

(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, 2022**

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the consolidated financial statements of Gübre Fabrikaları Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2022, 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, 2022, 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 component auditor's report dated March 15, 2023. As explained in Note 16 to the financial statements, there is a lawsuit filed against Razi in the local court in the amount of TL 6.170.439.000 (approximately 330 million USD), based on allegations of excessive gas consumption in previous periods. Razi objected to this lawsuit. In the independent auditors report prepared by the component auditor, a disclaimer opinion was issued on the grounds that there is a fundamental uncertainty regarding the final outcome of the ongoing litigation and no confirmation could be obtained from the legal counsel in regards the proceeding of the lawsuit. The accompanying financial statements do not contain a provision for the possible outcomes of the lawsuit.

Petro Saman Avaran Razi, a subsidiary of Razi, which is consolidated in the accompanying financial statements, has not been included in the consolidation.

2. Basis for Qualified Opinion (Cont'd)

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.

3. Emphasis of Matters

Due to the accumulative inflation rate of last three years in Iran exceeding 100% (120%), the 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. Regarding Razi's inflation accounting, as of January 1, 2022, opening equity balances have been restated in the amount of TL 1.312.911.067.

As explained in Note 16 to the financial statements, the sanctions imposed by the United Nations on the Islamic Republic of Iran ("Iran") since 2010 have been suspended for certain periods of time and extent. However, the United States of America, one of the parties to the agreement, stated on May 8, 2018 its withdrawal from the agreement, and that it will start to re-implement the previously suspended sanctions. The first part of the re-implemented sanctions came into effect on August 6, 2018, and it was stated that the trade of Iran's oil, petroleum products and petrochemical products will also be subject to sanctions in the second group of sanctions, which was put into effect on November 4, 2018 and on May 2, 2019, the United States lifted this exemption to countries that it granted exemptions to trade in petroleum, petroleum products, and petrochemical products. As of the date of these consolidated financial statements, none of the companies within the Group is not subject to sanctions. However, this situation may affect the future operations of the Group's subsidiary in this country. Iran's economic stability depends on the measures it will take in the face of 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 consider some risks that are not generally observed in other markets. The attached consolidated financial statements contain the assumptions of the Group management about the effects of the current sanctions imposed on Iran on the operations and financial condition of the subsidiary. Iran's future economic situation may differ from Group management's assumptions.

After the sharp depreciation of the local currency, the Iranian Rial, the Central Bank of Iran created a new platform for foreign exchange transactions (called "NIMA") in April 2018 and required all banks and exchange offices to record their transactions to this platform. Companies exporting non-petroleum products are obliged to sell all their foreign currency income derived from exports to banks or licensed exchange offices through this platform, except (i) import goods and services for themselves, (ii) repay foreign currency debt and (iii) use them as deposits in banks.

3. Emphasis of Matters (Cont'd)

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.

Due to the sanctions imposed on Iran, companies exporting to Iran have encountered various difficulties in these sales. Exporting companies based in Iran are required to obtain approval from the Central Bank of Iran and other authorized institutions, and in the event this approval is not obtained, they cannot benefit from tax exemptions arising from exports to these companies.

As explained in the Note 16, in November 2011, Iskenderun Fiscal Directorate ("Treasury") brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of located in Hatay, Iskenderun, in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is TL 149,466,593 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.

4. Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Inventories As of December 31, 2022, the inventories amounting to TL 7.798.691.052 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, 2022, the revaluation of property, plant and equipment 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.

4. Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables As of December 31, 2022, trade receivables amounting to TL 1.554.489.791 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.

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1, - December 31, 2022 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 17, 2023.

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

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



Jale Akkaş
Engagement Auditor

Istanbul, March 17, 2023

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated Statements of Financial Position as of December 31, 2022

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

		Audited	Audited
	Notes	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	1.083.379.197	1.179.720.584
Financial investments	31	447.610.807	191.032.590
Trade receivables			
- Trade receivables from related parties	30	1.293.504.504	1.248.779.873
- Trade receivables from third parties	7	260.985.287	659.621.649
Other receivables			
- Other receivables from third parties	8	468.030.922	230.134.594
Inventories	9	7.798.691.052	5.018.321.850
Prepaid expenses	10	546.357.195	590.944.195
Derivative financial instruments	20	--	39.424.793
Assets related to the current period taxes	28	74.773.277	52.859
Other current assets	18	131.073.520	101.697.254
Current Assets		12.104.405.761	9.259.730.241
Non-current assets			
Financial investments	31	79.159.050	22.967.162
Trade receivables			
- Trade receivables from third parties	7	1.133.425	--
Other receivables			
- Other receivables from third parties	8	34.371.497	18.937.471
Investments valued by equity method	3	200.338.233	40.676.021
Investment properties	11	267.963.745	191.478.293
Property, plant and equipment	12	7.522.556.514	3.081.727.065
Intangible assets	13		
- Goodwill		181.827.657	119.358.609
- Other intangible assets		278.568.344	82.712.134
Prepaid expenses	10	187.093.500	232.022.895
Deferred tax assets	28	--	--
Total non-current assets		8.753.011.965	3.789.879.650
Total Assets		20.857.417.726	13.049.609.891

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, 2022

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

		Audited	Audited
	Notes	December 31, 2022	December 31, 2021
LIABILITIES			
Current liabilities			
Short term borrowings	6	5.515.983.218	2.559.498.555
Trade payables			
- Trade payables to related parties	30	7.152.251	7.177.456
- Trade payables to third parties	7	5.072.185.724	4.696.694.049
Payables due to employee benefits	17	61.797.355	77.065.830
Other payables			
-Other payables to third parties	8	419.417.369	192.789.251
Deferred income	10	76.336.433	752.793.129
Liabilities related to current period tax	28	696.321.334	72.397.614
Short term provisions			
-Short-term provisions for employee benefits	17	93.107.205	51.430.512
-Other short-term provisions	16	307.078.555	189.136.960
Derivative financial instruments	20	8.421.300	--
Current liabilities		12.257.800.744	8.598.983.356
Non-current liabilities			
Long-term borrowings	6	44.811.294	8.354.465
Long term provisions			
- Long-term provisions for employee benefits	17	526.372.881	338.204.352
Deferred tax liability	28	150.718.544	75.809.339
Total non-current liabilities		721.902.719	422.368.156
Total liabilities		12.979.703.463	9.021.351.512
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		20.163.680	6.243.916
- Impairment on property, plant and equipment		2.134.574.576	549.972.967
- Defined benefit plans re-measurement losses		(50.733.395)	(2.811.836)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
-Foreign currency translation differences		456.162.026	332.976.445
Restricted reserves from profit			
-Legal reserves	19	68.182.652	53.838.737
Retained earnings / losses		2.071.161.251	921.268.125
Current year profit/loss		757.352.143	523.125.635
Shareholders' equity		5.790.862.933	2.718.613.989
Non-controlling interests		2.086.851.330	1.309.644.390
Total shareholders' equity		7.877.714.263	4.028.258.379
Total liabilities and equities		20.857.417.726	13.049.609.891

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**Consolidated Statements of Profit or Loss and****Other Comprehensive Income as of December 31, 2022**

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

		Audited	Audited
		January 1 –	January 1 –
	Notes	December 31,	December 31,
		2022	2021
Sales	21	25.286.749.983	10.764.791.265
Cost of sales	21	(21.463.276.751)	(8.184.433.439)
Gross profit		3.823.473.232	2.580.357.826
General and administrative expense	22	(556.337.951)	(238.116.647)
Marketing, selling and distribution expense	22	(741.577.187)	(351.857.021)
Other operating income	24	1.122.450.499	782.854.384
Other operating expense	24	(2.524.374.528)	(2.314.554.940)
Operating profit		1.123.634.065	458.683.602
Income from investment activities	25	145.581.207	64.303.056
Expenses from investment activities	25	(61.733)	(214.144)
Profit/(loss) from investments accounted by equity method	3	145.742.448	10.849.475
Financial income / (expense) before operating profit		1.414.895.987	533.621.989
Financial income	26	730.443.107	529.986.248
Financial expense	26	(1.144.033.760)	(495.019.975)
Gains / (losses) from net monetary position	26	191.781.218	39.675.421
Profit before tax from continuing operations		1.193.086.552	608.263.683
- Current period tax (expense)	28	(671.585.701)	(80.271.820)
- Deferred tax (expense) / income	28	321.557.183	(58.202.465)
Total tax (expense) / income		(350.028.518)	(138.474.285)
Net period profit / (loss)		843.058.034	469.789.398
Distribution of income / (loss) for the period			
Non-controlling interests		85.705.891	(53.336.237)
Attributable to equity holders of the parent		757.352.143	523.125.635
Loss per share (kr)	29	2,268	1,566
Other comprehensive income			
Tangible asset revaluation increases of investments valued by equity method		13.919.764	6.243.916
Property, plant and equipment revaluation increases	12	1.980.752.011	258.527.483
Tax effect of other comprehensive income/ (expense)	28	(396.150.402)	(25.852.748)
Actuarial gain/(loss) arising from defined benefit plans	17	(59.901.949)	(2.142.989)
Tax effect of other comprehensive income/ (expense)	28	11.980.390	428.598
Items to be reclassified to profit or loss			
Changes in currency translation differences	28	708.663.468	1.602.223.637
Other comprehensive		2.259.263.282	1.839.427.897
Total comprehensive income / (expense)		3.102.321.316	2.309.217.295
Distribution of total comprehensive income /			
Non-controlling interests		671.183.778	725.481.686
Equity holders of the parent		2.431.137.538	1.583.735.609

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Consolidated Statements of Changes in Equity as of December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Notes	Share capital	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		Restricted reserves	Accumulated profit		Equity holders of the parent	Non controlling interests	Total equities
		Impairment on property, plant and equipment	-Defined benefit plans re-measurement losses	Shares to be classified in profit / (loss) from other comprehensive income of investments accounted for using equity method	Foreign currency translation differences		Retained earnings	Net profit / (loss) for the year			
Balances at January 1, 2021	334.000.000	317.298.232	(1.097.445)	--	(490.429.269)	53.838.737	604.588.289	262.056.082	1.080.254.626	682.000.259	1.762.254.885
Adjustments for mandatory changes in accounting policies	--	--	--	--	--	--	54.623.754	--	54.623.754	57.122.217	111.745.971
Balances as restated	334.000.000	317.298.232	(1.097.445)	--	(490.429.269)	53.838.737	659.212.043	262.056.082	1.134.878.380	739.122.476	1.874.000.856
Transfers	--	--	--	--	--	--	262.056.082	(262.056.082)	--	--	--
Dividend paid	--	--	--	--	--	--	--	--	--	(154.959.772)	(154.959.772)
Total comprehensive income/ (expense)	19	232.674.735	(1.714.391)	6.243.916	823.405.714	--	--	523.125.635	1.583.735.609	725.481.686	2.309.217.295
Balances at December 31, 2021	19	334.000.000	549.972.967	(2.811.836)	6.243.916	53.838.737	921.268.125	523.125.635	2.718.613.989	1.309.644.390	4.028.258.379
Balances at January 1, 2022	334.000.000	549.972.967	(2.811.836)	6.243.916	332.976.445	53.838.737	921.268.125	523.125.635	2.718.613.989	1.309.644.390	4.028.258.379
Adjustments for mandatory changes in accounting policies	--	--	--	--	--	--	641.778.204	--	641.778.204	671.132.863	1.312.911.067
Balances as restated	334.000.000	549.972.967	(2.811.836)	6.243.916	332.976.445	53.838.737	1.563.046.329	523.125.635	3.360.392.193	1.980.777.253	5.341.169.446
Transfers	--	--	--	--	--	14.343.915	508.781.720	(523.125.635)	--	--	--
Dividend paid	--	--	--	--	--	--	--	--	--	(566.320.283)	(566.320.283)
Subsidiary acquisition and disposal	--	--	--	--	--	--	(666.798)	--	(666.798)	1.210.582	543.784
Total comprehensive income/ (expense)	19	1.584.601.609	(47.921.559)	13.919.764	123.185.581	--	--	757.352.143	2.431.137.538	671.183.778	3.102.321.316
Balances at December 31, 2022	19	334.000.000	2.134.574.576	(50.733.395)	20.163.680	68.182.652	2.071.161.251	757.352.143	5.790.862.933	2.086.851.330	7.877.714.263

The accompanying notes from 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, 2022

