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**2019 2<sup>nd</sup> QUARTER  
OPERATING REVIEW  
REPORT**

**GÜBRE FABRİKALARI TÜRK A. Ş.  
MERDİVENKÖY MAHALLESİ, BORA SOKAK, NO:1, 34732 KADIKÖY/İSTANBUL**

**T: (+90 216) 468 50 50**

**F: (+90 216) 407 10 11**

**E: [ir@gubretas.com.tr](mailto:ir@gubretas.com.tr)**

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## I. INTRODUCTION

### A. REPORTING PERIOD

01.01.2019 - 30.06.2019

### B. COMMERCIAL TITLE

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

### C. TRADE REGISTER NUMBER

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

### D. CONTACT INFORMATION

#### HEAD OFFICE

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

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

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

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

#### YARIMCA FACILITIES

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

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

#### İZMİR FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

**FOÇA FACILITIES**

Address: Bağarası Köyü Haciveli Mh. Foça-İzmir Karayolu No: 401 Foça / İZMİR

Phone: +90 (232) 822 81 48

**İSKENDERUN FACILITIES**

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

**ANKARA REGIONAL OFFICE**

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

**ANTALYA REGIONAL OFFICE**

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

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

Fax : +90 (242) 311 43 93

**DİYARBAKIR REGIONAL OFFICE**

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

**İSKENDERUN REGIONAL OFFICE**

Address: Sarıseki Mah. E-5 Üzeri Cad. Port Center İş Merkezi No: 146/10-11 Sarıseki-İskenderun / HATAY

Phone : +90 (326) 626 14 42 - 44 – 49

Fax : +90 (326) 626 14 50

**İZMİR REGIONAL OFFICE**

Address: Kırlar Mevkii Fatih Mah. Atatürk Cad. Helvacı - Aliğa / İZMİR

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

**SAMSUN REGIONAL OFFICE**

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

**ŞANLIURFA REGIONAL OFFICE**

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

Phone : +90 (414) 341 08 08

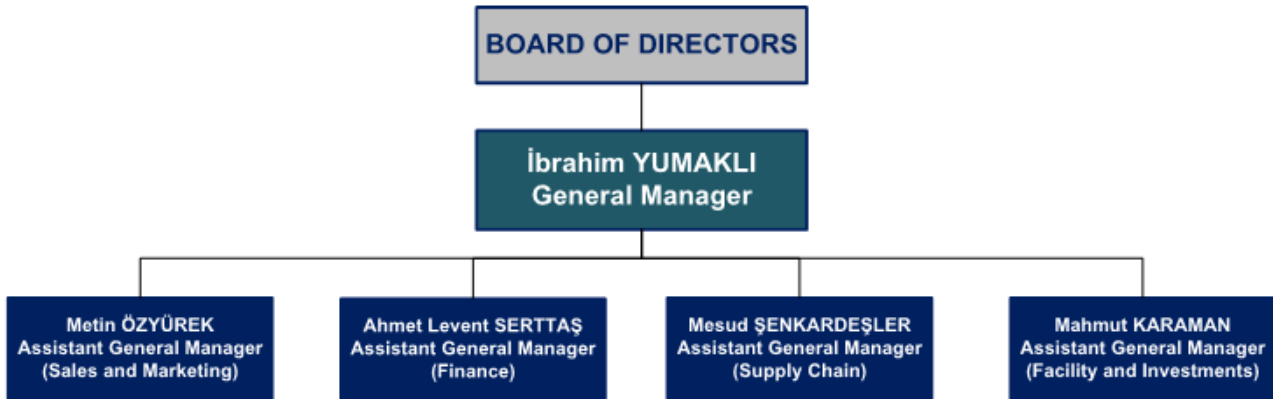
Fax : +90 (414) 381 08 10

**TEKİRDAĞ REGIONAL OFFICE**

Address: Turgut Mah. Ördeklidere Cad. No: 16/1 TEKİRDAĞ

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

Fax : +90 (282) 262 98 51

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

As of 30.06.2019, authorized share capital of the company is 1.000.000.000 ₺ and paid-in share capital is 334.000.000 ₺. There has not been any change in terms of share capital and shareholder's structure of Gübretas within the reporting period.

