary differences. Amendments to TAS 12 are valid for annual accounting periods beginning on or after January 1, 2023. Changes require a judgment (given applicable tax law) whether such deductions are attributable for tax purposes to the recognized liability (and interest expense) or related asset component (and interest expense) where payments made on a liability are tax deductible. clarifies that it is an issue. This judgment is important in determining whether there is any temporary difference in initial recognition of the asset and liability. Changes apply to transactions that occur at or after the beginning of the earliest period presented comparatively. In addition, at the beginning of the earliest comparative period presented, deferred tax asset (provided there is sufficient taxable income) and deferred tax liability are recognized for all deductible and taxable temporary differences related to leases and decommissioning, restoration and similar liabilities. The effects of the said change on the financial position and performance of the Group are being evaluated.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.3 Principles of Consolidation

- a) The consolidated financial statements for the period ended December 31, 2021, have been prepared in accordance with principles stated on consolidated financial statements for the year ended December 31, 2020 and include the financial statements of Gübretaş and those of subsidiaries.
- b) As of December, 2021, there have been no changes in voting rights or proportion of effective interest on subsidiaries that are subject to consolidation with respect to the information stated in the consolidated financial statements for the year ended December 31, 2020.
- 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 require 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.

Impacts of Covid - 19 Pandemic

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

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

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- 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 – IFRS 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

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.

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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.4 Leases – IFRS 16 (as a lessee)

Right of use (Cont'd)

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 IFRS 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.5 Inventories (Cont'd)

The phase cost system is used as the cost system. First in first out 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.

2.4.7 Property, plant and equipment

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 deprecation 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 consolidated income statement.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.7 Property, plant and equipment (Cont'd)

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

Buildings, land improvements	10-50 Years
Machines, facilities and equipment	3-40 Years
Vehicles	4-10 Years
Furniture and fixtures	3-15 Years
Leasehold improvements	5 Years

2.4.8 Intangible 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.

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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

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 disclosures. In addition, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the relevant disclosures.

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 Borrowings 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

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 IFRS 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 IFRS 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Financial Instruments (Cont'd)

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. 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Financial instruments (Cont'd)

Impairment of financial assets / expected credit loss

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.

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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Financial instruments (Cont'd)

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.

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 TL which is valid currency unit for company and presentation unit for consolidated financial statements.

Foreign currency unit-based transactions (other currencies than TL) 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 TL 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.

GÖBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.14 Impact of exchange rates (Cont'd)

Assets and liabilities of Group in its foreign operations are expressed in consolidated financial statements in TL 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.

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 amounts is almost certain and can be measured in a safe way.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Tax calculated on the basis of the Group's earnings

Since Turkish tax legislation does not allow preparation of consolidated tax statement of a parent 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 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).

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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Tax calculated on the basis of the Group's earnings (Cont'd)

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 IAS 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 IAS 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.

Vacation Pay provision

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

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 petrochemical 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 dependent 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

Goodwill impairment

Goodwill is tested for impairment annually by the Group. As of the balance sheet date, goodwill is formed as a result of the purchase of Razi and its subsidiary Arya, and Razi is defined as the cash generating unit for the goodwill impairment test. These value-in-use calculations include discounted after-tax cash flow estimates. Based on annual budgets approved by group management. In the value-in-use calculations, the discount rate is 14%, the growth rate is 4% (December 31, 2020: 14% discount, 4% growth). The discount rate used is the post-tax discount rate and includes risks specific to Razi's activities. As of December 31, 2021, the Group has not detected any impairment in the amount of goodwill as a result of the impairment tests performed using the assumptions above.

Deferred tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between its tax base legal financial statements and its consolidated financial statements prepared in accordance with TFRS. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. During the evaluation, future profit projections, losses in current periods, expiry dates of unused losses and other tax assets, and tax planning strategies that can be used when necessary are taken into consideration. In the light of the data obtained, if the future taxable profit of the Group is not sufficient to cover all deferred tax assets, a provision is made for all and part of the deferred tax asset. If future operating results exceed the Group's current expectations, it may be necessary to recognize an unrecognized deferred tax asset.

Fair value of properties

The fair value of the Group's investment properties, land and buildings as of December 31, 2021 has been determined according to the valuation carried out by an independent valuation firm that is not related to the Group. TSKB Gayrimenkul Değerleme A.Ş. is an independent valuation firm, which is authorized by the Turkish Capital Markets Board and the Banking Regulation and Supervision Agency, has appropriate qualifications and experience in valuation of immovable properties in the said places. Fair value has been determined by the appropriate one of the Market (Benchmark) Approach, Cost Approach and Income Approach methods, which are in accordance with the International Valuation Standards. In Market Approach, the unit price is determined after price adjustment is made within the framework of criteria that may affect the market value, taking into account similar real estates that have recently been put on the market and sold/leased.

The appraisal in the valuation does not take into account the title deed encumbrances and is based on the assumption that there is no lawsuit related to the real estate. The Cost Approach Method is based on the cost of rebuilding the existing structure in today's conditions. The Income Approach Method, on the other hand, is a return capitalization that calculates with an appropriate return discount rate, including potential income sources, cash flows, vacancy-rent losses, deducting operating expenses and including resale revenue into the investment.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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

2.5 Changes and Errors in Accounting Policies and Estimates (Cont'd)

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made, if it relates to only one period, and both in the period when the change is made and prospectively if it is related to future periods.

In accordance with the Decision of the Board of Directors dated July 6, 2021 and numbered 1346, the Company indexed its fixed assets on the basis of the revaluation rates and indices determined by the Ministry of Finance and revalued them in its legal records in accordance with Law No. 7326 related to the Restructuring of Certain Receivables and Making Amendments in Certain Laws, Article No 11 and the Provisional article No. 31, added to the Tax Procedure Act. The revaluation made in accordance with the Tax Procedure Law may differ from their fair values determined in accordance with TFRS principles based on market approach. The fair values of the land, buildings and underground and above-ground properties owned by the Group have been determined as TL 814.396.000, which was appraised in the valuation report dated October 12, 2021 prepared by the CMB licensed valuation firm, which provides valuation services within the framework of the CMB legislation. As of December 31, 2021, the valuation difference of TL 153.120.578, TL 98.287.102, and TL 7.119.803 totaling to TL 258.527.483 over the appraised fair values of the land and buildings, has been reflected in the financial statements.

2.6 Mergers

As of December 31, 2021, there is no merger (December 31, 2020: None)

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

(Amounts expressed in Turkish Lira ("TL") 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, 2021	December 31, 2020
Current assets	387.131.084	161.496.513
Non-current assets	67.508.799	27.301.929
Short-term liabilities	(342.640.860)	(117.245.282)
Long-term liabilities	(10.308.970)	(12.596.586)
Net Assets	101.690.053	58.956.574

	Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	January 1 – December 31, 2021	January 1 – December 31, 2020
Net sales	251.901.471	124.167.310
Net profit	27.123.688	9.541.695

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

	December 31, 2021	December 31, 2020
Tarkim Bitki Koruma San. ve Tic. A.Ş.	40.676.621	23.582.630
Total Net Asset	40.676.621	23.582.630

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

	December 31, 2021	December 31, 2020
Tarkim Bitki Koruma San. ve Tic. A.Ş., net profit	10.849.475	3.816.678
Tarkim Bitki Koruma San. ve Tic. A.Ş., comprehensive income	6.243.916	--
Total	17.093.391	3.816.678

	Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	2021	2020
Participation rate	%40	%40
Total equity	101.690.053	58.956.574
As the date of January 1	23.582.630	19.765.952
Total comprehensive income in the current year	17.093.391	3.816.678
As the date of December 31	40.676.621	23.582.630

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

(Amounts expressed in Turkish Lira ("TL") 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. Gübretaş 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 Group management evaluates the operational results and financial performance based on consolidated 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, 2021 and December 31, 2020 is as follows:

	Turkey	Iran	Consolidation	Total
	December	December	Adjustments	
	31,2021	31,2021	December	December
	31,2021	31,2021	31,2021	31,2021
Assets				
Current assets	6.823.339.550	2.496.422.713	(60.032.022)	9.259.730.241
Non-current assets	1.989.392.768	2.137.229.112	(336.742.230)	3.789.879.650
Total assets	8.812.732.318	4.633.651.825	(396.774.252)	13.049.609.891
Liabilities				
Short-term liabilities	7.029.287.046	1.629.728.332	(60.032.022)	8.598.983.356
Long-term liabilities	92.598.434	329.769.722	—	422.368.156
Equities	1.690.846.838	2.674.153.771	(336.742.230)	4.028.258.379
Total Liabilities	8.812.732.318	4.633.651.825	(396.774.252)	13.049.609.891