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

		Audited January 1 – December 31, 2022	Audited January 1 – December 31, 2021
	Notes		
Cash flows from operating activities			
Period income / (loss)		843.058.034	469.789.398
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	12-13	544.179.536	201.604.164
Adjustments for undistributed profits of investments valued by equity method	3	(145.742.448)	(10.849.475)
Adjustments related to provisions for employee benefits	17	383.032.327	288.473.114
Adjustments related to interest expenses		659.586.879	230.750.721
Adjustments related to impairment of inventories	9	48.286.214	1.857.449
Adjustments related to impairment of receivables	8	(2.091.346)	5.548.335
Deferred financial income		(18.131.283)	2.885.920
Adjustments related to lawsuit provision	16	13.644.421	13.052.548
Adjustments related to current period tax income	28	350.028.518	138.474.285
Adjustments related to losses (gains) on sale of property, plant and equipments	25	(1.541.260)	(6.511.428)
Adjustments related to fair value losses (gains) on derivative financial instruments	20	47.846.093	(39.424.793)
Adjustments related to fair value losses (gains) on investment properties	25	(137.215.452)	(51.972.227)
Cash flows from the operating activities before changes in the assets and liabilities		2.584.940.233	1.243.678.011
Change in working capital (net):			
Increase in trade receivables		353.549.912	(1.094.552.350)
Increase in other receivables		(253.330.354)	(168.964.647)
Decrease in inventories		(2.828.655.416)	(3.792.741.434)
Increase in trade payables		394.917.501	3.272.115.891
Increase / (decrease) in employee benefit obligations		(15.268.475)	46.198.266
Increase / (decrease) in deferred income		(676.456.696)	722.213.848
Increase / (decrease) in prepaid expenses		89.516.395	(628.870.428)
Increase / (decrease) in other payables		(339.692.161)	(20.859.318)
Adjustments related to other decrease in working capital		(84.028.180)	88.212.118
Cash flows from the operations after the changes in working capital		(774.507.241)	(333.570.043)
Interest paid		(583.087.095)	(125.649.906)
Taxes refunds/ (payments)	28	(97.029.675)	42.956.514
Payments related to provision for employee benefits	17	(347.703.212)	(97.972.780)
Cash flow regarding investment activities		(1.802.327.223)	(514.236.215)
Cash flow from investment activities			
Cash outflows from the purchases of property, plant and equipment and intangible assets	12-13	(1.682.873.616)	(298.503.156)
Cash inflows from the sales of property, plant and equipment and intangible assets	12-13	53.754.427	38.127.244
Other outflows of cash		(312.770.105)	(181.167.485)
Cash flow from investment activities		(1.941.889.294)	(441.543.397)
Cash flow from financing activities			
Cash inflows from financing borrowings		10.419.020.800	3.079.000.000
Cash outflows from financing borrowings payments		(7.502.579.092)	(2.255.043.536)
Other inflows (outflows) of cash		543.784	--
Cash flow from financing activities		2.916.985.492	823.956.464
Net change in cash cash equivalents before affect of foreign currency translation difference		(827.231.025)	(131.823.148)
Cash and cash equivalents as of January 1	5	1.171.491.537	657.508.102
Foreign currency translation difference		739.118.685	645.806.583
Cash and cash equivalents as of December 31	5	1.083.379.197	1.171.491.537

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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 seven subsidiaries (December 31, 2021: four) and two associates (December 31, 2021: 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, 2022 is 1.557 (December 31, 2021: 1.576).

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, 2022		December 31, 2021	
	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, 2022 and December 31, 2021, the direct and indirect voting rights of Gübretaş and the effective ownership rates (%) and the relevant functional currencies according to the countries of operation are shown below:

Name	31 December 2022			31 December 2021	
	Currency in Use	Voting Right	Effective Ownership Rate	Voting Right	Effective Ownership Rate
Razi Petrochemical Co.	IRR	%48,88	%48,88	%48,88	%48,88
Arya Phosphoric Jonoob Co.	IRR	%48,88	%48,88	%48,88	%48,88
Petro Saman Avaran	IRR	%33,73	%33,73	--	--
Raintrade Petrokimya 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
Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş.	Turkish Lira	%40,00	%40,00	%40,00	%40,00
Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş.	Turkish Lira	%15,78	%15,78	%15,78	%15,78
Kavak Madencilik A.Ş.	Turkish Lira	%80	%80	--	--

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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, 2021: 48,88%). Razi is considered a subsidiary because Gübretaş has the right to select and nominate three of the five-member Board of Razi and has controlling power over the operational management of Razi.

Raintrade Petrokimya ve Dış Ticaret A.Ş.

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.. With the annual general assembly held on 22 June 2022 it was decided to suspend the relevant liquidation process.

Arya Phosphoric Jonoob Co.

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

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 Söğüt 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 development activities to commence mining activities as of the date of the report.

Kavak Madencilik A.Ş.

Gübretaş Maden acquired 80% of Kavak Madencilik A.Ş. from Teck Anadolu Madencilik A.Ş. for USD 1.800.000 and 2% royalty payment based on the agreement signed on January 3, 2022., which is the owner of the license field number 200709861 located within the borders of Bilecik province, in order to expand the exploration and development activities around the Söğüt Gold Mine and to identify possible new mineral resources. USD 900.000 of the relevant fee has been paid on the date of the agreement, and the remaining amount has not been paid yet as of the report date. The transfer of the related shares was completed on May 23, 2022.

Rexim Dış Ticaret A.Ş.

The company was established on August 19, 2022 by Raintrade with a capital of TL 1,000,000 for the purpose of marketing, issuing, debt and trading in all kinds of petrochemical costs. As of 31 December 2022 the investee was shown long-term financial investments.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

Petro Saman Avaran

The Company was established in 2019 by the shareholders including Arya and started to its operations. The Company provides technical and general services to oil, gas and petrochemical industries. The Company also provides general and social services for Razi and Arya, including human resources, catering services, green space and repair complexes. As of the balance sheet date, the main shareholder Arya's ownership rate is 69% (December 31, 2021: 69%), and the Group's indirect participation rate is 33,73% (December 31, 2021: 33.73%).

1.2 Associates

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 shareholding rate of Gübretaş in Tarkim is 40% (December 31, 2021: 40%).

1.3 Other financial investments

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

1.4 The approval of the consolidated financial statements

The consolidated financial statements have been approved by the Board of Directors and authorized to be issued on March 17, 2023. 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”).

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

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

2.1 Basis of presentation (Cont'd)

Financial Reporting Standards (Cont'd)

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.

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. In the current period, the Group has made some reclassifications in its prior period financial statements. The nature, reason and amounts of the classifications are explained below:

In 2021, the Group presented the "Rental income from investment properties" amounting to TL 4.610.248 in the profit or loss statement under Service Sales. In the current year, the Group management reclassified this amount under "Income from Investment Activities". These reclassifications have no effect on the profit or loss statement.

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").

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

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

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 (NIMA) 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 during the period. Financial statements of subsidiaries operating in foreign countries have been prepared in accordance with TAS/IFRS published by POA, reflecting the necessary adjustments and classifications in order to make the correct presentation. 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 exchange rates used are as follows:

Currency	December 31, 2022		December 31, 2021	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000065607	0,000052665	0,000052874	0,000032305

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, 2022, 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

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 894.409.298 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, 2022, the equity opening balances of the subsidiary have been corrected by TL 1.312.911.067 regarding inflation accounting.

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

New Standard, Changes and Interpretations Effective January 1, 2022

The accounting policies taken as basis in the preparation of the financial statements for the period ending as of 31 December 2022 have been applied consistently with TMS/TFRS and TMS/TFRS Interpretations. In accordance with TFRS, new standards, amendments and interpretations effective from 1 January 2022 are not expected to have an impact on the Group's financial statements.

New standards, amendments and interpretations effective from 1 January 2022

TFRS 16 'Leases' - Changes to the extension of COVID 19 lease concessions facilitating:

Due to the COVID-19 outbreak, some privileges have been provided to tenants in rent payments. In May 2020, IASB introduced an optional facilitating practice for the tenants not to evaluate the concessions granted due to COVID-19 in the lease payments, whether there is a change in the lease, with the amendment published in the TFRS 16 Leases standard. On March 31, 2021, IASB published an additional amendment to extend the date of facilitating implementation from June 30, 2021 to June 30, 2022. Lessees may choose to account for such lease concessions in accordance with the terms that would apply in the absence of a lease modification. This ease of application often causes the lease concession to be recognized as a variable lease payment during periods when the event or condition that triggers the reduction in lease payments occurs.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

Effective for annual reporting periods beginning on or after 1 January 2022.

Annual improvements make minor changes to the illustrative examples of TFRS 1 “International Financial Reporting Standards”, TFRS 9 “Financial Instruments”, TAS 41 “Agricultural Activities” and TFRS 16.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

New standards, amendments and interpretations effective from 1 January 2022 (Cont’d)

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (Cont’d)

Amendments to TFRS 3 ‘Business combinations’

‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to TMS 16, ‘Property, plant and equipment’

‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Amendments to TMS 37, ‘Provisions, contingent liabilities and contingent assets’

‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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.

Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8

Effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

Effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

TFRS 16, Sale and leaseback transactions

Effective for annual reporting periods beginning on or after 1 January 2024. These changes include the sale and leaseback requirements in IFRS 16 that describe how an entity accounts for a sale and leaseback transaction after the transaction date. Sales and leaseback transactions where some or all of the lease payments consist of variable lease payments that are not tied to an index or rate are likely to be affected.

TAS 1, Amendment to long-term obligations, which are contractual terms

Effective for annual reporting periods beginning on or after 1 January 2024. These changes clarify how conditions that an entity must comply with within twelve months of the reporting period affect the classification of a liability.

These changes are not expected to have a significant impact on the Group's financial position and performance.

2.3 Principles of Consolidation

- a) The consolidated financial statements for the period ended December 31, 2022, have been prepared in accordance with principles stated on consolidated financial statements for the year ended December 31, 2021 and include the financial statements of Gübretaş and those of subsidiaries.

The consolidated financial statements include the financial statements of the parent company Gübretaş and its Subsidiaries and Affiliates. During the preparation of the financial statements of the companies included in the consolidation, necessary adjustments and classifications were made in terms of compliance with the TAS/TFRS, which was put into effect by the POA in accordance with the provisions of the Communiqué Serial II, No. 14.1, and in compliance with the accounting policies and presentation formats applied by the Group.

Subsidiaries are companies in which Gübretaş is exposed to or has rights to variable returns due to its relationship with the investee, and over which it has control because it has the ability to affect these returns through its power over the investee.

- b) As of December, 2022, 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, 2021.
- 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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 (Cont'd)

- 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 Group's significant interest in affiliates is accounted for with equity method. Affiliates accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The comprehensive income statement presents shares of financial results of the Group's affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group's share. The share of the Group from these changes is directly accounted under the Group's equity.
- f) Financial asset held for sale in which the total voting rights of the Group do not have a material impact or are not material to the consolidated financial statements and whose fair values cannot be reliably determined, or not quoted in organized markets, are measured in the consolidated financial statements at cost less impairment if any.

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 TFRS 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

2.4.2 Dividend and interest income

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

2.4.3 Lease income

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

2.4.4 Leases – TFRS 16 (as a lessee)

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

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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) (Cont'd)

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.

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

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

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

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

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

Practical expedients

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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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

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

The phase cost system is used as the cost system. First in first 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 depredation that occur within the next period from fair value measured at the re-evaluation date. The re-evaluations are done on a regular basis in such a way that it will not differ from book value of fair value that is to be determined at the re-evaluation date.

Increase resulting from the re-evaluation of the aforementioned landed properties and buildings is recorded to re-evaluation fund in equity. If there is a depreciation that has been showed previously in income statement concerning the tangible-fixed assets, increment value resulting from the re-evaluation is recorded to income statement at the rate of said depreciation. Decrease in book value resulting from the re-evaluation of mentioned landed property and building is recorded to the income statement in case the asset exceeds its balance in re-evaluation fund relating its previous re-evaluation. Depreciation of re-evaluated building is included in income statement. When the re-evaluated real estate is sold or upon its retirement, remaining balance in re-evaluation fund is transferred to profits which are not distributed directly. Unless the asset is excluded from the balance sheet, it shall not be transferred from re-evaluation fund to profits which are not distributed directly.

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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)

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.

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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.9 Goodwill (Cont’d)

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

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

2.4.10 Impairment of assets

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

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

2.4.11 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

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.12 Financial instruments

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contract of the financial instrument. Normal purchases or sales of financial instruments are recognized in the financial statements or excluded from the financial statements by using one of the accounting methods on the transaction date or delivery date. The purchase and sale of securities are recognized on the delivery date. The initial recognition and classification of financial instruments depends on the contractual terms and the relevant business model. A financial asset or financial liability other than TFRS 15 Customer Contracts are measured at fair value when first recognized in financial statements. Transaction costs directly attributable to the acquisition or the issuance of financial assets and liabilities, except for the fair value changes recognized in profit or loss, are also added to the fair value or deducted from the fair value. The financial assets and liabilities of the Group under TFRS 9 are as follows:

Financial Assets

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are classified into the following specified categories: “financial assets at fair value through profit or loss (“FVTPL”)”, “financial assets measured at amortized cost”, and “financial assets at fair value through other comprehensive income (“FVTOCI”)”.