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

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

**Tablo 1 : CAPITAL STRUCTURE**

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

**G. BOARD OF DIRECTORS**

Title	Name	Date of Election
Chairman	Fahrettin POYRAZ	19.12.2017
Vice Chairman	Ahmet BAĞCI	03.05.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Member	Mehmet TUNÇAK	03.05.2018
Member	Selahattin KÜLCÜ	22.03.2019
Member	Mehmet Okan ATEŞ	02.05.2019
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Seyfullah ARSLANTÜRK	28.02.2018
Independent Member	Mehmet BULUT	30.03.2018

Members of the Board of Directors, which resigned during the period:

Title	Name	Date of Appointment	Date of Election
Member	Halim ALTUNKAL	03.05.2018	04.03.2019
Member	Ramazan BİLGİÇ	03.05.2018	02.05.2019

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

**H. TOP MANAGEMENT**

Title	Name	Date of Appointment
General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Facility and Investments	Dr. Mahmut KARAMAN	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Sales & Marketing	Metin ÖZYÜREK	10.07.2017
Assistant GM - Finance	Ahmet Levent SERTTAŞ	24.09.2018

## I. ADMINISTRATIVE ACTIVITIES

### Number of Personnel

As of 30.06.2019, the number of personel decreased by 0,7% to 568 people compared to the same date of the previous year.

### Training Activities

Training activities are aimed at developing managerial, personal and professional skills of the staff. Education activities of 5.948 hours with participation of 188 employees were carried out in the first six months of 2019.

### Collective Labor Agreement

Collective bargaining agreement between the Company and Petrol-İş Sendikası, which covers the years of 2019 and 2020, was started on February 6, 2019 and finalized by an agreement on May 24, 2019.

## II. THE COMPANY'S ACTIVITIES

### A. PRODUCTION

Gübretaş produced 221.129 tons (*2018/6: 257.163 tons*) of compound fertilizers, 52.130 tons (*2018/6: 71.705 tons*) of nitrogen-based fertilizers, 19.370 tons (*2018/6: 26.540 tons*) of phosphate-based fertilizers, and a total of 292.629 tons (*2018/6: 355.408 tons*) in the first six months of 2019. In addition, 17.254 tons (*2018/6: 13.609 tons*) of liquid and powder fertilizers were produced in the same period.

Solid fertilizer production decreased by 17,66%; liquid-powder production increased by 26,78% in 2019 compared to 2018. Total fertilizer production including solid, liquid and powder decreased by 16,02%.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 64% in the first six months of 2019.

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

Production	2019/6	2018/6	Change
Solid Fertilizer	292.629	355.408	(17,66%)
Liquid - Powder Fertilizer	17.254	13.609	26,78%
<b>TOTAL</b>	<b>309.883</b>	<b>369.017</b>	<b>(16,02%)</b>

## B. SALES AND PURCHASES

The Company sold 1.044.372 tons (2018/6: 1.075.565 tons) of solid, 34.764 tons (2018/6: 28.762 tons) of liquid and powder fertilizers in the first six months of 2019.

The solid fertilizer sales decreased by 2,90% in the first six months of 2019, compared to the same period of the previous year.

The volume of purchases was 1.015.263 tons in the first six months of 2018, and decreased by 11,44% to 899.078 tons in the first six months of 2019. Exports has been 16.232 tons in the first six months of 2019, while it was 760 tons in the same period of 2018.

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

Solid Chemical Fertilizer	2019/6	2018/6	Change
Raw Material	238.695	331.981	(28,10%)
Commodity	660.383	683.282	(3,35%)
<b>Total Purchases</b>	<b>899.078</b>	<b>1.015.263</b>	<b>(11,44%)</b>

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

Solid Chemical Fertilizer	2019/6	2018/6	Change
Compound	326.832	357.687	(8,63%)
Nitrogen-based	663.308	649.545	2,12%
Phosphate-based and others	54.233	68.332	(20,63%)
<b>Total Solid Fertilizer</b>	<b>1.044.372</b>	<b>1.075.565</b>	<b>(2,90%)</b>
<b>Total Liquid - Powder Fertilizer</b>	<b>34.764</b>	<b>28.762</b>	<b>20,87%</b>
<b>Grand Total</b>	<b>1.079.136</b>	<b>1.104.327</b>	<b>(2,28%)</b>

## C. INVESTMENTS

In Turkish operations, the Company incurred 47.117.958 ₺ of capital expenditure in the first half of 2019, while this figure was 21.665.694 ₺ in the same period of 2018.



### III. AFFILIATES AND SUBSIDIARIES

Detailed information about affiliates and subsidiaries are given in the Note 1 of interim consolidated financial statements of 30 June 2019.

### IV. RAZİ PETROCHEMICAL CO.'S ACTIVITIES

#### A. PRODUCTION

In the first half of 2019, 721.558 tons (2018/6: 974.378 tons) of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. ("Razi") and its subsidiary Arya Phosphoric Jonoub Co. ("Arya"). The capacity utilization rate was 39,64% (2018/6: 53,52%)

**Table 5: RAZİ PRODUCTION-TON**

PRODUCT	2019/6	2018/6	Değişim	Capacity	2019/6 CUR
Ammonia	356.060	442.531	(19,54%)	1.336.000	53,30%
Urea	233.450	227.492	2,62%	594.000	78,60%
Sulphur	101.145	129.944	(22,16%)	508.000	39,82%
Sulphuric Acid	26.337	108.746	(75,78%)	627.000	8,40%
Phosphoric Acid	4.566	34.636	(86,82%)	126.000	7,25%
DAP	-	31.029	(100,00%)	450.000	0,00%
<b>Total</b>	<b>721.558</b>	<b>974.378</b>	<b>(25,95%)</b>	<b>3.641.000</b>	<b>39,64%</b>

#### B. SALES

In the first six months of 2019, 800.181 tons (2018/6: 858.067 tons) of fertilizer were sold and 945.217.527 ₺ (2018/6: 962.251.632 ₺) of revenue was generated by Razi and its subsidiaries. Razi exported 655.631 tons and sold 144.550 tons in the domestic market in the first six months of 2019. The share of exports in total sales was 81,94%.