	Turkey	Iran	Consolidation	Total
	December	December	Adjustments	
	31,2020	31,2020	December	December
	31,2020	31,2020	31,2020	31,2020
Assets				
Current assets	2.111.323.215	1.278.895.928	(232.381.849)	3.157.837.294
Non-current assets	1.471.511.164	916.160.738	(376.606.245)	2.011.065.657
Total assets	3.582.834.379	2.195.056.666	(608.988.094)	5.168.902.951
Liabilities				
Short-term liabilities	2.799.152.170	662.323.215	(231.130.319)	3.230.345.066
Long-term liabilities	89.895.478	86.407.522	—	176.303.000
Equities	693.786.731	1.446.325.929	(377.857.775)	1.762.254.885
Total Liabilities	3.582.834.379	2.195.056.666	(608.988.094)	5.168.902.951

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

The distribution of segment assets and liabilities pertaining to the years ending December 31, 2021 and December 31, 2020 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	January 1, - December 31, 2021	January 1, - December 31, 2021	January 1, - December 31, 2021	January 1, - December 31, 2021
Sales	8.828.243.844	2.184.048.747	(242.891.078)	10.769.401.513
Cost of sales	(6.647.489.495)	(1.779.835.022)	242.891.078	(8.184.433.439)
Gross profit	2.180.754.349	404.213.725	--	2.584.968.074
Marketing, selling and distribution expense	(330.382.083)	(21.474.938)	--	(351.857.021)
General and administrative expense	(107.885.832)	(130.230.814)	--	(238.116.647)
Other operating income / expense, net	(1.211.880.144)	(319.820.412)	--	(1.531.700.556)
Operating profit	530.606.289	(67.312.439)	--	463.293.850
Income from investments, net	244.247.884	957.602	(185.726.822)	59.478.664
Profit from investments accounted by equity method	10.849.475	--	--	10.849.475
Operation profit before financial income / (expense)	785.703.648	(66.354.837)	(185.726.822)	533.621.989
Financial expense, net	85.633.461	(10.991.767)	--	74.641.694
Profit / (loss) before tax	871.337.109	(77.346.604)	(185.726.822)	608.263.683
Deferred tax income / (expense)	(111.481.285)	(26.993.600)	--	(138.474.885)
Profit / (loss) for the period	759.855.824	(104.339.604)	(185.726.822)	469.789.398

	Turkey	Iran	Consolidation Adjustments	Total
	January 1, - December 31, 2020	January 1, - December 31, 2020	January 1, - December 31, 2020	January 1, - December 31, 2020
Sales	4.086.613.452	2.017.192.408	(690.093.602)	5,413.712.258
Cost of sales	(3.489.679.187)	(1.139.472.184)	702.128.614	(4.127.022.757)
Gross profit	596.934.265	677.720.224	12,035.012	1.286.689.501
Marketing, selling and distribution expense	(247.354.560)	(241.371.014)	--	(488.725.574)
General and administrative expense	(49.421.051)	(91.483.900)	--	(140.904.951)
Other operating income / expense, net	(122.817.554)	(48.190.861)	(13.286.613)	(184.295.028)
Operating profit	177.341.100	296,674,449	(1,251,601)	472,763,948
Income from investments, net	35.553.189	--	(27,317,409)	8,235,780
Profit from investments accounted by equity method	3,816,678	--	--	3,816,678
Operation profit before financial income / (expense)	216.710.967	296,674,449	(28,569,010)	484,816,406
Financial expense, net	(36,891,978)	23,285,082	--	(13,606,896)
Profit / (loss) before tax	179,818,989	319,959,531	(28,569,010)	471,209,510
Deferred tax income / (expense)	(37,721,215)	(17,670,487)	250,320	(55,141,382)
Profit / (loss) for the period	142,097,774	302,289,044	(28,318,690)	416,068,128

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 4 – SEGMENT REPORTING (Cont'd)

Investment expenditures pertaining to segment assets for the year ending December 31, 2021 and December 31, 2020 are as follows:

	January 1, - December 31, 2021	January 1, - December 31, 2020
Gübretaş (Fertilizer Production)	72.928.172	111.386.561
Gübretaş Maden (Mining)	111.871.736	--
İran (Fertilizer Production)	113.717.101	26.821.488
Total	298.517.009	138.208.049

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the year ending December 31, 2021 and December 31, 2020 are as follows:

	January 1, - December 31, 2021	January 1, - December 31, 2020
Gübretaş (Fertilizer Production)	52.169.127	41.036.349
Gübretaş Maden (Mining)	3.402.882	--
İran (Fertilizer Production)	146.032.155	85.303.019
Total	201.604.164	126.339.368

NOTE 5 – CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hands	935.227	289.354
Bank	1.176.256.732	655.981.343
- demand deposits	153.216.859	66.780.996
- time deposits	1.023.039.873	589.200.347
Other cash equivalents	2.528.625	3.720.340
Total	1.179.720.584	659.990.037
Blocked deposit	(8.229.047)	(2.481.935)
Cash and cash equivalents at the statement of cash flow	1.171.491.537	657.508.102

5.1 Time deposits (TL)

Interest rate (%)	Maturity	December 31, 2021
25,00	3 days	7.254.351
Total		7.254.351

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 5 – CASH AND CASH EQUIVALENTS (Cont'd)

5.1 Time Deposits (TL) (Cont'd)

Interest rate (%)	Maturity	December 31, 2020
19,00	3 days	176.629.065
Total		176.629.065

5.2 Time deposits (Foreign Currency):

Interest rate (%)	Maturity	Currency	December 31, 2021	
			Currency amount	Amount in TL
1,00	3 days	EUR	15.083.480	227.559.941
10 –11	3 days	Mil. IRR	1.854.057	98.030.814
1,30	3 days	USD	51.781.436	690.194.767
Total				1.015.785.522

Interest rate (%)	Maturity	Currency	December 31, 2020	
			Currency amount	Amount in TL
0,65	3 days	EUR	83.514	752.290
10 - 15	3 days	Mil. IRR	1.112.502	32.028.278
2,50-3,75	15 days	USD	51.739.080	379.790.714
Total				412.571.282

NOTE 6 – FINANCIAL BORROWINGS

Short-term and Long-term borrowings	December 31, 2021	December 31, 2020
Payable within 1 year	2.559.498.555	1.568.209.792
Payable within 1 – 5 years	8.354.465	70.585.949
Total	2.567.853.020	1.638.795.741

As of December 31, 2021, and December 31, 2020, details of short-term and long-term borrowings are as follows:

Short-term borrowings	December 31, 2021	December 31, 2020
Short-term borrowings	2.549.567.447	1.537.005.210
Short-term portion of long-term borrowings	--	25.739.366
Lease liabilities	7.533.393	5.465.216
Other short-term borrowings	2.397.715	--
Total	2.559.498.555	1.568.209.792

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 6 – FINANCIAL BORROWINGS (Cont'd)

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

As of December 31, 2021, and December 31, 2020, the details of short-term and long-term borrowings are as follows:

December 31, 2021

<u>Currency</u>	<u>Average effective annual interest rate (%)</u>	<u>Original amount</u>	<u>Amount in TL</u>
Bank loans			
EUR	6,50	1.626.458	24.582.124
TL	18,07	2.363.142.703	2.363.142.703
Other financial borrowings			
Mil. IRR (*)	18,00	3.060.930	161.842.620
Total			2.549.567.447

December 31, 2020

<u>Currency</u>	<u>Average effective annual interest rate (%)</u>	<u>Original amount</u>	<u>Amount in TL</u>
Bank loans			
TL	7,20 – 11,55	1.472.735.344	1.472.735.344
Other financial borrowings			
Mil. IRR (*)	18,00	3.126.470	90.009.232
Total			1.562.744.576

(*) The amounts included in the short-term and long-term other financial borrowings of Razi represent the financial payables to its previous owner before the privatization.