Financial assets at fair value through profit or loss

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

Financial assets measured at amortized cost

Financial assets measured at amortized cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. Financial assets measured at amortized cost with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. Interest income from financial assets measured at amortized cost are recognized in the income statement as an interest income.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.12 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.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.12 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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.12 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.

2.4.13 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.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.13 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.

2.4.14 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.

2.4.15 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.

2.4.16 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

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.17 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

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.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.17 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.

2.4.18 Benefits for employees

Severance pay

In accordance with provisions of current laws and collective labor agreements in Turkey, termination indemnity is made in case of retirement or displacement. In compliance with TAS 19 Employee Benefits Standard (“IAS 19”) which has been updated, such payments in question are described as identified retirement benefit plans. In fact, Turkish and Iranian seniority indemnity systems are similar, there are not core differences between them. Moreover, during Razi’s privatization, the right of early retirement was granted to employees and the obligation arising from such entitled rights was accounted for within the scope of TAS 19 by Razi.

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

Severance incentive premium

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

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, 2022

(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)

2.4.19 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.

2.4.20 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.

2.4.21 Mining assets

Mining assets consist of mine site development, mining rights, mining plots, deferred mining costs and discounted costs associated with the rehabilitation, rehabilitation and closure of mine sites. Mining assets are reflected in the financial statements at their net value after deducting accumulated depreciation and permanent impairment, if any, over their acquisition costs. Mining assets are amortized with the start of production. Depreciation expenses of mining assets are included in the production cost on the basis of the relevant mining sites.

The mine site development costs include the evaluation and development of new ore veins, as well as the opening of underground galleries, excavation and construction of roads for the continuation and development of existing ore seams. Mine development costs are capitalized in cases where it is highly likely to obtain an economic benefit in the future from the mine in question, can be identified for specific mining areas and the cost can be measured reliably. Costs incurred during production are capitalized as long as they are directly related to the development of the mine site. Production-related costs are reflected as expense in the statement of profit or loss and other comprehensive income.

In cases where mining site development expenses cannot be distinguished from research and evaluation expenses, the said expenses are recorded as expense in the profit or loss and other comprehensive income statement in the period they occur.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

2.4.21 Mining assets (Cont'd)

Mining assets are depreciated when their capacity is ready to be used fully and their physical conditions meet the production capacity determined by the Company management. Mine development costs are capitalized in cases where it is highly probable to obtain economic benefit in the future and are subject to depreciation considering the economic benefit. Mine development costs are distributed to the departments to the extent that they can be defined on the basis of the relevant mining areas as soon as they are first recorded, and the departments in each mine area are subjected to depreciation by using the units of production method, taking into account the economic benefits separately.

The large-scale and important revision works carried out at the said mine, which will increase the economic benefits to be obtained during the life of the relevant mine, are capitalized. Maintenance and repair expenses, excluding large-scale and significant revisions, that can be evaluated within this scope are recorded as expense in the profit or loss and other comprehensive income statement of the period in which they occur.

The mine development costs at each mine site are depreciated over the redemption rate found by dividing the total amount of gold in ounce mined from the relevant mine by the total ounce of visible and possible workable remaining gold reserves in the said mine during the period. The visible and possible reserve amounts in each mine site indicate the known and measurable resource that can be extracted and processed economically in the foreseeable future.

Apart from the land on which the production facilities are built and where the wastes are stored, the Company also purchases land for mining exploration activities. These lands are followed in mineral assets and are reflected in the financial statements over their acquisition costs. These lands begin to be depreciated over the depreciation rate found by dividing the total ounce of visible and possible workable reserve in the said mine by the remaining gold reserve amount as soon as the ore is started to be extracted in the relevant mine site.

The deferred mining costs consist of the direct costs incurred during stripping, which facilitates access to the defined part of the ore in each open pit ore deposit during the period, and the general production costs associated with the stripping work. It is subject to depreciation taking into account the deferred extraction rate, which is calculated based on the usable remaining life of each open pit.

The production costs corresponding to the part of the benefit generated in the stripping work realized in the form of manufactured products are accounted for by including the cost of inventories. The removal costs of each open pit ore deposit and, as long as it is measurable, for phases related to each ore deposit are accounted by taking into account the calculated rates.

Deferred mining costs are depreciated over the amortization rate found by dividing the total ounce of gold mined from the relevant mine by the total ounce of visible and possible workable remaining gold reserves in the said mine. The visible and possible reserve amounts in each mine site indicate the known and measurable resource that can be extracted and processed economically in the foreseeable future.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

2.4.21 Mining assets (Cont’d)

The actual mineral extraction rate is calculated by proportioning the amount of waste and ore extracted from each open pit until the balance sheet date. The estimated mineral extraction rate, which is calculated by taking into account the remaining useful life of each open pit, is calculated by proportioning the estimated cumulative pass and ore amounts to each other in tonne to be prospectively extracted from each open pit connected to the reserve.

Accordingly, if the actual extraction rate is higher than the estimated extraction rate calculated by taking into account the useful life of each related open pit, part of the estimated cumulative passage during the year and the cost incurred for ore extraction is capitalized in line with the said rates.

If the estimated mineral extraction rate calculated considering the useful life of the mine is higher than the actual extraction rate, the related costs are accounted as production expense in the profit or loss and other comprehensive income statement, taking into account the depreciation rate stated above. The useful life of the mine is reviewed annually and changes in the deferred extraction rate are accounted for prospectively.

Mining operation rights are reflected in the financial statements at the acquisition cost and are amortized using the lower of the depreciation rate found by dividing the remaining economic life of the relevant mine or the mineral extracted from underground and open pit during the period by the remaining amount of visible and possible workable reserves.

Reclamation, rehabilitation and closure costs according to the current conditions of the mine fields that arise due to the open pit mine development activities and the production in the open pit; Provision for expenses that are likely to be spent during the closure and rehabilitation of mines is reflected in the financial statements at their reduced cost values as of the balance sheet date.

These provisions are reduced to their values at the balance sheet date, taking into account the risk of interest and liability in the markets, with a pre-tax discount rate that does not include the risk of future cash flow estimates, and the calculations are reviewed in each balance sheet period. Changes resulting from changes in management estimates used in the computation of the reclamation, rehabilitation and closure provision of mine sites are reflected in the cost of rehabilitation, rehabilitation and closure of mine sites.

On the other hand, for each mine, the costs of rehabilitation, rehabilitation and closure of the respective mine sites; It is amortized using the lower of the depreciation rate found by dividing the remaining economic life of the relevant mine or the mine extracted from the open pit during the period by the amount of open pit visible and possible workable remaining reserves. The costs incurred for the prevention of environmental pollution and protection of the environment within the scope of existing programs are reflected in the profit or loss and other comprehensive income statement as an expense in the period they occur.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

2.4.21 Mining assets (Cont’d)

Mineral exploration, evaluation and development expenses

Pre-license costs are expensed in the period in which they occur.

Mine site development costs are capitalized in cases where it is highly likely that an economic benefit will be obtained from the mine in question in the future, can be identified for specific mine sites and the costs can be measured reliably. The costs incurred during the research and evaluation are capitalized as long as they are directly related to the development of the mine site.

After the license acquisition, mineral exploration and evaluation expenses include all kinds of technical services from the initial prospecting and exploration stages of a mine site to the realization of a mining project. These technical services; All kinds of geological studies from mining activities to reserve calculation, all kinds of ore production planning from exploitable reserve calculation to production method, optimization and organization, construction and implementation of ore enrichment projects for determination of complete flow chart, from process mineralogy to market analysis, necessary financing. It includes activities such as feasibility studies in every scope up to its source. At the point where production is decided at the mine site, all costs incurred are transferred to the mining assets account. However, when it is decided that there is no future economic benefit, all costs incurred are reflected in the income statement. As the production starts after the preparation period, mineral assets begin to be depreciated.

For the capitalized development costs, the Company management evaluates on each balance sheet date whether there is any indication of depreciation, such as a significant decrease in the reserve amount, expiration of the rights acquired for mining sites, and failure to renew or cancel. If there is such an indicator, the relevant recoverable value, which is determined as the higher of the amount to be recovered through sale after deducting the expenses required for the use or sale of the said asset, is estimated and the impairment losses are reflected as expense in the profit or loss and other comprehensive income statement. The carried value is reduced to its recoverable value.

Environmental rehabilitation, rehabilitation of mining sites and mine closure provision

The Company records the present value of the estimated costs of legal and constructive obligations required to restore the operating places in the period in which the obligation occurred. These restoration activities include the dismantling and removal of structures, the rehabilitation of mines and waste dams, the dismantling of operating facilities, the closure and restoration of factories and waste areas, and the remediation and greening of the affected areas. The requirement usually occurs when the asset is set up or the place / environment in the production area is adversely affected.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

2.4.22 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.

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, 2021: 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, 2022, the Group has not identified 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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)

2.4.22 Critical accounting estimates and judgements (Cont'd)

Fair value of properties

The fair value of the Group's investment properties, land and buildings as of December 31, 2022 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.

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.

The Company's property, plant and equipment were revalued in the statutory records by indexing them according to the indexation rates determined by the Ministry of Finance as from 31.05.2021 pursuant to the 11th Article of the Law No. 7326 on the Restructuring of Certain Receivables and the Amendment of Certain Laws and the Temporary Article 31 added to the Tax Procedure Law with the Board of Directors Decision dated 6 July 2021 and numbered 1346, as of September 30, 2022 and December 31, 2022, within the scope of the Temporary Article 32 added to the Tax Procedure Law with the Law No. 7338 with the Board of Directors Decision No. 10539 dated 28 October 2022, and the paragraph (Ç) of the Recurring Article 298. The statutory revaluation was not reflected in the consolidated financial statements.

The revaluations made in accordance with the Tax Procedure Law may differ from the TFRS fair value of the assets based on the market approach. The fair values of the land, buildings, underground and land improvement facilities and machinery and equipment owned by the Group have been determined as TL 3.033.144.000, based on the appraisal report dated 30 December 2022 prepared by the CMB licensed valuation company, which provides valuation services within the framework of the CMB legislation. As of 31 December 2022, the resultant fair value difference totaling TL 1.980.752.011, of which TL 665.024.106 , TL 311.026.540 , TL 410.801.968 and TL 593.899.397, respectively, was reflected in the accompanying financial statements.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

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

2.6 Business Combinations

Gübretaş Maden acquired 80% of Kavak Madencilik A.Ş. (“Kavak Maden”), the owner of the license field number 200709861 located within the borders of Bilecik province, on 3 January 2022, in order to expand the exploration and development activities around the Söğüt Gold Mine and identify possible new mineral resources from Teck Anadolu Madencilik A.Ş. at a consideration of USD 1.800.000 plus royalty payment of 2% based on the signed “Share Sales Agreement” (Note 34).

The Company was established by Raintrade on August 19, 2022 and shown under long-term financial investments as of 31 December 2022.

NOTE 3 – INTEREST IN OTHER ENTITIES

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

	Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	December 31,2022	December 31,2021
Current assets	683.389.020	387.131.084
Non-current assets	339.316.609	67.508.799
Short-term liabilities	(400.545.790)	(342.640.860)
Long-term liabilities	(121.314.257)	(10.308.970)
Net Assets	500.845.582	101.690.053

	Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	January 1 – December 31, 2022	January 1 – December 31, 2021
Net sales	711.233.305	251.901.471
Net profit	364.356.120	27.123.688

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

	December31,2022	December 31,2021
Tarkim Bitki Koruma San. ve Tic. A.Ş.	200.338.233	40.676.021
Total Net Asset	200.338.233	40.676.021

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

	December 31,2022	December 31,2021
Tarkim Bitki Koruma San. ve Tic. A.Ş., net profit	145.742.448	10.849.475
Tarkim Bitki Koruma San. ve Tic. A.Ş., comprehensive income	13.919.764	6.243.916
Total	159.662.212	17.093.391

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 3 – INTEREST IN OTHER ENTITIES (Cont'd)

	Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	2022	2021
Investment rate	%40	%40
Total equity	500.845.582	101.690.053
Balances as of 1 January	40.676.021	23.582.630
Current period comprehensive income	159.662.212	17.093.391
Balances as of 31 December	200.338.233	40.676.021

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. Gübretaş Maden continues to undertake its mining investments near the vicinity of Söğüt gold mine.