6.2 Financial Lease Liabilities

<u>December 31, 2021</u>	<u>Average effective annual interest rate (%)</u>	<u>Original Amount</u>	<u>Amount in TL</u>
<u>Currency</u>			
TL	14	7.533.393	7.533.393
Total			7.533.393
<u>December 31, 2020</u>	<u>Average effective annual interest rate (%)</u>	<u>Original Amount</u>	<u>Amount in TL</u>
<u>Currency</u>			
TL	12	5.465.216	5.465.216
Total			5.465.216

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 6 – FINANCIAL BORROWINGS (Cont'd)

6.3 Long-term Borrowings

	December 31, 2021	December 31, 2020
Long-term bank loans	--	60.745.714
Lease liabilities (Note 2.4)	8.354.465	9.840.235
Total	8.354.465	70.585.949

As of December 31, 2021, there are no long-term loans. As December 31, 2020 details of long-term borrowings are as follows:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2022	13,89-14,89	60.745.714	60.745.714
Total				60.745.714

Finance Lease Liabilities

December 31, 2021				
Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2025	14	8.354.465	8.354.465
Total				8.354.465
December 31, 2020				
Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2023	12	9.840.235	9.840.235
Total				9.840.235

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

7.1 Short-term trade receivables:

	December 31, 2020	December 31, 2020
Trade receivables	82.773.081	133.404.855
Receivables from Iran Oil Ministry's participations (*)	591.521.657	107.857.371
	<u>674.294.738</u>	<u>241.262.226</u>
Provision for doubtful trade receivables	(14.673.089)	(9.124.754)
Total	659.621.649	232.137.472

(*) As of December 31, 2021 and 2020, the related amounts have not been collected for a long period of time. Negotiations continues for the collection of these unsecured trade receivables, and since the trade with these companies is continuing, no provision has been made for the relevant amounts.

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

Time after maturity	December 31, 2021	December 31, 2020
More than 9 months	14.673.089	9.124.754
Total	14.673.089	9.124.754

For the years ended December 31, 2021 and December 31, 2020, the movement of doubtful trade receivables provision is as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the period	9.124.754	12.212.962
Period cost	5.548.335	(3.088.208)
Balance at end of the period	14.673.089	9.124.754

As December 31, 2021 and December 31, 2020 guarantees obtained for receivables not due yet are as follows:

	December 31, 2021	December 31, 2020
Guarantee letters	111.558.883	131.844.008
Collateral cheques and notes	8.967.841	22.321.591
Total	120.526.724	154.165.599

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Cont'd)

7.2 Short-term trade payables

	December 31,2021	December 31,2020
Liabilities to the Iranian gas supplier	673.023.837	129.363.408
Creditors	3.959.952.257	1.279.368.406
Other trade payables	63.717.955	21.113.950
Total	4.696.694.049	1.429.845.764

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

8.1 Other short-term receivables:

	December 31,2021	December 31,2020
VAT receivables - Turkey	81.593.928	22.322.730
Due from personnel	35.094.389	3.127.245
Receivables from Tabosan (*)	36.391.022	35.259.932
Receivables from other government agencies - Razi	58.197.738	5.317.203
Other various receivables	18.857.517	5.079.755
Total	230.134.594	71.106.865

(*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TL 36.391.022 as of report date. The Group management requested from the Bankruptcy Administration to affect the transfer of Razi shares pertaining to Tabosan Mühendislik ve İtinalar ve Montaj San. A.Ş. ("Tabosan") at the rate of 1,31% corresponding to payments in the amount of EUR 5.439.402 made as co-guarantor. Since this request was not accepted by the Bankruptcy Administration, the Group applied to court whereby it was ruled by the court to issue an interim injunction on June 27, 2013 in order to avoid any savings on the shares and the distribution of 1,31% of Razi shares owned by Tabosan. The share transfer lawsuit brought to the court by the Group was dismissed and appealed by the Group. However, the court ruling was approved by the Supreme Court. The Group hence applied to the Supreme Court in order to seek a revision of the verdict. The lawsuit filed by the Group against the Bankruptcy Court to seek share transfer plea was rejected.

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

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Cont'd)

8.2 Other long-term receivables

	December 31,2021	December 31,2020
Deposits and guarantees given	9.280.676	5.056.346
Due from personnel	1.535.302	984.584
Other long-term receivables	8.121.493	2.959.623
Total	18.937.471	9.000.553

8.3 Other short-term payables

	December 31,2021	December 31,2020
Dividend payables to non-controlling interests	112.222.501	12.392.247
Other payables to related parties	5.707.468	3.248.640
Other payables and liabilities	74.859.282	43.047.910
Total	192.789.251	58.688.797

8.4 Other long-term payables

None (December 31, 2020: None).

NOTE 9 - INVENTORIES

	December 31,2021	December 31,2020
Raw materials and supplies	1.245.286.249	183.852.639
Finished goods	993.029.623	163.335.197
Trade goods	2.550.653.948	782.814.591
Other inventories	245.961.439	274.517.508
	5.034.931.259	1.404.519.935
Provision of impairment of inventories (-)	(16.609.409)	(14.751.960)
Total	5.018.321.850	1.389.767.975

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

	December 31,2021	December 31,2020
Short-term prepaid expenses		
Order advances given for inventory purchase	506.885.154	106.521.084
Expenses for next month	84.059.041	56.895.153
Total	590.944.195	163.416.237
Long-term prepaid expenses	December 31,2021	December 31,2020
Order advances given for stock purchase	199.549.756	28.692.334
Other prepaid expenses	32.473.139	1.988.091
Total	232.022.895	30.680.425
Short term deferred income	December 31,2021	December 31,2020
Received advances	751.163.780	30.579.281
Other deferred income	1.629.349	--
Total	752.793.129	30.579.281

NOTE 11 – INVESTMENT PROPERTIES

	December 31, 2021			December 31, 2020		
	Lands and parcels	Building	Total	Lands and parcels	Building	Total
Net value at the beginning of the period	107.437.187	32.068.879	139.506.066	46.650.000	37.828.876	84.478.876
Purchases	--	--	--	--	--	--
Transfer from tangible assets	--	--	--	55.656.209	3.133.048	58.789.257
Transfer to tangible assets	--	--	--	--	(5.938.562)	(5.938.562)
Fair value increase / (decrease) (Note 25)	41.611.442	10.360.785	51.972.227	5.130.978	(2.954.483)	2.176.495
Total	149.048.629	42.429.664	191.478.293	107.437.187	32.068.879	139.506.066

During the year ended December 31, 2021, the Group has obtained rental income of TL 4.642.748 from its investment properties (December 31, 2020: TL 5.013.547).

The investment properties of Gübretaş consist of land and buildings, and their fair values have been determined as TL 176.172.000 in the valuation report dated October 12, 2021 prepared by the CMB licensed valuation firm, which provides valuation services within the framework of the CMB legislation. In the valuation report prepared by the valuation firm, the assets subject to valuation were determined using the market approach and cost approach method. As of December 31, 2021, the valuation difference of TL 51.972.227, which is respectively TL 41.611.442 and TL 10.360.785, over the appraised fair values of the land and buildings, has been reflected in the financial statements. The value of investment properties belonging to subsidiaries has been determined as TL 15.306.293.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The details of depreciation and amortization expenses calculated by the Group as of December 31, 2021 and December 31, 2020 are given below:

	December 31, 2021		
	Gübretaş	Maden	Razi
Depreciation expense	49,178,743	2,652,430	145,614,294
Amortization expense	2,990,384	750,452	417,861
Total	52,169,127	3,402,882	146,032,155

During the year ended December 31, 2021, depreciation and amortization expense amounting to TL 201,604,164; TL 185,107,434 is included in general production expenses, TL 3,538,459 in sales and marketing expenses, TL 12,958,271 in general administrative expenses.

	December 31, 2021		
	Gübretaş	Razi	Total
Depreciation expense	37,724,180	85,151,328	122,875,508
Amortization expense	3,312,169	151,691	3,463,860
Total	41,036,349	85,303,019	126,339,368

During the year ended December 31, 2020, depreciation and amortization expense amounting to TL 126,339,368; TL 115,365,051 is included in general production expenses, TL 2,586,469 in sales and marketing expenses, TL 8,387,848 in general administrative expenses.