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, 2022 and December 31, 2021 is as follows:

	Local Mining	Local Fertilizer	Foreign Fertilizer	Consolidation Adjustments	Total
	December 31,2022	December 31,2022	December 31,2022	December 31,2022	December 31,2022
Assets					
Current assets	133.477.757	8.629.756.895	3.854.338.835	(513.167.726)	12.104.405.761
Non-current assets	1.479.715.720	4.094.755.643	3.542.980.674	(364.440.072)	8.753.011.965
Total assets	1.613.193.477	12.724.512.538	7.397.319.509	(877.607.798)	20.857.417.726
Liabilities					
Short-term liabilities	1.636.964.876	7.831.798.963	3.287.850.063	(498.813.158)	12.257.800.744
Long-term liabilities	5.824.241	618.946.125	111.812.496	(14.680.143)	721.902.719
Equities	(29.595.640)	4.273.767.450	3.997.656.950	(364.114.497)	7.877.714.263
Total Liabilities	1.613.193.477	12.724.512.538	7.397.319.509	(877.607.798)	20.857.417.726

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements as of December 31, 2022****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****NOTE 4 – SEGMENT REPORTING (Cont'd)**

	Local Mining	Local Fertilizer	Foreign Fertilizer	Consolidation Adjustments	Total
	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
Assets					
Current assets	12.348.229	6.810.991.321	2.496.422.713	(60.032.022)	9.259.730.241
Non-current assets	240.005.989	1.749.386.779	2.137.229.112	(336.742.230)	3.789.879.650
Total assets	252.354.218	8.560.378.100	4.633.651.825	(396.774.252)	13.049.609.891
Liabilities					
Short-term liabilities	206.378.565	6.822.908.481	1.629.728.332	(60.032.022)	8.598.983.356
Long-term liabilities	4.086.492	88.511.942	329.769.722	--	422.368.156
Equities	41.889.161	1.648.957.677	2.674.153.771	(336.742.230)	4.028.258.379
Total Liabilities	252.354.218	8.560.378.100	4.633.651.825	(396.774.252)	13.049.609.891

The distribution of segment assets and liabilities pertaining to the years ending December 31, 2022 and December 31, 2021 is as follows:

	Local Mining	Local Fertilizer	Foreign Fertilizer	Consolidation Adjustments	Total
	January 1, - December 31, 2022	January 1, - December 31, 2022	January 1, - December 31, 2022	January 1, - December 31, 2022	January 1, - December 31, 2022
Sales	16.610	20.523.185.947	5.718.188.206	(954.640.780)	25.286.749.983
Cost of sales	--	(17.679.045.090)	(4.723.444.023)	939.212.362	(21.463.276.751)
Gross profit	16.610	2.844.140.857	994.744.183	(15.428.418)	3.823.473.232
Marketing, selling and distribution expense	--	(601.596.493)	(139.980.694)	--	(741.577.187)
General and administrative expense	(57.806.959)	(129.828.378)	(368.702.614)	--	(556.337.951)
Other operating income / expense, net	(12.599.466)	(952.713.775)	(436.610.788)	--	(1.401.924.029)
Operating profit	(70.389.815)	1.160.002.211	49.450.087	(15.428.418)	1.123.634.065
Income from investments, net	--	477.633.733	--	(332.114.259)	145.519.474
Profit from investments accounted by equity method	--	145.742.448	--	--	145.742.448
Operation profit before financial income / (expense)	(70.389.815)	1.783.378.392	49.450.087	(347.542.677)	1.414.895.987
Financial expense, net	(2.943.556)	(452.963.129)	234.097.250	--	(221.809.435)
Profit / (loss) before tax	(73.333.371)	1.330.415.263	283.547.337	(347.542.677)	1.193.086.552
Deferred tax income / (expense)	1.063.265	(256.773.164)	(103.317.011)	8.998.392	(350.028.518)
Profit / (loss) for the period	(72.270.106)	1.073.642.099	180.230.326	(338.544.285)	843.058.034

(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, 2022

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

NOTE 4 – SEGMENT REPORTING (Cont'd)

	Local Mining	Local Fertilizer	Foreign Fertilizer	Consolidation Adjustments	Total
	January 1, - December 31, 2021	January 1, - December 31, 2021	January 1, - December 31, 2021	January 1, - December 31, 2021	January 1, - December 31, 2021
Sales	--	8.823.633.596	2.184.048.747	(242.891.078)	10.764.791.265
Cost of sales	--	(6.647.489.495)	(1.779.835.022)	242.891.078	(8.184.433.439)
Gross profit	--	2.176.144.101	404.213.725	--	2.580.357.826
Marketing, selling and distribution expense		(330.382.083)	(21.474.938)	--	(351.857.021)
General and administrative expense	(20.833.553)	(87.052.280)	(130.230.814)	--	(238.116.647)
Other operating income / expense, net	24.575.972	(1.236.456.116)	(319.820.412)	--	(1.531.700.556)
Operating profit	3.742.419	522.253.622	(67.312.439)	--	458.683.602
Income from investments, net	--	248.858.132	957.602	(185.726.822)	64.088.912
Profit from investments accounted by equity method	--	10.849.475	--	--	10.849.475
Operation profit before financial income / (expense)	3.742.419	781.961.229	(66.354.837)	(185.726.822)	533.621.989
Financial expense, net	(1.365.574)	86.999.035	(10.991.767)	--	74.641.694
Profit / (loss) before tax	2.376.845	868.960.264	(77.346.604)	(185.726.822)	608.263.683
Deferred tax income / (expense)	(390.608)	(111.090.677)	(26.993.000)	--	(138.474.285)
Profit / (loss) for the period	1.986.237	757.869.587	(104.339.604)	(185.726.822)	469.789.398

Investment expenditures pertaining to segment assets for the year ending December 31, 2022 and December 31, 2021 are as follows:

	January 1, - December 31, 2022	January 1, - December 31, 2021
Gübretaş Maden (Local Mining)	1.345.619.199	111.871.736
Gübretaş (Local Fertilizer)	224.640.912	72.928.172
Razi (Foreign Fertilizer)	119.052.333	113.717.101
Total	1.689.312.444	298.517.009

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the year ending December 31, 2022 and December 31, 2021 are as follows:

	January 1, - December 31, 2022	January 1, - December 31, 2021
Gübretaş Maden (Local Mining)	11.893.885	3.402.882
Gübretaş (Local Fertilizer)	63.261.602	52.169.127
Razi (Foreign Fertilizer)	469.024.049	146.032.155
Total	544.179.536	201.604.164

(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, 2022

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

NOTE 5 – CASH AND CASH EQUIVALENTS

	December 31,2022	December 31,2021
Cash on hands	1.056.297	935.227
Bank	1.082.322.860	1.176.256.732
- demand deposits	638.451.175	153.216.859
- time deposits	443.871.685	1.023.039.873
Other cash equivalents	40	2.528.625
Total	1.083.379.197	1.179.720.584
Blocked deposit	--	(8.229.047)
Cash and cash equivalents at the statement of cash flow	1.083.379.197	1.171.491.537

5.1 Time deposits (TL)

Interest rate (%)	Maturity	December 31,2022
20,00	2 days	18.269.000
Total		18.269.000
Interest rate (%)	Maturity	December 31,2021
25,00	3 days	7.254.351
Total		7.254.351

5.2 Time deposits (Foreign Currency):

December 31,2022			
Interest rate (%)	Maturity	Currency	Currency amount
2,50	2 days	USD	6.820.747
1	2 days	EUR	6.198.940
10-18	2 days	Million IRR	2.659.641
Total			425.602.685
December 31,2021			
Interest rate (%)	Maturity	Currency	Currency amount
1,30	3 days	USD	51.781.436
1,00	3 days	EUR	15.083.480
10 –11	3 days	Million IRR	1.854.057
Total			1.015.785.522

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Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 6 – FINANCIAL BORROWINGS

Short-term and Long-term borrowings	December 31,2022	December 31,2021
Payable within 1 year	5.515.983.218	2.559.498.555
Payable within 1 – 5 years	44.811.294	8.354.465
Total	5.560.794.512	2.567.853.020

As of December 31, 2022, and December 31, 2021, details of short-term and long-term borrowings are as follows:

Short-term borrowings	December 31,2022	December 31,2021
Short-term borrowings	5.497.064.441	2.549.567.447
Lease liabilities	18.918.777	7.533.393
Other short-term borrowings	--	2.397.715
Total	5.515.983.218	2.559.498.555

a. Short-term borrowings

As of December 31, 2022, and December 31, 2021, the details of short-term borrowings are as follows:

December 31, 2022

Currency	Average effective annual interest rate (%)	Original amount	Amount in TL
Bank loans			
EUR	6,39	10.052.427	200.394.127
USD	6,61	30.138.927	563.546.692
TL	14,11	4.510.492.924	4.510.492.924
Other financial borrowings			
Mil. IRR	18,00	3.393.398	222.630.698
Total			5.497.064.441

December 31, 2021

Currency	Average effective annual interest rate (%)	Original amount	Amount in TL
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	3.060.911	161.842.620
Total			2.549.567.447

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Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 6 – FINANCIAL BORROWINGS (Cont'd)

6.2 Short-term Lease Liabilities (Cont'd)

December 31, 2022 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
USD	6,25	524.873	9.814.241
TL	14,29	9.104.536	9.104.536
Total			18.918.777

December 31, 2021 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
TL	14	7.533.393	7.533.393
Total			7.533.393

6.3 Long-term Lease Liabilities

	December 31,2022	December 31,2021
Long-term Lease Liabilities (Note 2.4)	44.811.294	8.354.465
Total	44.811.294	8.354.465

As of December 31, 2022, and December 31, 2021, the details of long-term borrowings are as follows:

December 31, 2022 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
USD	6,25	1.779.444	33.272.580
TL	14,29	11.538.714	11.538.714
Total			44.811.294

December 31, 2021 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
TL	14	8.354.465	8.354.465
Total			8.354.465

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

7.1 Short Term Trade Receivables From Unrelated Parties

	December 31,2022	December 31,2021
Trade receivables	176.132.578	82.773.081
Receivables from Iran Oil Ministry’s participations (Razi)		
- Urea price difference (*)	--	532.264.965
- Other	97.434.452	59.256.692
Provision for doubtful trade receivables	(12.581.743)	(14.673.089)
Total	260.985.287	659.621.649

(*) Razi, based on the decree of the Iranian government dated September 29, 2019, the decision of the General Assembly of the Administrative Court dated August 22, 2017 and numbered 505, and the approval of the 24th meeting of the Executive Branch of the Economic Affairs Assistant Judiciary Executive Branch and the market regulation working group of the Administrative Court of Appeals accounted for as revenue the difference between the minimum price of urea in the trading stock exchange and the requested selling price during the year. As of 31 December 2022, Razi has a receivable of TL 1.797.997.432 (27.406 Billion IRR) (31 December 2021: TL 532.264.965 (10.067 Billion IRR)) arising from this income from Agricultural Support Services affiliated with the Iranian Ministry of Agriculture and union members. However, based on the prediction that the said receivable will not be collected at the end of the year, the related trade receivables were canceled by writing them off from sales at year-end.

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

Time after maturity	December 31,2022	December 31,2021
More than 9 months	12.581.743	14.673.089
Total	12.581.743	14.673.089

For the years ended December 31, 2022 and December 31, 2021, the movement of doubtful trade receivables provision is as follows:

	December 31,2022	December 31,2021
Balance at beginning of the period	14.673.089	9.124.754
Period cost	(2.091.346)	5.548.335
Balance at end of the period	12.581.743	14.673.089

As December 31, 2022 and December 31, 2021 guarantees obtained for receivables not due yet are as follows:

	December 31,2022	December 31,2021
Guarantee letters and DBS received	385.378.201	111.558.883
Guarantee cheques and notes	6.875.001	8.967.841
Total	392.253.202	120.526.724

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Cont’d)

7.2 Short-Term Trade Payables to Unrelated Parties

	December 31,2022	December 31,2021
Liabilities to the Iranian gas supplier	1.116.139.381	673.023.837
Creditors	3.784.517.039	3.959.952.257
Other trade payables	171.529.304	63.717.955
Total	5.072.185.724	4.696.694.049

7.3 Long Term Trade Receivables From Unrelated Parties

	December 31,2022	December 31,2021
Trade Receivable	1.133.425	--
Total	1.133.425	--

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

8.1 Other Short-Term Receivables From Unrelated Parties

	December 31,2022	December 31,2021
VAT receivables - Turkey	83.279.269	81.593.928
VAT receivables – Razi (**)	203.052.680	--
Due from personnel	27.014.731	35.094.389
Receivables from Tabosan (*) (Note 12)	--	36.391.022
Receivables from other government agencies - Razi	97.433.992	58.197.738
Other various receivables	57.250.250	18.857.517
Total	468.030.922	230.134.594

(*) The Group Management made a request to the Bankruptcy Administration, in order to effect the transfer of 1.31% of Razi shares pertaining to Tabosan Engineering and Manufacturing and Assembly San. A.Ş. (“Tabosan”), corresponding to the payment of EUR 5,439,402 made as surety. Since this request of the Group was not accepted by the Bankruptcy Administration, a share transfer case was filed with the court. Moreover, on 27 June 2013, a precautionary injunction was given to prevent the distribution of 1.31% Razi shares of Tabosan to the creditors registered at the desk and not to make any savings thereon. The share transfer lawsuit filed by the Group was rejected, against which the Group appealed, but the Court of Cassation upheld the decision. Thereupon, the Group applied for rectification of the decision at the Court of Cassation. However, the request for rectification of the decision was also rejected, and these receivables were recorded at the bankruptcy desk later on. The Group has applied to the bankruptcy administration in order to register its other receivables to the table, except for the receivables that are subject to the share transfer. However, this application was rejected. For this reason, the Group has filed a claim for acceptance against the bankruptcy administration. The Bankruptcy Administration accepted the registration action filed by the Group, and upon this acceptance statement, the Court decided to accept the registration acceptance lawsuit filed by the Group on 15 July 2017. The Group has collected receivables amounting to TL 38.588.440, including principal amounting to TL 12.395.509 on 14 June 2022, interest amounting to TL 24.621.355 on June 23, 2022 and foreign exchange difference amounting to TL 1.571.576 on 24 June 2022.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

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

8.1 Other Short-Term Receivables From Unrelated Parties(Cont'd)

(**) Razi has value added taxes receivable amounting to TL 492.443.753 (7.506 Million IRR) on export sales. The portion of these receivables pertaining to the years 2015, 2016, 2018, 2019, 2020 and 2021 were examined by the tax office and Razi was informed that TL 203.052.680 (3,095 Million IRR) of such receivables would be refunded due to Razi being entitled to such refund, so that it is expected that such amount will be either collected or offset to taxes payables in the coming years. The refund request made by the Razi administration for the remainder has not yet been accepted as of report date. As of the report date, there is uncertainty regarding the collection timing of these receivables and hence the Group Management has written off these receivables in the current period.

8.2 Other Long-Term Receivables From Unrelated Parties

	December 31,2022	December 31,2021
Deposits and guarantees given	21.947.297	9.280.676
Due from personnel	1.573.642	1.535.302
Other long-term receivables	10.850.558	8.121.493
Total	34.371.497	18.937.471

8.3 Other Short-Term Payables to Unrelated Parties

	December 31,2022	December 31,2021
Dividend payables to non-controlling interests	114.143.620	112.222.501
Taxes and funds payable	123.328.066	5.707.468
Other payables and liabilities	181.945.683	74.859.282
Total	419.417.369	192.789.251

NOTE 9 - INVENTORIES

	December 31,2022	December 31,2021
Raw materials and supplies	1.342.513.638	1.245.286.249
Semi-finished goods	62.170.647	--
Finished goods	1.151.581.773	993.029.623
Trade goods	3.947.162.976	2.550.653.948
Other inventories	1.360.157.641	245.961.439
	7.863.586.675	5.034.931.259
Provision of impairment of inventories (-)	(64.895.623)	(16.609.409)
Total	7.798.691.052	5.018.321.850

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements as of December 31, 2022****(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)****NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME**

Short-term prepaid expenses	December 31,2022	December 31,2021
Order advances given for inventory purchase	432.517.073	506.885.154
Expenses for next month	113.840.122	84.059.041
Total	546.357.195	590.944.195
Long-term prepaid expenses	December 31,2022	December 31,2021
Order advances given for stock purchase	172.686.997	199.549.756
Other prepaid expenses	14.406.503	32.473.139
Total	187.093.500	232.022.895
Short term deferred income	December 31,2022	December 31,2021
Received advances	14.676.256	751.163.780
Other deferred income	61.660.177	1.629.349
Total	76.336.433	752.793.129

NOTE 11 – INVESTMENT PROPERTIES

	December 31, 2022			December 31, 2021		
	Lands and parcels	Building	Total	Lands and parcels	Building	Total
Net value at the beginning of the period	149.048.629	42.429.664	191.478.293	107.437.187	32.068.879	139.506.066
Purchases	--	--	--	--	--	--
Transfer from tangible assets	(12.779)	(60.717.221)	(60.730.000)	--	--	--
Transfer to tangible assets	--	--	--	--	--	--
Fair value increase / (decrease) (Note 25)	100.769.549	36.445.903	137.215.452	41.611.442	10.360.785	51.972.227
Total	249.805.399	18.158.346	267.963.745	149.048.629	42.429.664	191.478.293

During the period ended 31 December 2022, the Group has obtained rental income of TL 3.091.234 from its investment properties (31 December 2021: TL 4.642.748).

Investment properties owned by Gübretaş consist of land and buildings, and their fair values have been determined as TL 252.657.452 as per the valuation report dated 30 December 2022 prepared by the CMB licensed expert institution, which provides valuation services within the framework of CMB legislation. In the valuation report prepared by the expert institution, the fair values of property, plant and equipment assets subject to valuation were determined using the market approach and cost approach methods. As of 31 December 2022, the revaluation difference of TL 137.215.452, which is TL 100.769.549 and TL 36.445.903 over the appraised fair values of the land and buildings, has been reflected in the financial statements. The fair value of investment properties belonging to subsidiaries has been determined as TL 15.306.293.

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles	Furniture and fixtures	Right of use assets	Special Costs	Construction in progress	Total
Cost Value										
Opening balance at January 1,2022	747.322.298	215.141.908	1.235.125.992	13.641.426.665	73.585.700	222.563.214	33.284.030	2.396.214	264.264.280	16.435.110.301
Foreign currency translation differences	69.841.128	--	202.720.231	3.245.030.063	17.294.414	46.690.877	--	--	44.644.287	3.626.221.000
Valuation differences	665.024.106	311.026.540	410.801.968	593.899.397	--	--	--	--	--	1.980.752.011
Inflation difference(*)	148.124.919	--	506.462.557	7.979.065.126	43.426.081	117.082.739	--	--	110.186.716	8.904.348.138
Additions	42.597.488	5.190.794	3.761.338	18.918.783	6.322.735	11.562.612	65.774.452	--	1.332.419.562	1.486.547.764
Sales / disposals	--	(14.056)	(26.266.259)	(280.786)	(1.331.449)	(958.656)	(25.778.418)	(269.973)	(16.849.042)	(71.748.639)
Transfer from construction in progress	--	185.617.291	10.875.005	644.604.756	19.103.629	19.379.328	--	--	(882.893.173)	(3.313.164)
Closing balance on December 31,2022	1.672.909.939	716.962.477	2.343.480.832	26.122.664.004	158.401.110	416.320.114	73.280.064	2.126.241	851.772.630	32.357.917.411
Accumulated depreciation										
Opening balance at January 1,2022	--	(87.858.323)	(769.768.971)	(12.220.926.145)	(64.266.125)	(193.228.006)	(16.231.378)	(1.104.288)	--	(13.353.383.236)
Foreign currency translation differences	--	--	(233.930.695)	(4.439.513.811)	(23.218.757)	(68.167.940)	--	--	--	(4.764.831.203)
Inflation difference(*)	--	--	(306.261.217)	(5.775.431.501)	(30.681.896)	(89.011.106)	--	--	--	(6.201.385.720)
Period cost	--	(18.467.615)	(38.035.912)	(443.625.394)	(4.307.870)	(15.189.109)	(16.792.926)	(315.984)	--	(536.734.810)
Sales / disposals	--	9.447	10.808.100	280.786	503.282	749.664	8.604.428	18.365	--	20.974.072
Closing balance on December 31,2022	--	(106.316.491)	(1.337.188.695)	(22.879.216.065)	(121.971.366)	(364.846.497)	(24.419.876)	(1.401.907)	--	(24.835.360.897)
Net book value on December 31,2022	1.672.909.939	610.645.986	1.006.292.137	3.243.447.939	36.429.744	51.473.617	48.860.188	724.334	851.772.630	7.522.556.514

(*) Inflation difference arises from the inflation accounting applied by Razi, subsidiary of the Group.

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

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles	Furniture and fixtures	Right of use assets	Special Costs	Construction in progress	Total
Cost Value										
Opening balance at January 1,2021	441.715.486	203.034.895	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	17.382.498	49.314.304	--	--	21.625.245	3.843.871.249
Additions	3.790.477	4.993.563	6.124.353	3.845.282	1.005.717	8.044.271	7.505.612	1.008.773	200.707.512	237.025.560
Sales / disposals	--	(6.353)	(4.838.578)	(9.533.552)	(1.173.162)	(1.873.687)	--	--	(32.841.199)	(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	1.235.125.992	13.641.426.665	73.585.700	222.563.214	33.284.030	2.396.214	264.264.280	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)	(9.151.060)	(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)	(9.699.624)	(28.204.906)	--	--	--	(2.019.424.737)
Period cost	--	(16.929.043)	(20.118.082)	(144.740.160)	(2.028.478)	(6.143.303)	(7.080.318)	(406.083)	--	(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)	(193.228.006)	(16.231.378)	(1.104.288)	--	(13.353.383.236)
Net book value on December 31,2021	747.322.298	127.283.585	465.357.021	1.420.500.520	9.319.575	29.335.208	17.052.652	1.291.926	264.264.280	3.081.727.065

(*) Inflation difference arises from the inflation accounting applied by Razi, a subsidiary of the Group.

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Notes to the Consolidated Financial Statements as of December 31, 2022

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

The details of depreciation and amortization expenses calculated by the Group as of December 31, 2022 and December 31, 2021 are given below.

	December 31, 2022			
	Gübretaş	Maden	Razi	Total
Depreciation expense	58.906.957	9.322.294	468.505.559	536.734.810
Amortization expense	4.354.645	2.571.591	518.490	7.444.726
Total	63.261.602	11.893.885	469.024.049	544.179.536

During the year ended 31 December 2022, depreciation and amortization expense amounting to TL 544.179.536 is allocated to general production expenses in the amount of TL 521.610.278, to marketing, sales and distribution expenses in the amount of TL 6.461.796 and to general administrative expenses in the amount of TL 16.107.462.

	December 31, 2021			
	Gübretaş	Maden	Razi	Total
Depreciation expense	49.178.743	2.652.430	145.614.294	197.445.467
Amortization expense	2.990.384	750.452	417.861	4.158.697
Total	52.169.127	3.402.882	146.032.155	201.604.164

During the year ended 31 December 2021, depreciation and amortization expense amounting to TL 201.604.164 is allocated to general production expenses in the amount of TL 185.107.434, to marketing, sales and distribution expenses in the amount of TL 3.538.459 and to general administrative expenses in the amount of TL 12.958.271.

The fair values of the land, buildings, underground and surface improvements and plant machinery equipment owned by the Group have been determined as TL 3.033.144.000, which was appraised in the valuation report dated 30 December 2022 prepared by the CMB licensed expert institution, which provides valuation services within the framework of the CMB legislation. In the valuation report prepared by the expert institution, the assets subject to valuation were determined using the market approach and cost approach method. Based on the judgement that there is sufficient sales data for the assets in the Market Approach method, 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 fair value over the estimated values. As of 31 December 2022, the valuation difference of TL 1,980,752,011 in total, of which 665,024,106 TL, 311,026,540 TL, 410,801,968 TL and 593,899,397 TL, respectively, was reflected on the current values appraised.

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Notes to the Consolidated Financial Statements as of December 31, 2022

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NOTE 13 – INTANGIBLE ASSETS

13.1 Rights and Mining Research Expenses

December 31,2022	Rights	Mining Research Expenses	Total
Cost			
Opening balance at January 1	42.279.609	53.198.874	95.478.483
Inflation difference (*)	4.918.457	--	4.918.457
Purchases	21.169.555	181.595.125	202.764.680
Sales / disposals	(4.521.120)	--	(4.521.120)
Transfers	(3.313.164)	--	(3.313.164)
Foreign currency translation differences, net	3.452.083	--	3.452.083
Closing balance	63.985.420	234.793.999	298.779.419

Accumulated Depreciation

Opening balance at January 1	(12.766.349)	--	(12.766.349)
Current period amortization expense	(5.682.958)	(1.761.768)	(7.444.726)
Closing balance	(18.449.307)	(1.761.768)	(20.211.075)

Net Book Value	45.536.113	233.032.231	278.568.344
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(*) Inflation difference arises from the inflation accounting applied by Razi, a subsidiary of the Group.

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
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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 13 – INTANGIBLE ASSETS (Cont’d)

13.1 Rights and Mining Research Expenses (Cont’d)

	January 1, 2022	Additions	December 31, 2022
Cost			
Mine site exploration cost	53.198.874	160.088.587	213.287.461
Mine site development cost	--	12.615.110	12.615.110
Deferred mining costs	--	8.891.428	8.891.428
Closing balance	53.198.874	181.595.125	234.793.999
Accumulated Depreciation			
Deferred mining amortization costs	--	(1.761.768)	(1.761.768)
Closing balance	--	(1.761.768)	(1.761.768)
Net Book Value	53.198.874	179.833.357	233.032.231

13.2 Goodwill:

	December 31, 2022	December 31, 2021
Balance at January 1	119.358.609	60.572.972
Inflation difference	25.255.105	17.029.405
Kavak Madencilik (Note 34)	15.138.021	--
Foreign currency translation differences	22.075.922	41.756.232
Closing balance	181.827.657	119.358.609

NOTE 14 – COMMITMENTS

As of 31 December 2022, the Group has a shipment order of 26.900.000 USD and 219.920 EUR and a commitment to import raw materials and commercial goods (31 December 2021: 250.602.406 USD and 915.960 EUR).