The fair values of the land, buildings and land improvements of the Group have been determined as TL 814,396,000, which was appraised in the valuation report dated October 12, 2021 prepared by the CMH licensed valuation firm, which provides valuation services within the framework of the CMB legislation. In the valuation report prepared by the valuation firm, the assets subject to valuation were determined using the market approach and cost approach method. As a result, there is sufficient sales data for the assets in the Market Approach method, where the value is appraised by comparing the sales of similar assets in the open market or by comparing the prices requested and the offers given. In the Cost Approach method, instead of purchasing the property, the possibility of constructing the same property or another property that will provide the same benefit is taken into account and the remaining value after depreciation for old and less functional properties is evaluated as the current value over the estimated values. As of December 31, 2021, the valuation difference of TL 153,120,578, TL 98,287,102 and TL 7,119,803 totaling to TL 258,527,483 over the appraised fair values of the land and buildings, has been reflected in the financial statements.

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Land		Buildings		Machinery, equipment and installations		Furniture and fixtures		Right of use assets		Specialized Costs		Construction in progress		Total	
	Lands	Improvements														
Cost Value																
Opening balance at January 1, 2021	441,715,486	241,034,895	648,328,126	5,639,827,669	28,877,200	99,237,132	25,778,418	1,387,441	58,376,739	7,146,563,106						
Foreign currency translation differences	84,090,652	0	275,536,196	4,524,801,751	22,625,209	64,187,993	--	--	28,147,633	4,999,389,434						
Valuation differences	153,120,578	7,119,803	98,287,102	--	--	--	--	--	--	258,527,483						
Inflation difference	64,605,105	--	211,688,793	3,479,255,304	17,352,498	49,314,340	--	--	21,625,245	3,843,871,249						
Additions	3,790,477	4,993,563	6,124,357	3,845,282	1,005,717	8,044,271	7,505,612	1,008,773	200,707,512	237,025,360						
Sales / disposals	--	(6,353)	(4,838,578)	(9,533,552)	(1,173,162)	(1,873,687)	--	--	(32,841,190)	(50,266,531)						
Transfer from construction in progress	--	--	--	3,230,211	4,868,238	3,653,201	--	--	(11,751,650)	--						
Closing balance on December 31, 2021	747,322,298	215,141,908	1,234,129,892	13,641,426,665	73,585,700	222,463,214	33,284,030	2,396,214	264,264,780	16,435,110,301						
Accumulated depreciation																
Opening balance at January 1, 2021	--	(70,935,633)	(374,984,509)	(4,898,171,392)	(25,817,253)	(80,899,764)	(9,151,860)	(698,205)	--	(5,460,657,816)						
Foreign currency translation differences	--	--	(278,251,400)	(5,295,480,633)	(27,893,932)	(79,857,110)	--	--	--	(5,681,483,075)						
Inflation difference	--	--	(98,954,865)	(1,882,565,342)	(9,699,824)	(28,204,906)	--	--	--	(2,039,424,737)						
Period cost	--	(16,929,043)	(20,118,082)	(144,740,160)	(2,028,478)	(6,143,303)	(7,080,318)	(406,085)	--	(197,445,467)						
Sales / disposals	--	6,353	2,539,885	31,382	1,173,162	1,877,077	--	--	--	5,627,859						
Closing balance on December 31, 2021	--	(87,858,323)	(769,768,971)	(12,220,926,145)	(64,266,125)	(103,228,006)	(16,231,378)	(1,104,288)	--	(73,353,583,236)						
Net book value on December 31, 2021	747,322,298	127,283,585	465,357,021	1,420,500,520	9,319,575	29,335,768	17,052,652	1,291,926	164,264,280	3,081,727,065						

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Land Improvements	Buildings	Machinery, equipment and installations	Vehicles	Furniture and fixtures	Right of use assets	Special Construction Costs	In Progress	Total
Cost Value									
Opening balance at January 1,2020	460,969,962	373,883,334	698,836,520	6,961,736	30,688,986	25,778,418	1,117,468	19,402,832	1,748,167,941
Foreign currency translation differences	(29,630,070)	--	{195,805,772}	(2,380,220)	(4,661,087)	--	--	(2,919,983)	(239,682,506)
Inflation difference	60,687,949	296,476,879	5,133,537,204	22,857,377	68,999,548	--	--	4,790,548	5,587,349,605
Additions	5,323,854	638,474	1,218,635	3,925,486	3,331,857	--	415,795	116,677,720	132,549,928
Sales / disposals	--	(145,822)	(3,604,349)	(12,724)	(309,161)	--	(145,822)	--	(4,967,105)
Transfer from investment properties	--	6,267,123	--	--	--	--	--	--	6,267,123
Transfer to investment properties	(55,656,209)	(1,212,818)	--	--	--	--	--	--	(63,121,880)
Transfer from construction in progress	--	1,466,204	2,938,780	432,925	1,186,989	--	--	(79,574,471)	--
Closing balance on December 31,2020	441,715,486	649,328,126	5,639,877,669	28,877,200	99,137,112	25,778,418	1,387,441	58,376,739	7,146,563,106
Accumulated depreciation									
Opening balance at January 1,2020	--	(61,343,697)	(446,024,781)	(4,451,090)	(15,407,735)	(3,571,865)	(676,835)	--	(677,884,043)
Foreign currency translation differences	--	--	(1,930,060)	13,5407	(508,025)	--	--	--	(134,688,624)
Inflation difference	--	(213,085,095)	(4,243,440,706)	(19,606,939)	(58,173,956)	--	--	--	(4,534,306,676)
Period cost	--	(11,471,431)	(80,017,469)	(1,907,355)	(6,898,222)	(5,579,195)	(167,192)	--	(122,875,508)
Sales / disposals	--	749,027	75,175	12,724	178,154	--	145,822	--	4,764,412
Transfer to investment properties	--	1,130,468	5,202,155	--	--	--	--	--	4,332,623
Closing balance on December 31,2020	--	(70,835,633)	(4,898,171,392)	(25,817,253)	(60,899,764)	(9,151,060)	(698,205)	--	(5,460,657,816)
Net book value on December 31, 2020	441,715,486	132,099,262	273,343,617	3,060,947	18,337,368	16,627,358	689,236	58,176,739	1,685,905,290

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 13 - INTANGIBLE ASSETS

13.1 Rights

December 31, 2021	Rights	Mining Research Expenses	Total
Cost			
Opening balance at January 1	27.319.638	--	27.319.638
Inflation difference	264.739	--	264.739
Purchases	8.292.575	53.198.874	61.491.449
Foreign currency translation differences, net	6.402.657	--	6.402.657
Closing balance	42.279.609	53.198.874	95.478.483

Accumulated Depreciation

Opening balance at January 1	(8.607.652)	--	(8.607.652)
Current period amortization expense	(4.158.697)	--	(4.158.697)

Closing balance	(12.766.349)	--	(12.766.349)
-----------------	--------------	----	--------------

Net Book Value	29.513.260	53.198.874	82.712.134
----------------	------------	------------	------------

December 31, 2020	Rights	Mining Research Expenses	Total
Cost			
Opening balance at January 1	27.348.692	--	27.348.692
Inflation difference	68.316	--	68.316
Purchases	5.658.121	--	5.658.121
Foreign currency translation differences, net	(5.755.491)	--	(5.755.491)
Closing balance	27.319.638	--	27.319.638

Accumulated Depreciation

Opening balance at January 1	(5.143.792)	--	(5.143.792)
Current period amortization expense	(3.463.860)	--	(3.463.860)

Closing balance	(8.607.652)	--	(8.607.652)
-----------------	-------------	----	-------------

Net Book Value	18.711.986	--	18.711.986
----------------	------------	----	------------

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 13 – INTANGIBLE ASSETS (Cont'd)

13.2 Goodwill:

	December 31,2021	December 31,2020
Opening balance at January 1	60.572.972	87.044.600
Inflation difference	17.029.405	10.659.177
Foreign currency translation differences	41.756.232	(37.130.805)
Closing balance	119.358.609	60.572.972

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, all shares have been received and there is no pledge on the share certificates.

14.2 Purchase commitments

As of December, 2021, the Group has a purchase commitment of 250.602.406 USD and 915.960 ELR of raw materials and commercial goods planned to be imported for which purchase orders were related letters credit were opened (December 31, 2020; 45,057,580 USD and 12,671,599 EUR).

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 TL 290.369,760. 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 May 16, 2018 and numbered 136984 was obtained in regards the application dated March 26, 2018 and numbered 38928 made to the Ministry of Trade. The Investment Incentive Certificate is valid until March 26, 2021 and includes fixed asset investment plans of TL 148,500,000. The investment supports to be utilized consist of Tax Reduction Ratio (70%), Investment Contribution Ratio (30%) VAT exemption and interest support. In 2019, VAT exemption was utilized in the modernization processes of Iskenderun Facilities.

(Concurrence translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 15 -GOVERNMENT GRANTS (Cont'd)

The Investment Incentive Certificate dated 11 June 2018 and numbered 137850 was obtained in regards the application dated March 26, 2018 and numbered 38927 made to the Ministry of Trade. The Investment Incentive Certificate is valid until March 26, 2022 and includes fixed asset investment plans of TL 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 31,2021	December 31,2020
Provisions for cost expenses	141.359.517	37.912.475
Dealer sales premiums	--	3.600.000
Provisions for lawsuit (*)	38.339.617	25.287.070
Other short-term debt provisions	9.437.826	5.631.252
Total	189.136.960	72.430.797

(*) There is a lawsuit filed against Razi in the local court in the amount of TL4.282.503.367 (IRR 80 995 billion) (December 31, 2020: TL 2.422.254.731 (IRR 84.137 billion) due to the allegation of excessive gas use. As of December 31, 2020, the Group Management has made a provision of TL 20.845.177 (IRR 624 billion) regarding this issue.

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

	December 31,2021	December 31,2020
As of January 1,	25.287.069	4.663.112
Additional provision / (provisions no longer required)	13.052.548	20.623.957
Closing Balance	38.339.617	25.287.069

A lawsuit has been filed against the Group by Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi, for loss of profit of TL 785.193. The Group Management had not made a provision in the consolidated financial statements regarding this lawsuit, considering the legal opinion received.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements as of December 31, 2021**

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

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)**16.2 Guarantees given**

As of December 31, 2021, and December 31, 2020, the tables related to the Group's tables related to Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position are as follows:

	December 31, 2021			December 31, 2020		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB's given for Company's own legal Personality	TL	37.939.409	37.939.409	TL	10.325.558	10.325.558
	USD	18.650.000	248.585.850	USD	8.800.000	64.596.400
B. CPMB's given on behalf of fully consolidated companies	--	--	--	--	--	--
C. CPMB's given on behalf of third parties	--	--	--	--	--	--
for ordinary of business	--	--	--	--	--	--
D. Total amount of other CPMB'S	--	--	--	--	--	--
E. 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	--	--	--	--	--	--
Total			286.525.259			74.921.958

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

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

The 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Receivables from Tabosan

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

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

Even though the Group applied to the bankruptcy administration for the registration of other receivables that had not become subject to the share transfer case, the request made was rejected by the administration. This time the Group filed a lawsuit against the bankruptcy administration. The Bankruptcy Administration has accepted the Group's case for the registration of receivables and upon this declaration, the Court has decided on July 15, 2017 to accept the case of the Group's registration. As of the reporting date, the Group's principal receivable arising from the payments made on surety and total interest receivable as of the reporting date is TL 36,391,022 (31.12.2020: TL 35.259.932)

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.

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 m² 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 TL 150.128,817 as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favor of Treasury. In March of 2018, Iskenderun 3rd Civil Court partially accepted the case opened by the Property Directorate and decided to cancel the title deed registration of 78.674,76 m² 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 1st 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 in the views of the legal advisors.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 17 - EMPLOYEE BENEFITS**Liabilities for employee benefits**

	December 31, 2021	December 31, 2020
Due to the personnel	73.344.765	28.492.805
Social security premiums payable	3.721.065	2.374.759
Total	77.065.830	30.867.564

Provision for Employee Benefits

Short-term	December 31, 2021	December 31, 2020
Provision for allowance and employee termination benefits	22.540.981	7.621.226
Provision for premium	8.939.941	9.654.772
Provision for early retirement salary (*)	19.949.590	10.769.038
Total	51.430.512	28.045.036
Long-term	December 31, 2021	December 31, 2020
Allowance for retirement pay (Gübretaş)	27.924.086	19.309.529
Allowance for retirement pay (Razi)	261.557.967	51.471.941
Provision for early retirement salary (*)	48.722.299	24.048.199
Total	338.204.352	94.829.669

(*) 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.

As of December 31, 2021, the severance pay liability of the Company has been calculated using the annual real discount rate of 4.09% (December 31, 2020: 4.09%), which was determined by estimating the annual inflation rate of 15% and the discount rate of 19.50%. The Group's severance pay provision is calculated over TL 10,849 (January 1, 2021: TL 7.639), effective as of January 1, 2022, since the maximum severance pay is determined every six months. Movements in the provision for severance pay during the year are as follows:

	January 1 – December 31, 2021	January 1 – December 31, 2020
Provisions as of January 1	94.829.669	113.665.364
Adjustments on opening balance	77.353.565	(36.420.545)
Service cost	258.085.551	55.557.716
Interest cost	30.387.563	7.772.401
Payment termination indemnity	(97.972.781)	(39.539.930)
Foreign currency translation differences	(26.622.204)	(5.478.856)
Actuarial gain/loss	2.142.989	(726.481)
Provision as of December 31	338.204.352	94.829.669

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE – 18 OTHER ASSETS AND LIABILITIES

Other current assets	December 31,2021	December 31,2020
Deferred VAT	72.738.066	23.105.387
Job advances	16.289.884	4.946.191
Other various current assets	12.669.304	657.993
Total	101.697.254	28.709.571

NOTE 19 - EQUITY

Paid-in capital

The equity structure as of December 31, 2021 and December 31, 2020 is as follows:

		December 31, 2021		December 31, 2020
	%		%	
Türkiye Tarım Kredi Kooperatifleri				
Merkez Birliği	75,95	253.684.607	75,95	253.684.607
Other	24,05	80.315.393	24,05	80.315.393
Total	100,00	334.000.000	100,00	334.000.000

As of December 31, 2021, the capital of the Company consists of 33.400.000.000 shares and there are no privileged shares (2020: 33.400.000.000 shares). The nominal value of the shares is TL 0,01 (2020: TL 0,01).

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, 2021 and December 31, 2020:

	December 31,2021	December 31,2020
Legal reserves	53.838.737	53.838.737
Total	53.838.737	53.838.737

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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.

There are no derivative instruments as of December 31, 2020. The details of derivative instruments as of December 31, 2021 are as follows:

December 31, 2021

Forward agreement	Maturity	Nominal value (USD)	Fair value (TL)
USD buying	January 2022	43.600.000	39.424.793
Total		43.600.000	39.424.793

NOTE 21 - REVENUE

Sales	January 1 – December 31, 2021	January 1 – December 31, 2020
Domestic sales	9.315.644.315	4.184.053.085
Foreign sales	1.538.009.229	1.288.953.303
Service sales	44.892.506	4.981.378
Sales returns (-)	(1.866.828)	(3.872.410)
Sales discounts (-)	(126.538.039)	(58.297.831)
Other discounts from sales (-)	(739.670)	(2.105.267)
Total	10.769.401.513	5.413.712.258

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 21 - REVENUE (Cont'd)

	January 1 – December 31, 2021	January 1 – December 31, 2020
Cost of sales		
Cost of goods produced	5.173.276.824	1.992.897.045
Change in the finished goods	(829.694.426)	147.438.449
-Finished goods at the beginning of the period	163.335.197	310.773.646
-Finished goods at the end of the period	(993.029.623)	(163.335.197)
Cost of finished goods sold	4.343.582.398	2.140.335.494
-Trade goods at the beginning of the period	782.814.591	642.840.114
-Purchases	5.584.465.324	2.112.226.091
-Trade goods at the end of the period	(2.350.653.948)	(782.814.591)
Cost of trade goods sold	3.816.625.967	1.971.251.614
Cost of other sales	—	12.184.153
Cost of services sold	24.225.074	3.251.496
Total	8.184.433.439	4.127.022.757

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES

	January 1 – December 31, 2021	January 1 – December 31, 2020
General administrative expenses	238.116.647	140.904.951
Marketing, selling and distribution expenses	351.857.021	488.725.574
Total	589.973.668	629.630.525
	January 1 – December 31, 2021	January 1 – December 31, 2020
General administrative expenses		
Personnel expenses	137.982.302	91.023.522
Outsourced services (*)	8.136.104	4.524.819
Depreciation and amortization expenses	11.801.211	8.387.848
Taxes and duties	26.119.838	6.530.366
Other expenses	54.077.192	30.438.196
Total	238.116.647	140.904.951

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÖRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES (Cont'd)

Marketing, selling and distribution expenses	January 1 – December 31, 2021	January 1 – December 31, 2020
Outsourced services (*)	208.210.098	368.738.802
Fertilizer tracking system expenses (**)	89.116.678	73.850.007
Personnel expenses	30.175.156	23.078.727
Advertising expenses	6.004.538	7.279.018
Depreciation and amortization expenses	2.844.166	2.586.469
Other expenses	15.506.385	13.192.551
Total	351.857.021	488.725.574

(*) 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 2021.