NOTE 15 -GOVERNMENT GRANTS

The completion application for the Investment Incentive Certificate numbered 110061 was made by the Ministry of Industry and Technology on 20 September 2018. The fixed investment amount is TL 290.369.160. The benefits under the investment incentive comprise Tax Reduction Rate of 150% and the Investment Contribution Rate of 25% for the year 2022. In the current period, tax deductions amounting to TL 39.956.345 have been utilized.

The Investment Incentive Certificate dated 16 May 2018 and numbered 136984 was obtained with the application made by the Company to the Ministry of Industry and Technology dated March 26, 2018 and numbered 38928. The said Investment Incentive Certificate is valid until September 26, 2023 and includes fixed asset investment plans amounting to TL 377.947.636. The benefits under the investment incentive certificate include Tax Reduction Rate (50%), Investment Contribution Rate (30%), VAT exemption, interest support, Customs Duty Exemption.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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NOTE 15 -GOVERNMENT GRANTS (Cont'd)

The Investment Incentive Certificate dated March 26, 2018 and numbered 38927 was obtained with the application made by the Company to the Ministry of Industry and Technology dated 11 June 2018 and numbered 137850. The said Investment Incentive Certificate is valid until 26 March 2024 and includes fixed asset investment plans amounting to TL 235.000.000. The benefits under the investment incentive certificate include Tax Reduction Rate (50%), Investment Contribution Rate (25%) , VAT exemption, interest support, Customs Duty Exemption. In the current period, tax deductions amounting to TL 16.476.879 have been utilized.

The Investment Incentive Certificate dated October 26, 2022 and numbered 55417 was obtained with the application made by the Company to the Ministry of Industry and Technology dated November 10, 2022 and numbered 543746. The said Investment Incentive Certificate is valid until October 26, 2025 and includes fixed asset investment plans amounting to TL 4.450.000. The benefits under the investment incentive certificate include Tax Reduction Rate (70%), Investment Contribution Rate (30%), VAT exemption, interest support, Customs Duty Exemption. In the current period, tax deductions amounting to TL 306.632 have been utilized.

The Investment Incentive Certificate dated October 26, 2022 and numbered 55416 was obtained with the application made by the Company to the Ministry of Industry and Technology dated November 10, 2022 and numbered 543747. The said Investment Incentive Certificate is valid until October 26, 2025 and includes fixed asset investment plans amounting to TL TL 6.950.000. The benefits under the investment incentive certificate include Tax Reduction Rate (70%), Investment Contribution Rate (30%), Employer's Insurance Premium Share Support and VAT exemption. In the current period, tax deductions amounting to TL 510.442 have been utilized.

On 8 May 2018, with the approval of the Ministry of Industry and Technology of the Turkish Republic, an R&D Center was established in Gübretaş Yarımca Facility, Benefits under this context include R&D deduction, 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 31,2022	December 31,2021
Provisions for cost expenses	180.827.564	141.359.517
Provisions for lawsuit (*)	51.984.038	38.339.617
Other short-term debt provisions	74.266.953	9.437.826
Total	307.078.555	189.136.960

(*) There is a lawsuit filed against Razi in the local court in the amount of TL 6.170.439.000 (330 Million USD) (31 December 2021: TL 4.282.503.367 (80.995 Billion IRR)) due to the allegation of excessive gas use. The Group Management made a provision amounting to TL 42.655.351 (624 Billion IRR) related to this issue in the previous periods.

A lawsuit has been filed against the Group by Denizciler Union Deniz Nakliyatı ve Ticaret Anonim Şirketi for loss of profit of TL 785.193. Based on the legal counsel opinion obtained, the Group management has not made any provision in the consolidated financial statements regarding this lawsuit.

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

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

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

	December 31,2022	December 31,2021
As of January 1,	38.339.617	25.287.069
Additional provision / (provisions no longer required)	13.644.421	13.052.548
Closing Balance	51.984.038	38.339.617

16.2 Guarantees given

As of December 31, 2022, and December 31, 2021, the tables related to the Group's tables related to Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position are as follows:

	December 31, 2022			December 31, 2021		
	Curr ency	Currency Amount	Amount in TL	Curre ncy	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB's given for Company's own legal Personality	TL	19.521.073	19.521.073	TL	37.939.409	37.939.409
	USD	1.450.000	27.112.535	USD	18.650.000	248.585.850
B. CPMB's given on behalf of fully consolidated companies	TL	1.176.083.776	1.176.083.776	--	--	--
C. CPMB's given on behalf of third parties for ordinary of business	USD	4.048.510	75.700.256	--	--	--
	EUR	10.052.427	200.394.127	--	--	--
D. Total amount of other CPMB'S	--	--	--	--	--	--
i. Total amount of CPMB's given on behalf of the majority shareholder	--	--	--	--	--	--
ii. Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	--	--	--	--	--	--
CPMB given by the company	--	--	--	--	--	--
A. CPMB's given for Company's own legal	--	--	--	--	--	--
Total			1.498.811.767			286.525.259

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, 2022

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

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

16.3 Contingent liabilities and Assets (Cont’d)

Receivables from Tabosan

During the purchasing process of Razi shares, the Group and other consortium members became joint and several guarantors for each other against the financed banks and the Iranian Privatization Administration. The bankruptcy of Tabosan Engineering Manufacturing and Assembly A.Ş. (“Tabosan”), one of the consortium members, was requested, Tabosan's request for bankruptcy postponement in 2011 was rejected by the court and it was decided to bankrupt Tabosan and to transfer all transactions to the bankruptcy desk by establishing a bankruptcy office. The Group has requested a share transfer for some of the payments made on behalf of Tabosan, for which it is the guarantor, and has applied to the bankruptcy office for the remaining receivables.

The Group has filed a lawsuit for the transfer of 1.31% of Tabosan's shares in Razi for the payments made on behalf of Tabosan. The court dismissed the case on 28 April 2014. Thereupon, Gübretaş applied to the Court of Cassation to rectify the decision. However, this request was also rejected, and an application was made to register the receivable subject to this lawsuit as a credit to the bankruptcy desk, and a portion of this amount was recorded in the bankruptcy desk.

The Group has applied to the bankruptcy administration for the registration of other receivables that it has not been subject to the share transfer case, but this request was rejected by the administration. This time, the Group filed a receivable acceptance lawsuit against the bankruptcy administration. The Bankruptcy Administration accepted the registration action filed by the Group, and upon this acceptance statement, the Court decided to accept the registration acceptance lawsuit filed by the Group on 15 July 2017. The Group has collected receivables amounting to TL 38.588.440, including principal amounting to TL 12.395.509 on 14 June 2022, interest amounting to TL 24.621.355 on June 23, 2022 and foreign exchange difference amounting to TL 1.571.576 on 24 June 2022.

Coastal Line

In November 2011, Iskenderun Property Directorate (“Treasury”), in accordance with the provisions of the Coastal Law and the Regulation on the Implementation of the Coastal Law, established the Coastal Edge Line from the location of the Group's 79,350 m² real estate located within the borders of Hatay Province, İskenderun District, Sariseki. filed a lawsuit for the cancellation of the title deed registration of the immovable and its cancellation on behalf of the public. The net book value of the real estate subject to this lawsuit is TL 366,110,725 as of the balance sheet date. The Group objected to the lawsuit within its legal time limit, requested the reorganization of the expert report prepared for the determination of the Coastal Edge Line, which constituted the basis for the request for abandonment, and also filed a counterclaim for the compensation of the property right in the amount of 500.000.000 TL. In March 2018, Iskenderun 3rd Civil Court of First Instance partially accepted the lawsuit filed by the Property Directorate, canceling the title deed registration of the 78,674.76 m² portion of the immovable owned by the Group, located within the borders of Hatay Province, Iskenderun District, Sariseki. and to reject the claim for surplus and to reject the counter-claim brought by the Group. The Group appealed within the legal time limit, the Group's appeal was accepted, and the Gaziantep Regional Court of Justice removed the decisions made in terms of the 15th Civil Department Property Directorate and the Group's lawsuits, and returned the file to the local court for re-trial. Group management has filed new lawsuits in the Judicial and Administrative Judiciary for the redefinition of the Coast-Side line. As of the date of the report, the court decided to cancel the title deed registration of the relevant real estate, to abandon it as the Coastal Edge Line and to reject the counterclaim filed by the Group. After the period, the Group Management applied to the appeal procedure following the notification of the reasoned decision. As of the report date, the legal process continues. The Group Management, in line with the opinions of its legal advisors, has not made any provision regarding this issue in the consolidated financial statements at this stage.

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NOTE 17 - EMPLOYEE BENEFITS

Liabilities for employee benefits

	December 31,2022	December 31,2021
Due to the personnel	53.330.082	73.344.765
Social security premiums payable	8.467.273	3.721.065
Total	61.797.355	77.065.830

Provision for Employee Benefits

Short-term	December 31,2022	December 31,2021
Provision for employee termination benefits and employee leaves	36.958.706	22.540.981
Provision for premiums	15.693.426	8.939.941
Provision for early retirement salaries (*)	40.455.073	19.949.590
Total	93.107.205	51.430.512
Long-term	December 31,2022	December 31,2021
Allowance for employee termination benefits (Gübretaş)	103.174.075	27.924.086
Allowance for employee termination benefits (Razi)	351.125.536	261.557.967
Provision for early retirement salaries (*)	72.073.270	48.722.299
Total	526.372.881	338.204.352

(*) 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 31 December 2022, the employee termination benefits of the Group was calculated using an annual real discount rate of 0.55% (31 December 2021: 3.87%), which was determined by using an estimated annual inflation rate of 13.66% and discount rate of 14.29%. Since the Group's termination benefits pay ceiling is determined every six months, it was calculated over TL 19.982.83 (1 January 2022: TL 10,848.59) effective as of 1 January 2023. The movements in the provision for employee termination benefits during the year are as follows:

	January 1 – December 31, 2022	January 1 – December 31, 2021
Provisions as of January 1	338.204.352	94.829.669
Adjustments on opening balance	16.413.290	77.353.565
Service cost	341.088.750	258.085.551
Interest cost	41.943.577	30.387.563
Payment termination indemnity	(347.703.212)	(97.972.781)
Foreign currency translation differences	76.524.175	(26.622.204)
Actuarial gain/loss	59.901.949	2.142.989
Provision as of December 31	526.372.881	338.204.352

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 18 – OTHER ASSETS AND LIABILITIES

Other current assets	December 31,2022	December 31,2021
Deferred VAT	39.336.982	72.738.066
Job advances	52.504.623	16.289.884
Other various current assets	39.231.915	12.669.304
Total	131.073.520	101.697.254

NOTE 19 - EQUITY

Paid-in capital

The equity structure as of December 31, 2022 and December 31 ,2021 is as follows

	%	December 31, 2022	%	December 31, 2021
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, 2022, 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 (2021: TL 0,01).

Reserves on retained earnings

Legal reserves consist of first and second legal reserves, which are allocated according to the Turkish Commercial Code. The first legal reserves are set aside at the rate of 5% per annum from the previous period's commercial profit, until they reach 20% of the historical paid-in capital. Second order legal reserves are set aside at the rate of 10% per annum over all cash dividend distributions after the first legal reserves and dividends. As of 31 December 2022 and 2021, profit reserves consisted of the following items:

	December 31,2022	December 31,2021
Legal reserves	68.182.652	53.838.737
Total	68.182.652	53.838.737

Publicly traded companies distribute dividends in accordance with the CMB's Dividend Communiqué No. II-19.1, which came into force as of February 1, 2014.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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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

As of 31 December 2022 and 31 December 2021, the details of derivative instruments are as follows:

December 31, 2022

Forward agreement	Maturity	Nominal value (USD)	Fair value (TL)
USD buying	February 2023	100.000.000	(8.421.300)
Total		100.000.000	(8.421.300)

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, 2022	January 1 – December 31, 2021
Domestic sales	20.362.464.729	9.315.644.315
Foreign sales	5.196.549.779	1.538.009.229
Service sales	101.701.348	40.282.258
Sales returns (-)	(5.005.159)	(1.866.828)
Sales discounts (-)	(341.703.673)	(126.538.039)
Other discounts from sales (-)	(27.257.041)	(739.670)
Total	25.286.749.983	10.764.791.265

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NOTE 21 – REVENUE (Cont'd)

Cost of sales	January 1 – December 31, 2022	January 1 – December 31, 2021
Cost of goods produced	11.259.138.452	5.173.276.824
Change in the finished goods	(220.722.797)	(829.694.426)
-Finished goods at the beginning of the period	993.029.623	163.335.197
-Finished goods at the end of the period	(1.213.752.420)	(993.029.623)
Cost of finished goods sold	11.038.415.655	4.343.582.398
-Trade goods at the beginning of the period	2.550.653.948	782.814.591
-Purchases	11.758.112.129	5.584.465.324
-Trade goods at the end of the period	(3.947.162.976)	(2.550.653.948)
Cost of trade goods sold	10.361.603.101	3.816.625.967
Cost of other sales	6.160.653	--
Cost of services sold	57.097.342	24.225.074
Total	21.463.276.751	8.184.433.439

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

	January 1 – December 31, 2022	January 1 – December 31, 2021
General administrative expenses	556.337.951	238.116.647
Marketing, selling and distribution expenses	741.577.187	351.857.021
Total	1.297.915.138	589.973.668

General administrative expenses	January 1 – December 31, 2022	January 1 – December 31, 2021
Personnel expenses	359.875.822	137.982.302
Outsourced services	14.183.690	8.136.104
Depreciation and amortization expenses	16.107.462	11.801.211
Taxes and duties	19.145.511	26.119.838
Other expenses	147.025.466	54.077.192
Total	556.337.951	238.116.647

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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, 2022	January 1 – December 31, 2021
Outsourced services (*)	587.925.881	208.210.098
Fertilizer tracking system expenses (**)	73.835.649	89.116.678
Personnel expenses	50.055.334	30.175.156
Advertising expenses	6.456.977	6.004.538
Depreciation and amortization expenses	6.461.796	2.844.166
Other expenses	16.841.550	15.506.385
Total	741.577.187	351.857.021

(*) The benefits and services providing from the outside are formed mainly by the transportation costs.