NOTE 23 – EXPENSES BY NATURE

	January 1 – December 31, 2021	January 1 – December 31, 2020
Cost of goods sold	4.156.623.611	2.024.970.443
Cost of trade goods sold	3.816.625.967	1.971.251.614
Outsourced services	168.157.458	373.263.621
Personnel expenses	216.346.202	114.102.249
Depreciation and amortization expenses	201.604.164	126.339.368
Tax and duties	26.119.838	6.530.366
Advertising expenses	6.004.538	7.279.018
Cost of other sales	—	12.184.153
Cost of service sold	24.225.074	3.251.496
Other expenses	158.700.255	117.480.954
Total	8.774.407.107	4.756.653.282

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

24.1 Other operating income

	January 1 – December 31, 2021	January 1 – December 31, 2020
Foreign exchange income related to trade transactions	734.300.200	456.685.894
Interest income	5.845.248	4.869.259
Other revenues	42.708.936	45.265.982
Total	782.854.384	506.821.135

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES (Cont'd)

24.2 Other operating expense

	January 1 – December 31, 2021	January 1 – December 31, 2020
Foreign exchange expenses related to trade transactions	1,915,167,590	518,226,080
Provision expenses	19,568,839	26,239,080
Uncollected and written-off VAT receivables of Razi	189,791,812	97,979,725
Other expenses	190,026,699	48,671,278
Total	2,314,554,940	691,116,163

NOTE 25 – INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

Income from investment activities	January 1 – December 31, 2021	January 1– December 31, 2020
Increase/(decrease) in the value of investment property	51,972,227	2,176,495
Profit on sale of the subsidiary (Note 1)	—	5,750,396
Gain on sales of property, plant and equipment	6,511,428	815
Other income	1,209,153	352,256
Total	59,692,808	8,279,962
Expense from investment activities	January 1 – December 31, 2021	January 1– December 31, 2020
Loss on sales of property, plant and equipment	214,144	44,182
Total	214,144	44,182

NOTE 26- FINANCIAL INCOME AND EXPENSES

Financial income	January 1 – December 31, 2021	January 1– December 31, 2020
Foreign exchange income	413,763,071	336,435,606
Interest income	73,979,991	37,640,342
Other financial income	42,243,186	2,005,914
Total	529,986,248	376,081,862

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 26- FINANCIAL INCOME AND EXPENSES (Cont'd)

Financial expenses	January 1 – December 31, 2021	January 1- December 31, 2020
Foreign exchange expense	319.087.853	162.631.568
Interest expense	163.483.356	163.524.933
Other financial expense	12.448.766	10.106.723
Total	495.019.975	336.263.224
Net monetary position gains / (losses)	January 1 – December 31, 2021	January 1- December 31, 2020
Net monetary position gains / (high inflation) (*)	39.675.421	(53.425.534)
Total	39.675.421	(53.425.534)

(*) Due to the accumulative inflation rate of last three years in Iran exceeding 100%, the financial statements have been prepared according to the effects of inflation instead of historical cost basis, as of the beginning of the accounting period of 2020. IAS 29 "Financial Reporting in Highly Inflationary Economies" standard was applied during the preparation of the financial statements of Razi consolidated in the accompanying financial statements in Iran. The current period effect of inflation accounting amounting to TL 39.675.421 (December 31, 2020: TL (53.425.534)) is accounted for as net monetary position profit / (loss) under finance expenses (Note 2).

NOTE 27- ASSETS HELD FOR SALE

None.

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.

In the Turkish tax system, financial losses can be deducted with the financial profits in the following five years, and it is not possible to deduct (retrospectively) from previous years' earnings. In addition, to be deducted from the corporate tax in Turkey, a provisional tax of 25% is paid over the tax bases declared in the interim periods (it will be 23% for the taxation period of 2022, and 20% for the year 2023 and beyond). As of December 31, 2021 and 2020, tax provision has been reserved within the framework of the current tax legislation.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Cont'd)

Current and deferred income tax (Cont'd)

Deferred tax is calculated over the temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and their tax values, using the liability method. In the calculation of deferred tax, the tax rates valid as of the balance sheet date are used in accordance with the current tax legislation.

As the corporate tax rate, which was 20% as of March 31, 2021, has been changed to 25% for 2021 corporate earnings and 23% for 2022 corporate earnings, for temporary differences expected to be realized/closed in 2021 in the deferred tax calculation as of December 31, 2021 a tax rate of 25% is used for temporary differences that are expected to be realized/closed in 2022, and 20% for temporary differences that are expected to be realized/closed in 2022 and after. Iranian corporate tax is 25% (December 31, 2020: 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 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.

In the Turkish taxation system, tax losses can be offset against future taxable income for the next five years and are not deductible (retrospectively) from previous years' earnings. In addition, temporary taxes are levied at a rate of 25% (23% for taxation period of 2022, 20% for taxation period of 2023 and after) over the bases declared in interim periods during the year to be deducted from the corporation tax. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid until the end of the relevant month.

The companies calculate 25% temporary tax (will be applied as 23% for 2022 and 20% for 2023 and later tax periods) based on earnings generated for each quarter. Temporary tax is declared by the 17th day of the second month following each quarter and paid until the evening of 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Cont'd)

Tax assets and liabilities (Cont'd)

Corporate tax (Cont'd)

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.

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.

Tax provision included in the balance sheet pertaining to the years ended December 31, 2021 and December 31, 2020 is as follows:

			December 31, 2021
	Göbretaş	Razi	Total
Provision for current period corporate tax	(52,406,973)	(27,864,847)	(80,271,820)
Prepaid tax	17,503,387	247,453	17,750,840
Prior year's corporate tax liabilities	--	(27,419,231)	(27,419,231)
Translation differences	--	17,595,456	17,595,456
Total	(34,903,586)	(37,441,169)	(72,344,755)

			December 31, 2020
	Göbretaş	Razi	Total
Provision for current period corporate tax	--	(14,339,476)	(14,339,476)
Prepaid tax	2,959,703	6,325,526	9,285,229
Prior year's corporate tax liabilities	--	(2,441,198)	(2,441,198)
Translation differences	--	1,203,061	1,203,061
Total	2,959,703	(9,252,087)	(6,292,384)

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Cont'd)

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.

	December 31, 2021		December 31, 2020	
	Temporary differences	Deferred tax, assets and liabilities	Temporary differences	Deferred tax, assets and liabilities
Investment incentive	288,866,688	57,773,336	153,488,980	30,697,796
Losses for taxable tax	—	—	263,383,498	52,676,700
Adjustments for inventories	9,582,838	2,204,053	9,337,298	1,867,460
Trade receivables	4,187,698	863,515	1,639,993	327,999
Property plant and equipment / Intangible assets and investment properties	—	—	142,582,711	28,516,542
Other	1,918,432	441,239	1,281,466	256,293
Provisions for termination indemnity	38,155,285	7,937,993	23,085,168	4,617,034
Receivable re-discounts	5,649,134	1,299,301	2,247,115	449,423
Interest accruals	—	—	988,135	197,627
Expense accruals	74,034,310	17,027,892	—	—
Investment incentive	2,342,794	538,843	4,659,670	931,934
Deferred tax assets	424,737,182	88,086,172	602,694,034	120,538,806
Property plant and equipment / Intangible assets and investment properties	566,200,503	113,240,101	358,968,246	71,793,648
Income / Expense accruals (net)	1,808,209	415,888	110,108	22,022
Derivative financial instruments	39,424,793	9,067,702	—	—
Trade receivables	1,350,751	310,673	866,779	173,356
Payable re-discounts	2,129,693	489,829	1,613,594	322,719
Other receivables	2,669,232	613,923	1,538,142	307,628
Other	202,679,237	20,267,924	185,535,846	18,558,587
Deferred tax liabilities	916,262,418	144,406,040	548,682,715	91,177,960
Net deferred tax asset		(56,319,868)		29,360,846
Razi Co. deferred tax asset / (liability) (*)		(19,489,471)		(10,887,382)
Total deferred tax asset / (liability)		(75,809,339)		18,473,466

(*) The liability of TL 19,489,471 arises from the deferred tax effect of the property valuation adjustment of the Razi. (December 31, 2020: TL 10,887,384).

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Cont'd)

Deferred tax assets and liabilities (Cont'd)

Information related to deferred tax transaction table:

	2021	2020
Opening balance on January 1	18.473.466	49.007.493
Impact of foreign currency translation of deferred tax of Razi	(10.656.190)	10.413.175
Sub total	7.817.276	59.420.668
Deferred tax income / (expense)	(58.202.465)	(40.801.906)
Tax revenue recognized in other comprehensive income	(25.424.150)	(145.296)
Reconciliation of the tax provision:	(75.809.339)	18.473.466
Reconciliation of the tax provision:	January 1- December 31, 2021	January 1- December 31, 2020
Profit / (Loss) before tax	608.263.683	471.209.510
Calculated tax (%25-%22)	(152.065.921)	(103.666.092)
Impact of foreign subsidiaries subjected to different tax rates	—	13.802.919
Disallowable expenses	(39.584.835)	(6.948.550)
Tax effects of discount and exemptions	16.042.029	6.158.343
Previous period tax expense of Razi	—	(2.441.198)
Total discounts of investment incentives	31.516.266	30.697.796
Other differences	5.618.176	7.255.400
Tax income / expense	(138.474.285)	(55.141.382)

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- December 31, 2021	January 1- December 31, 2020
Net period (loss) on parent's shares)	523.125.635	262.056.082
Weighted average number of issued ordinary shares (1 kr each)	33.400.000.000	33.400.000.000
Earnings per share (kr) (*)	1,566	0,785

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.

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 30 - RELATED PARTIES TRANSACTIONS

30.1 Related Party Balances

	December 31, 2021	December 31, 2020
Trade receivables		
TKK (*)	935.479.657	191.361.541
Northstar Fertilizer and Chemical Co.	312.697.879	398.670.303
Other related parties	602.337	630.210
Total	1.248.779.873	590.662.054

(*) As of December 31, 2021, the Group had received advance amounting to TL 543.776.517 (December 31, 2020: TL 1.127.013) against the trade receivables from TKK. The average maturity for solid fertilizer sales to TKK is 15 days, and for other fertilizer sales, the maturity ranges between 15 and 120 days.

	December 31, 2021	December 31, 2020
Trade payables		
Tamet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş.	3.710.961	1.276.536
TK Taahhütlük ve Lojistik A.Ş.	1.142.567	742.728
Bereket Sigorta A.Ş.	2.257.964	406.350
Hareket Emeklilik ve Hayat A.Ş.	8.667	334
TKK	31.907	--
Tarım Kredi Birlik Tarım Ürünleri A.Ş.	24.540	
Tarkim Bitki Koruma San. ve Tic. A.Ş.	850	
Total	7.117.456	2.425.948

30.2 Transactions with Related Parties

	January 1- December 31, 2021	January 1- December 31, 2020
Sales of goods and services		
TKK	6.915.970.087	2.748.979.610
Northstar Fertilizer and Chemical Co.	64.613.272	575.921.095
Tarkim Bitki Koruma San. ve Tic. A.Ş.	52.805	83.536
Tamet Tarım Kredi		
Bilişim ve İletişim Hizmetleri San. ve Tic. A.Ş.	15.669	12.624
TK Holding	44.997	41.014
Bereket Sigorta A.Ş.	816.177	423.126
TK Taahhütlük ve Lojistik A.Ş.	27.984	26.790
Total	6.981.541.006	3.325.487.795

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 30 - RELATED PARTIES TRANSACTIONS (Cont'd)

	January 1- December 31, 2021	January 1- December 31, 2020
Purchases of goods and services		
TKK	220.468	3.864.559
Tarım Tarım Kredi		
Bilişim ve İletişim Hizmetleri San. ve Tic. A.Ş.	10.413.441	5.659.500
Tarım Kredi Birlik Tarım Ürünleri A.Ş.	236.159	315.114
Tarım Bitki Koruma San. ve Tic. A.Ş.	1.630.725	57.120
Bereket Sigorta A.Ş.	11.494.296	7.626.020
Bereket Emeklilik ve Hayat A.Ş.	79.584	64.125
TK Tarım Kredi Pazarlama ve Marketçilik A.Ş.	36.061	--
TK Holding A.Ş.	41.857	--
TK Taahhüt ve Lojistik A.Ş.	13.871.970	8.907.245
Total	38.024.561	26.493.683
	January 1- December 31, 2021	January 1- December 31, 2020
Interest income		
Tarım Kredi Holding A.Ş.	--	70.959
Tarım Kredi Birlik Tarım Ürün.		
Hayv. Ambalaj Pet. Nak. İth. İhr.		
San. ve Tic. A.Ş.	--	1.478.065
Total	--	1.549.024
	January 1- December 31, 2021	January 1- December 31, 2020
Interest expense		
Tarım Kredi Yem San. ve Tic. A.Ş.	--	171.062
Total	--	171.062

30.3 Remuneration of board of directors and executive management

The total benefits provided by the Group to its board of directors and executive management during the years ended December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021		December 31, 2020	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits	5.145.612	7.275.440	4.175.161	4.675.777
Total	5.145.612	7.275.440	4.175.161	4.675.777

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOT 31 - FİNANSAL YATIRIMLAR

Short-term financial investments	Maturity	Int. rates (%)	December 31, 2021
Public sector bonds and bills	March 2022	15-18	191.032,590
Total			191.032,590

Short-term financial investments	Maturity	Int. rates (%)	December 31, 2020
Private sector bonds and bills	March 2021	15-18	19.087,380
Total			19.087,380

Long-term financial investments

	Maturity	Int. rates (%)	December 31, 2021
Public sector bonds and bills	2022	15	20.229,647
Total			20.229,647

	Maturity	Int. rates (%)	December 31, 2020
Public sector bonds and bills	2022	15	11.007,372
Total			11.007,372

Title	Subject of activities	December 31, 2021		December 31, 2020	
		% Share	Amount of participant	% Pay	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
Total			2.737.515		2.737.515

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

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, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
Total debt	9.021.351.512	3.406.648.066
Cash and cash equivalents (-)	1.179.720.584	(659.990.037)
Net debt	7.841.630.928	2.746.658.029
Total equity	4.028.258.379	1.762.254.885
Net debt / total equity	%195	%156

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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**Liquidity risk (Cont'd)**

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, 2021	Book value	Total of contractual cash outflows 1	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivative financial liabilities					
Financial borrowings	2.567.853.020	2.567.853.020	1.811.269.378	748.229.177	8.354.465
Trade payables	4.703.871.505	4.703.871.505	4.466.814.217	219.909.718	17.147.370
Other payables	192.789.251	192.789.251	192.789.251	—	—
Total	7.464.513.776	7.464.513.776	6.470.872.846	968.138.895	25.502.035

December 31, 2020	Book value	Total of contractual cash outflows 1	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivative financial liabilities					
Financial borrowings	1.638.795.741	1.667.232.541	634.726.222	954.398.719	78.107.600
Trade payables	1.432.271.712	1.432.271.712	1.432.271.712	—	—
Other payables	58.688.797	58.688.797	58.688.797	—	—
Total	3.129.756.250	3.158.193.050	2.125.686.731	954.398.719	78.107.600

Interest rate 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.

	December 31, 2021	December 31, 2020
Fixed interest financial instruments		
Financial assets		
-Time deposits	1.023.039.873	589.200.347
-Financial investments	213.999.752	32.832.267
Financial borrowings	2.567.853.020	1.639.319.679
Floating rate financial instruments		
Time deposits	—	—

Funding risk

The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

In the management of the collection risk of trade receivables, the principle of securing the receivables at the highest possible rate is acted upon. In this context, bank guarantees (letter of guarantee, limits defined to customers in direct debit systems) are used in general.