(**) System usage expenses relate to the fertilizer tracking system, which started to be used at the end of 2018 and continues to be used in the current period.

NOTE 23 – EXPENSES BY NATURE

	January 1 – December 31, 2022	January 1 – December 31, 2021
Cost of goods sold	10.516.805.377	4.156.623.611
Cost of trade goods sold	10.361.603.101	3.816.625.967
Outsourced services	602.109.571	168.157.458
Personnel expenses	409.931.156	216.346.202
Depreciation and amortization expenses	544.179.536	201.604.164
Tax and duties	19.145.511	26.119.838
Advertising expenses	6.456.977	6.004.538
Cost of other sales	6.160.653	--
Cost of service sold	57.097.342	24.225.074
Other expenses	237.702.665	158.700.255
Total	22.761.191.889	8.774.407.107

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

24.1 Other operating income

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange income related to trade transactions	1.012.537.029	734.300.200
Interest income	39.354.182	5.845.248
Other revenues	70.559.288	42.708.936
Total	1.122.450.499	782.854.384

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Notes to the Consolidated Financial Statements as of December 31, 2022

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

24.2 Other operating expense

	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange expenses related to trade transactions	1.941.548.084	1.915.167.590
Provision expenses	73.250.121	19.568.839
VAT provision expense related to Razi	128.330.787	189.791.812
Previous year expenses – Razi (*)	63.047.597	--
Other expenses	318.197.939	190.026.699
Total	2.524.374.528	2.314.554.940

(*) This is the expense arising from the correction of the previous year natural gas price.

NOTE 25 – INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

Income from investment activities	January 1 – December 31, 2022	January 1 – December 31, 2021
Value increase of investment properties	137.215.452	51.972.227
Rental income from investment properties	2.452.552	4.610.248
Profit from sales of property, plant and equipment	1.541.260	6.511.428
Valuation difference of financial assets stated at fair value through profit or loss	4.371.943	--
Other income	--	1.209.153
Total	145.581.207	64.303.056
Expense from investment activities	January 1 – December 31, 2022	January 1 – December 31, 2021
Loss on sales of property, plant and equipment	61.733	214.144
Total	61.733	214.144

NOTE 26- FINANCIAL INCOME AND EXPENSES

Financial income	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange income	603.839.281	413.763.071
Interest income	119.343.429	73.979.991
Foreign exchange protected deposits (KKM) interest income	6.419.751	--
Other financial income	840.646	42.243.186
Total	730.443.107	529.986.248

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Notes to the Consolidated Financial Statements as of December 31, 2022

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

Financial expenses	January 1 – December 31, 2022	January 1 – December 31, 2021
Foreign exchange expense	562.278.353	319.087.853
Interest expense	568.138.347	163.483.356
Other financial expense	13.617.060	12.448.766
Total	1.144.033.760	495.019.975

Net monetary position gains / (losses)	January 1 – December 31, 2022	January 1 – December 31, 2021
Net monetary position gains / (high inflation) (*)	191.781.218	39.675.421
Total	191.781.218	39.675.421

(*) Due to the fact that the cumulative hyper inflation rate in Iran has exceeded 100% within the last 3 years, the financial statements have been adjusted for the effects of inflation as from 2020, instead of reporting under the historical cost basis. TAS 29 “Financial Reporting in Hyperinflationary Economies” was applied during the preparation of the financial statements of the subsidiary in Iran. The current period effect of inflation accounting amounting to TL 191.781.218 (31 December 2021: TL (39.675.421)) was included in finance expenses as net monetary gain or / (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

Tax expense includes current tax expense and deferred tax expense or income. Tax is included in the consolidated statement of income unless it relates to a transaction accounted for directly under equity. Otherwise, the tax is accounted for under equity along with the related transaction.

Period tax expense is calculated by considering the tax laws in force in the countries where the Group's subsidiaries and associates valued using the equity method operate as of the balance sheet date. According to Turkish tax legislation, corporations whose legal or business centers are located in Turkey are subject to corporate tax.

In the Turkish tax system, financial losses can be deducted from the financial profits in the following five years, and it is not possible to deduct (retrospectively) from previous years' earnings. In addition, a temporary tax of 23% (which will be 20% for after taxation in 2022) is paid on the basis of the tax base declared in the interim periods during the year to be deducted from the corporate tax in Turkey. separated.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 28 - 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.

Since the corporate tax rate has changed to 23% for 2022 corporate earnings, as of 31 December 2022, a tax rate of 23% has been used for temporary differences expected to be realized/closed within one year and 20% for temporary differences expected to be realized/closed after one year in the calculation of deferred tax. . The corporate tax rate to be applied in 2023 will be 20%. Iran corporate tax is 20% (31 December 2021: 25%).

While deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

Provided that they are subject to the tax legislation of the same country and there is a legally enforceable right to set off current tax assets from current tax liabilities, deferred tax assets and liabilities are mutually offset.

Tax assets and liabilities

Corporate tax

The Company and its Subsidiaries and Affiliates established in Turkey and other countries within the scope of consolidation are subject to the applicable tax legislation and practices of the countries in which they operate.

The corporate tax rate in Turkey is 23% (it will be applied as 20% for the year 2023 and thereafter.) The corporate tax rate is applied to corporate incomes derived at as a result of adding to the commercial earnings of corporations the non-deductible expenses and deducting the exemptions and deductions as per tax laws. 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.

Companies calculate 23% temporary tax on their quarterly fiscal profits (23% for 2022 taxation periods, 20% for 2023 and after) and declare it until the 17th day of the second month following that period and pay it until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or set off against any other financial debt to the government.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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(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)

According to the Corporate Tax Law, financial losses shown on the return can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years.

Dividend payments made to resident companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

Dividend payments from companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Turkish tax legislation does not allow the parent company to file a tax return on the consolidated financial statements of its subsidiaries. For this reason, tax liabilities reflected in the consolidated financial statements of the Group have been calculated separately for all companies included in the scope of consolidation.

Tax provision included in the balance sheet pertaining to the years ended December 31, 2022 and December 31, 2021 is as follows:

	December 31, 2022		
	Gübretaş	Razi	Total
Provision for current period corporate tax	(219.632.692)	(354.952.003)	(574.584.695)
Prepaid tax	74.773.277	22.256.398	97.029.675
Prior year’s corporate tax liabilities	--	(19.018.710)	(19.018.710)
Translation differences	--	(124.974.327)	(124.974.327)
Total	(144.859.415)	(476.688.642)	(621.548.057)
	December 31, 2021		
	Gübretaş	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)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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, 2022		December 31, 2021	
	Temporary differences	Deferred tax, assets and liabilities	Temporary differences	Deferred tax, assets and liabilities
Investment deduction benefits	99.588.541	19.917.708	288.866.688	57.773.336
Adjustments for inventories	73.148.710	14.629.742	9.582.838	2.204.053
Trade receivables	5.072.950	1.014.590	4.187.698	863.515
Employee termination benefits and leave provisions	124.701.120	25.013.554	38.155.285	7.937.993
Receivable discounts	6.968.874	1.393.775	5.649.134	1.299.301
Currency valuation accruals	--	--	74.034.313	17.027.892
Expense accruals	65.736.644	13.147.329	2.342.794	538.843
Other	34.077.491	6.815.499	1.918.432	441.239
Deferred tax assets	409.294.330	81.932.197	424.737.182	88.086.172
Bases differences of property, plant and equipment and investment property	2.659.451.200	531.890.243	566.200.503	113.240.101
Income/expense accruals (net)	29.692	5.938	1.808.209	415.888
Income accrual	12.355.237	2.471.047	39.424.793	9.067.702
Trade receivables	--	--	1.350.751	310.673
Debt discounts	21.580.716	4.316.143	2.129.693	489.829
Other receivables	--	--	2.669.232	613.923
Other	200.338.233	20.033.823	202.679.237	20.267.924
Deferred tax liabilities	2.893.755.078	558.717.194	816.262.418	144.406.040
Net deferred tax asset		(476.784.997)		(56.319.868)
Razi Co. deferred tax asset / (liability) (*)		326.066.453		(19.489.471)
Total deferred tax asset / (liability)		(150.718.544)		(75.809.339)

(*) The asset amounting to TL 326.066.453 arise from the deferred tax effect of Razi's urea price difference.

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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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:

	December 31, 2022	December 31, 2021
Opening balance on January 1	(75.809.339)	18.473.466
Impact of foreign currency translation of deferred tax of Razi	(12.296.376)	(10.656.190)
Sub total	(88.105.715)	7.817.276
Deferred tax income /(expense)	321.557.183	(58.202.465)
Tax revenue recognized in other comprehensive income	(384.170.012)	(25.424.150)
Reconciliation of the tax provision:	(150.718.544)	(75.809.339)
	January 1- December 31, 2022	January 1- December 31, 2021
Reconciliation of the tax provision		
Profit / (Loss) before tax	1.193.086.552	608.263.683
Tax rate	0,23	0,25
Calculated tax	(274.409.907)	(152.065.921)
Impact of foreign subsidiaries subjected to different tax rates	(84.643.370)	(39.584.835)
Disallowable expenses	16.347.683	16.042.029
Tax effects of discount and exemptions	(51.517.805)	--
Previous period tax expense of Razi	57.910.293	31.516.266
Total discounts of investment incentives	(13.715.412)	5.618.176
Tax income / expense	(350.028.518)	(138.474.285)

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, 2022	January 1- December 31, 2021
Net period (loss) on parent's shares)	757.352.143	523.125.635
Weighted average number of issued ordinary shares (1 kr each)	33.400.000.000	33.400.000.000
Earnings per share (kr) (*)	2,268	1,566

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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NOTE 30 - RELATED PARTIES TRANSACTIONS

30.1 Related Party Balances

	December 31, 2022	December 31, 2021
Trade receivables		
TKK (*)	1.293.097.725	935.479.657
Northstar Fertilizer and Chemical Co.	--	312.697.879
Other related parties	406.779	602.337
Total	1.293.504.504	1.248.779.873

(*) As of 31 December 2022, an advance amount of TL 9.233.535 (31 December 2021: TL 543.776.517) was received against the receivables from TKK. The average maturity of solid fertilizer sales to TKK is 15 days.