For receivables that are not secured by bank guarantees, individual limits are determined as a result of the evaluation of the credit quality of the customer, taking into account the risk control, the customer's financial position, past experience and other factors, and the use of these credit limits is constantly 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 64% of the Group sales were made to the main shareholder TTK.

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk management (Cont'd)

The credit risks exposed by the financial instrument types as of December 31, 2021 and December 31, 2020 are as follows.

December 31, 2021	Receivables				Deposit in banks	Derivative financial instruments	Financial Investments
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D) -part of maximum risk secured by guarantees etc.	1.248.779.873	659.621.649	-	249.072.065	1.176.256.732	39.424.793	213.999.752
A) Net book value of financial assets which are undue or not exposed to depreciation	1.248.779.873	659.621.649	-	249.072.065	1.176.256.732	39.424.793	213.999.752
B) Net book value of assets which are overdue but not exposed to depreciation	-	-	-	-	-	-	-
C) Net book value of assets which are exposed to depreciation	-	14.673.089	-	-	-	-	-
- Overdue (gross book value)	-	(14.673.089)	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net values secured by guarantee, etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net values secured by guarantee, etc.	-	-	-	-	-	-	-
D) Off-balance sheet elements carrying credit risk	-	-	-	-	-	-	-

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk management (Cont'd)

December 31, 2020	Receivables				Deposit to banks	Derivative financial instruments	Financial investments
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D) - part of maximum risk secured by guarantee etc.	590.662.054	232.137.472	--	80.107.418	655.981.343	--	32.832.267
A) Net book value of financial assets which are mature or not exposed to depreciation	--	--	--	--	--	--	--
B) Net book value of assets which are overdue but not exposed to depreciation	590.662.054	232.137.472	--	80.107.418	655.981.343	--	32.832.267
C) Net book value of assets which are exposed to depreciation	--	--	--	--	--	--	--
- Overhead (gross book value)	--	9.124.754	--	--	--	--	--
- Value decrease (-)	--	(9.124.754)	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
- Undrawn (gross book value)	--	--	--	--	--	--	--
- Value decrease (-)	--	--	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
D) Off-balance sheet elements carrying credit risk	--	--	--	--	--	--	--

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOT 12 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign currency risk

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, 2021 are as follows:

		Amount in TL (Functional currency)	USD	December 31, 2021 EUR
1	Trade receivables	620.222.174	42.447.821	3.608.156
2	Monetary financial assets (including cash, bank accounts)	929.067.776	51.978.521	15.659.227
3	Other current assets	401.884.867	29.652.265	440.774
4	Foreign currency assets (1 + 2 + 3)	1.951.174.817	124.078.607	19.708.157
5	Trade payables	(3.761.683.119)	(281.728.782)	(432.181)
6	Financial borrowings	(161.842.620)	--	(10.727.503)
7	Other short-term liabilities, net	(849.908)	(63.109)	(579)
8	Short term liabilities in foreign currency (5 + 6 + 7)	(3.924.375.647)	(281.791.891)	(11.160.263)
9	Trade payables	--	--	--
10	Financial borrowings	--	--	--
11	Long term liabilities in foreign currency (9 + 10)	--	--	--
12	Total liabilities in foreign currency (8 + 11)	(3.924.375.647)	(281.791.891)	(11.160.263)
13	Net foreign currency asset, liability position (4-12)	(1.973.200.824)	(157.713.284)	8.547.894
14	Monetary items net foreign currency asset / liability position (4-12)	(1.973.200.824)	(157.713.284)	8.547.894
15	Fair value of derivative instruments classified for hedging purposes	--	--	--
16	Amount of hedged portion of foreign currency liabilities	581.144.400	--	43.600.000

(Convenience translation of Consolidated Financial Statements originally issued in Turkish)

GÜBRE FAKKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

Assets and liabilities denominated in foreign currency held by the Group in terms of original and Turkish Lira currency units as of December 31, 2020 are as follows;

	Amount in TL (Functional currency)		USD	EUR
				December 31, 2020
1 Trade receivables	564.297.417	31.244.902	37.183.385	
2 Monetary financial assets (including cash, bank accounts)	445.654.600	52.413.463	6.762.239	
3 Other current assets	79.172.197	10.518.564	217.662	
4 Foreign currency assets (1 + 2 + 3)	1.089.124.214	94.176.929	44.163.286	
5 Trade payables	(1.383.258.760)	(188.135.950)	(249.427)	
6 Financial borrowings	(104.442.018)	—	(11.594.491)	
7 Other short-term liabilities, net	(8.701.729)	(1.156.804)	(23.336)	
8 Short term liabilities in foreign currency (5 + 6 + 7)	(1.496.402.507)	(189.292.754)	(11.867.254)	
9 Trade payables	—	—	—	
10 Financial borrowings	—	—	—	
11 Long term liabilities in foreign currency (9 + 10)	—	—	—	
12 Total liabilities in foreign currency (8 + 11)	(1.496.402.507)	(189.292.754)	(11.867.254)	
13 Net foreign currency asset, liability position (4-12)	(407.278.293)	(95.115.825)	32.296.032	
14 Monetary items net foreign currency asset / liability position (4-12)	(407.278.293)	(95.115.825)	32.296.032	
15 Fair value of derivative instruments classified for hedging purposes	—	—	—	
16 Amount of hedged portion of foreign currency liabilities	—	—	—	

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**Foreign currency risk (Cont'd)**

As of December 31, 2021, and December 31, 2020, 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, 2021	
	Profit/(loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD - net	(210.216.036)	210.216.036
2- The part hedged for USD risk (-)	58.114.440	(58.114.440)
3- The impact of TL net profit for the period	(152.101.596)	152.101.596
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	12.116.454	(12.116.454)
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	12.116.454	(12.116.454)
	December 31, 2020	
	Profit/(loss)	
	Appreciation of foreign currency	Appreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD - net	(69.819.771)	69.819.771
2- The part hedged for USD risk (-)	--	--
3- The impact of TL net profit for the period	(69.819.771)	69.819.771
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	29.091.943	(29.091.943)
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	29.091.943	(29.091.943)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

(Amounts expressed in Turkish Lira ("TL") 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 uncollectible 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:

- First level: Financial assets and liabilities are valued over stock exchange prices used in active market for assets and liabilities 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.

Fair value hierarchy table as of December 31, 2021 and December 31, 2020 is as follows:

<u>December 31,2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial investments	211.262.237	--	2.737.515
Derivative financial assets / (liabilities)	--	39.424.793	--
<u>December 31,2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial investments	30.094.752	--	2.737.515
Derivative financial assets / (liabilities)	--	--	--

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2021

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

NOTE 34 - SUBSEQUENT EVENTS

Gübretaş Maden Yatırımları A.Ş., signed an agreement on January 3, 2022 with Teck Anadolu Madencilik A.Ş., which owns 80% of the shares of Kavak Madencilik A.Ş., to acquire these 80% shares of Kavak Madencilik A.Ş., which is the owner of the license area 200709861 located within the borders of Bilecik province, for a price of USD 1.800.000 and with the conditions of making a 2% royalty payment. Legal procedures regarding the transfer of shares started to be carried out. With the acquisition of the shares of Kavak Madencilik A.Ş., it is aimed to expand the exploration and development activities around the Söğüt Gold Mine and to identify possible new mineral resources.

An investment incentive certificate numbered 531623 was issued by the Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital to Gübretaş Maden Yatırımları A.Ş. regarding the Söğüt Gold Mine Project. The foreseen support elements are 7 years of insurance premium employer's share, 30% tax reduction, 40% investment contribution rate, customs duty exemption, VAT exemption and interest support. The investment amount has been determined as TL 4.634.477 508. The cost of imported machinery and equipment is USD 66.607.537, and the estimated employment is 970 people.

Board Member Fahrettin Poyraz, who also served as the Chairman of the Board of Directors at Gübretaş and Gübretaş Maden Yatırımları A.Ş., resigned from the Board as of February 3, 2022.

Prof. Dr. Vahit Kirişçi, who appointed as the Minister of Agriculture and Forestry, resigned from the Board of Directors of Gübretaş as of March 4, 2022.

NOTE 35 - FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDITOR'S

	January 1- December 31, 2021	January 1- December 31, 2020
Independent audit fee	265.000	205.000
Total	265.000	205.000