	December 31, 2022	December 31, 2021
Trade payables		
TK Teknoloji A.Ş.	2.117.241	3.710.961
TK Taşımacılık ve Lojistik A.Ş.	2.160.279	1.142.567
TK Holding A.Ş.	35.756	--
Bereket Sigorta A.Ş.	2.034.663	2.257.964
Bereket Emeklilik ve Hayat A.Ş.	--	8.667
döTKK	782.406	31.907
Tarım Kredi Birlik Tarım Ürünleri A.Ş.	19.989	24.540
Tarkim Bitki Koruma San. ve Tic. A.Ş.	1.917	850
Total	7.152.251	7.177.456

30.2 Transactions with Related Parties

	January 1- December 31, 2022	January 1- December 31, 2021
Sales of goods and services		
TKK	18.652.070.000	6.915.970.087
Northstar Fertilizer and Chemical Co.	--	64.613.272
Tarkim Bitki Koruma San. ve Tic. A.Ş.	3.136	52.805
TK Teknoloji A.Ş.	6.014	15.669
TK Holding A.Ş.	2.329.703	44.997
Bereket Sigorta A.Ş.	8.508.971	816.177
TK Yem Sanayi ve Tic. A.Ş.	13.792	--
TK Taşımacılık ve Lojistik A.Ş.	12.301	27.984
Total	18.662.943.917	6.981.540.991

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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NOTE 30 - RELATED PARTIES TRANSACTIONS (Cont’d)

30.2 Transactions with Related Parties (Cont’d)

	January 1- December 31, 2022	January 1- December 31, 2021
Purchases of goods and services		
TKK	18.468.010	220.468
İmece Plastik A.Ş.	260.443	--
TK Teknoloji A.Ş.	21.476.534	10.413.441
Tarım Kredi Birlik Tarım Ürünleri San. ve Tic. A.Ş.	2.016.755	236.159
Tarkim Bitki Koruma San. ve Tic. A.Ş.	9.816.124	1.630.725
TK Yem Sanayi ve Tic. A.Ş.	7.190	--
Bereket Sigorta A.Ş.	27.489.794	11.494.296
Bereket Katılım Emeklilik ve Hayat A.Ş.	127.836	79.584
TK Tarım Kredi Pazarlama ve Marketçilik A.Ş.	1.345.292	36.061
TK Holding A.Ş.	57.322	41.857
TK Taşımacılık ve Lojistik A.Ş.	35.711.322	13.871.970
Total	116.776.622	38.024.561
	January 1- December 31, 2022	January 1- December 31, 2021
Interest expense		
TK Holding A.Ş.	30.301	--
Tarım Kredi Birlik Tarım Ürünleri Hay. Amb. Tic. A.Ş.	2.058.640	--
Total	2.088.941	--

30.3 Remuneration of board of directions and executive management

The total benefits provided by the Group to its board of directors and executive management during the years ended December 31, 2022 and December 31, 2021 are as follows:

	December 31,2022			December 31,2021		
	Gübretaş	Maden	Razi	Gübretaş	Maden	Razi
Benefits for getting high-end trunks	9.168.394	6.042.820	8.115.992	4.175.161	1.957.159	4.675.777
Total	9.168.394	6.042.820	8.115.992	4.175.161	1.957.159	4.675.777

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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NOTE 31 – FINANCIAL INVESTMENTS

Short-term financial investments	Maturity	Int. rates (%)	December 31,2022
Private sector bonds and bills	March 2023	15-18	390.529.022
Currency protected deposit	May 2023	13,50	57.081.785

Total	447.610.807
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Short-term financial investments	Maturity	Int. rates (%)	December 31,2021
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Private sector bonds and bills	March 2022	15-18	191.032.590
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Total	191.032.590
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Long-term financial investments

	Maturity	Int. rates (%)	December 31,2022
Financial Assets (Investment Funds) at fair value through profit or loss	--	--	391.050
Public sector bonds and bills	March 2023	15-18	75.030.485
Total			75.421.535

	Maturity	Int. rates (%)	December 31,2021
Public sector bonds and bills	March 2022	15-18	20.229.647
Total			20.229.647

Title	Subject of activities	December 31, 2022		December 31, 2021	
		% Share	Amount of participant	% Share	Amount of participant
Tarnet	Information Technologies	15,78	2.537.515	15,78	2.537.515
Tareksav	Agricultural Credit Cooperatives Education Fund	24,10	200.000	24,10	200.000
Rexim Dış Ticaret A.Ş.	Foreign Trade	100,00	1.000.000	--	--
Total			3.737.515		2.737.515

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's risk management program focuses on the fluctuations of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Capital risk management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to increase the returns provided to shareholders and benefits for other stakeholders and to maintain an optimal debt / equity structure effectively. The capital structure of the Group comprises of debt, cash and cash equivalents and equity items including paid in capital, equity reserves and profit reserves, which are disclosed in Note 19.

The Group evaluates the risks associated with each capital item together with capital cost and monitors capital to obtain the optimal debt/total equity ratio. Debt/total equity ratio is calculated dividing the net financial debt by total capital. Net financial debt is calculated as total financial liabilities less cash and cash equivalents.

Net financial debt/total equity ratio as of December 31, 2022 and December 31, 2021 is as follows:

	December 31, 2022	December 31, 2021
Total debt	12.979.703.463	9.021.351.512
Cash and cash equivalents (-)	1.083.379.197	1.179.720.584
Net debt	11.896.324.267	7.841.630.928
Total equity	7.877.714.268	4.028.258.379
Net debt / total equity	%151	%195

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, 2022

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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, 2022	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	5.560.794.512	5.560.794.512	1.945.903.863	3.570.079.355	44.811.294
Trade payables	5.079.337.975	5.100.918.691	4.352.056.567	677.970.220	70.891.904
Other payables	419.417.369	419.417.369	419.417.369	--	--
Total	11.059.549.856	11.081.130.572	6.717.377.799	4.248.049.575	115.703.198

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	17.147.570
Other payables	191.032.590	191.032.590	191.032.590	--	--
Total	7.462.757.115	7.462.757.115	6.469.116.185	968.138.895	25.502.035

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, 2022	December 31, 2021
Fixed interest financial instruments		
Financial assets		
-Time deposits	443.871.685	1.023.039.873
-Financial investments	526.769.857	213.999.752
Financial borrowings	2.761.620.440	2.567.853.020
Floating rate financial instruments		
Financial liabilities	2.799.174.072	--

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

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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.

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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, 2022 and December 31, 2021 are as follows:

December 31, 2022	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)	1.293.504.504	262.118.712	--	502.402.419	1.082.322.860	(8.421.300)	526.769.857
-part of maximum risk secured by guarantee etc.	--	--	--	--	--	--	--
A) Net book value of financial assets which are undue or not exposed to depredation	1.293.504.504	262.118.712	--	502.402.419	1.082.322.860	(8.421.300)	526.769.857
B) Net book value of assets which are overdue but not exposed to depredation	--	--	--	--	--	--	--
C) Net book value of assets which are exposed to depredation	--	--	--	--	--	--	--
-Overdue (gross book value)	--	12.581.743	--	--	--	--	--
- Value decrease (-)	--	(12.581.743)	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--	--
- Value decrease (-)	--	--	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
D) Off-balance sheet elements carrying credit risk	--	--	--	--	--	--	--

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Notes to the Consolidated Financial Statements as of December 31, 2022

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

Credit risk management (Cont’d)

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)	1.248.779.873	659.621.649		249.072.065	1.176.256.732	39.424.793	213.999.752
-part of maximum risk secured by guarantee etc.	--	--	--	--	--	--	--
A) Net book value of financial assets which are undue or not exposed to depredation	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 depredation	--	--	--	--	--	--	--
C) Net book value of assets which are exposed to depredation	--	--	--	--	--	--	--
-Overdue (gross book value)	--	14.673.089	--	--	--	--	--
- Value decrease (-)	--	(14.673.089)	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--	--
- Value decrease (-)	--	--	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
D) Off-balance sheet elements carrying credit risk	--	--	--	--	--	--	--

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NOTE 32 - 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, 2022 are as follows:

			December 31,2022
	Amount in TL (Functional currency)	USD	EUR
1 Trade receivables	22.832.146	1.218.625	2.304
2 Monetary financial assets (including cash, bank accounts)	825.365.789	34.624.864	8.926.039
3 Other current assets	606.767.679	22.201.042	9.613.589
4 Foreign currency assets (1 + 2 + 3)	1.454.965.614	58.044.531	18.541.932
5 Trade payables	(378.205.044)	(11.019.665)	(8.635.912)
6 Financial borrowings	(984.880.872)	(30.048.510)	(21.220.313)
7 Other short-term liabilities, net	(2.603.596.899)	(138.987.988)	(238.667)
8 Short term liabilities in foreign currency (5 + 6 + 7)	(3.966.682.815)	(180.056.163)	(30.094.892)
9 Trade payables	--	--	--
10 Financial borrowings	--	--	--
11 Long term liabilities in foreign currency (9 + 10)	--	--	--
12 Total liabilities in foreign currency (8 + 11)	(3.966.682.815)	(180.056.163)	(30.094.892)
13 Net foreign currency asset, liability position (4-12)	(2.511.717.201)	(122.011.632)	(11.552.960)
14 Monetary items net foreign currency asset / liability position (4-12)	(2.511.717.201)	(122.011.632)	(11.552.960)
15 Fair value of derivative instruments classified for hedging purposes	--	--	--
16 Amount of hedged portion of foreign currency liabilities	1.869.830.000	100.000.000	--

(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, 2022

(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, 2021 are as follows:

			December 31,2021
	Amount in TL (Functional currency)	USD	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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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, 2022, and December 31, 2021, 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, 2022	
	Profit/(loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD – net	(228.141.010)	228.141.010
2- The part hedged for USD risk (-)	186.983.000	(186.983.000)
3- The impact of TL net profit for the period	(41.158.010)	41.158.010
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(23.030.710)	23.030.710
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(23.030.710)	23.030.710
	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)

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

(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, 2022 and December 31, 2021 is as follows

December 31,2022	Level 1	Level 2	Level 3
Financial investments	522.641.292	--	4.128.565
Derivative financial assets / (liabilities)	--	(8.421.300)	--
December 31,2021	Level 1	Level 2	Level 3
Financial investments	211.262.237	--	2.737.515
Derivative financial assets / (liabilities)	--	39.424.793	--

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 34 – BUSINESS COMBINATIONS

Gübretaş Maden acquired 80% of Kavak Madencilik A.Ş. (“Kavak Maden”), the owner of the license field number 200709861 located within the borders of Bilecik province, on 3 January 2022, in order to expand the exploration and development activities in the vicinity of Söğüt Gold Mine and identify possible new mineral resources. The purchase was made from Teck Anadolu Madencilik A.Ş., pursuant to the signed “Sales Agreement”, at a consideration of USD 1.800.000 and a royalty payment of 2%. USD 900.000 of the relevant purchase price was paid on the contract date and the remaining amount has not been paid yet as of the report date. The transfer of the related shares was completed on 23 May 2022. Kavak Maden's main field of activity is mining activities and is similar to Gübretaş Maden. The Group has accounted for the difference between the total acquisition amount and the net assets acquired for the mentioned purchase in accordance with the provisions of TFRS 3 “Business Combinations Standard”.

Information on the relevant acquisition amount and net assets acquired are as follows:

	December 31, 2022
Total acquisition amount	28.664.820
Net assets acquired	(13.526.799)
Goodwill	15.138.021
Cash and cash equivalents	86.894
Other current assets	2.377.671
Tangible assets	13.149.019
Trade payables	(67.779)
Other liabilities	(2.019.006)
Goodwill	13.526.799

NOTE 35 - SUBSEQUENT EVENTS

The lawsuit filed by the Iskenderun Property Directorate on behalf of the Treasury of Finance, with the aim of canceling the title deed registration of the immovable and forsaking it in the name of the public, alleging that the 79,350 m2 property with a surface area of 79,350 m2 in Değirmendere Village, parcel no. 796 is located within the borders of Hatay province, was partially accepted by the İskenderun 3rd District Court of Instance. Accordingly, as of the balance sheet date it was ruled that 78,675 m2 of the Group's property with a book value of TL 366.110.725 would be de-registered with the cancellation of the title deed registration and abandonment as the coastline and that the request for the surplus and the rejection of the counterclaim filed by the Group would be rejected. The legal proceeding is in progress and following the notification of the reasoned decision to the Group, there has been an application for appeal on 06.02.2023.

Collective bargaining negotiations between the Group and Petrol-İş Union, covering the years 2023 and 2024 were started on 19 January 2023 and have not yet been concluded as of report date.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements as of December 31, 2022

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

NOTE 35 - SUBSEQUENT EVENTS (Cont'd)

With the letter of İstanbul Stock Exchange (Borsa İstanbul A.Ş.) dated 23.01.2023 and numbered E-18454353-100.06-14647, information was requested regarding the unusual price and quantity movements on the Group's publicly traded shares. With the explanation made on 24.01.2023, it was stated that there was no particular event that was not disclosed to the public pursuant to Article 8, titled "Extraordinary Price and Quantity Movements", of the Communiqué of the Capital Markets Board No. II-15.1 on Public Disclosure of Special Events.

As of January 24, 2023, the first gold bar casting in Söğüt Gold Mine Field and the official opening of the facility were held on January 27, 2023, with the participation of President Recep Tayyip Erdoğan.

In accordance with the Board of Directors Decision dated February 24, 2023 of Tarkim Bitki Koruma A.Ş., an associate group company, the public offering works were started and accordingly It was decided to sign a valuation and consultancy agreement with Vakıf Yatırım Menkul Değerler A.Ş. and Halk Investment Menkul Değerler A.Ş.

With the approval of the Capital Markets Board dated February 28, 2023, it has been decided to present Mr. Mustafa Hamarat and Mr. Hasan Dursun, who were previously nominated as independent members of the Board of Directors based on the proposal of the Corporate Governance Committee, at the first general assembly meeting to be held by Gübretaş to the approval of the shareholders.

NOTE 36 - FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDITOR'S

	January 1- December 31, 2022	January 1- December 31, 2021
Independent audit fee	350.000	265.000
Total	350.000	265.000