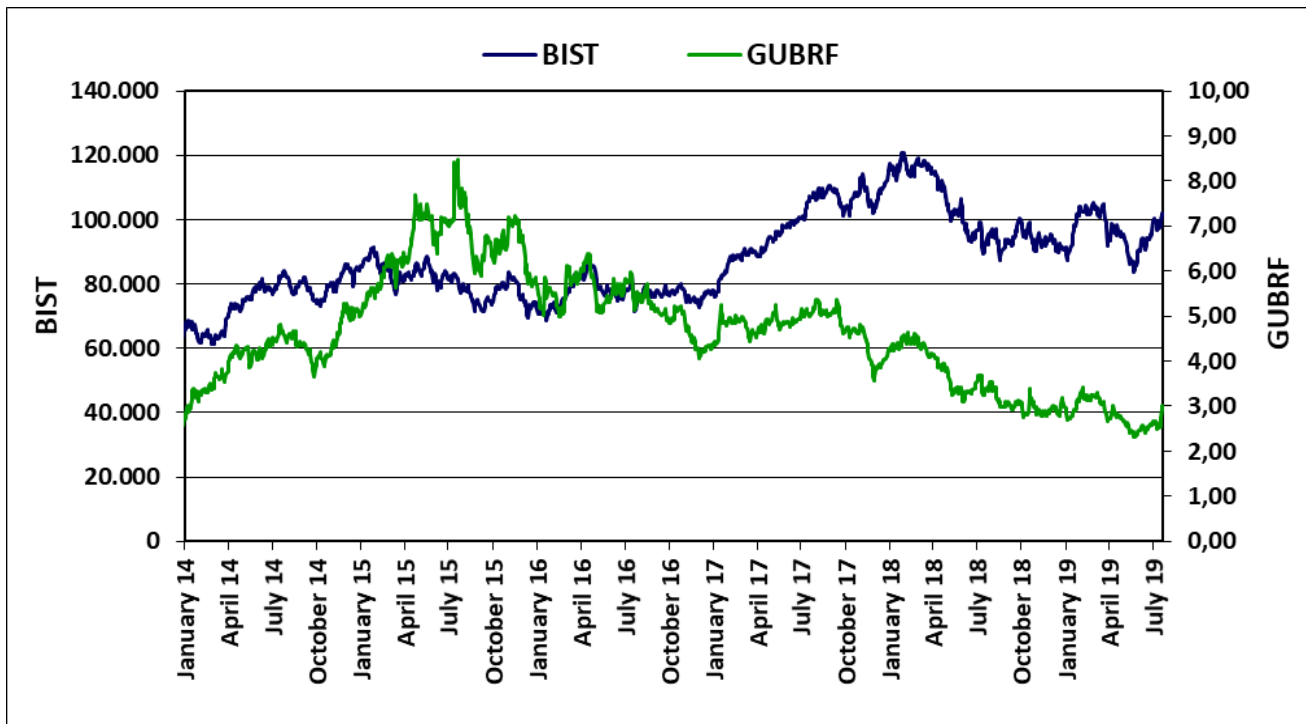
**Table 6: RAZİ SALES-TON**

PRODUCT	2019/6	2018/6	Değişim
Ammonia	230.005	339.804	(32,31%)
Urea	190.396	253.995	(25,04%)
Sulphur	134.697	118.654	13,52%
Sulphuric Acid	11.497	14.973	(23,22%)
Phosphoric Acid	5.557	18.703	(70,29%)
DAP	221	29.296	(99,25%)
<b>Subtotal</b>	<b>572.372</b>	<b>775.425</b>	<b>(26,19%)</b>
Urea	118.960	47.702	149,38%
Ammonium Sulphate	44.000	34.940	25,93%
Ammonia	64.850	-	-
<b>TOTAL</b>	<b>800.181</b>	<b>858.067</b>	<b>(6,75%)</b>

### C. INVESTMENTS

19.169.410 ₺ of capital expenditures were incurred by the Iranian operations in the first half of 2019, while this figure was 3.405.299 ₺ in 2018.

### V. PERFORMANCE OF THE STOCK

**Graph 1 : PERFORMANCE OF THE STOCK**


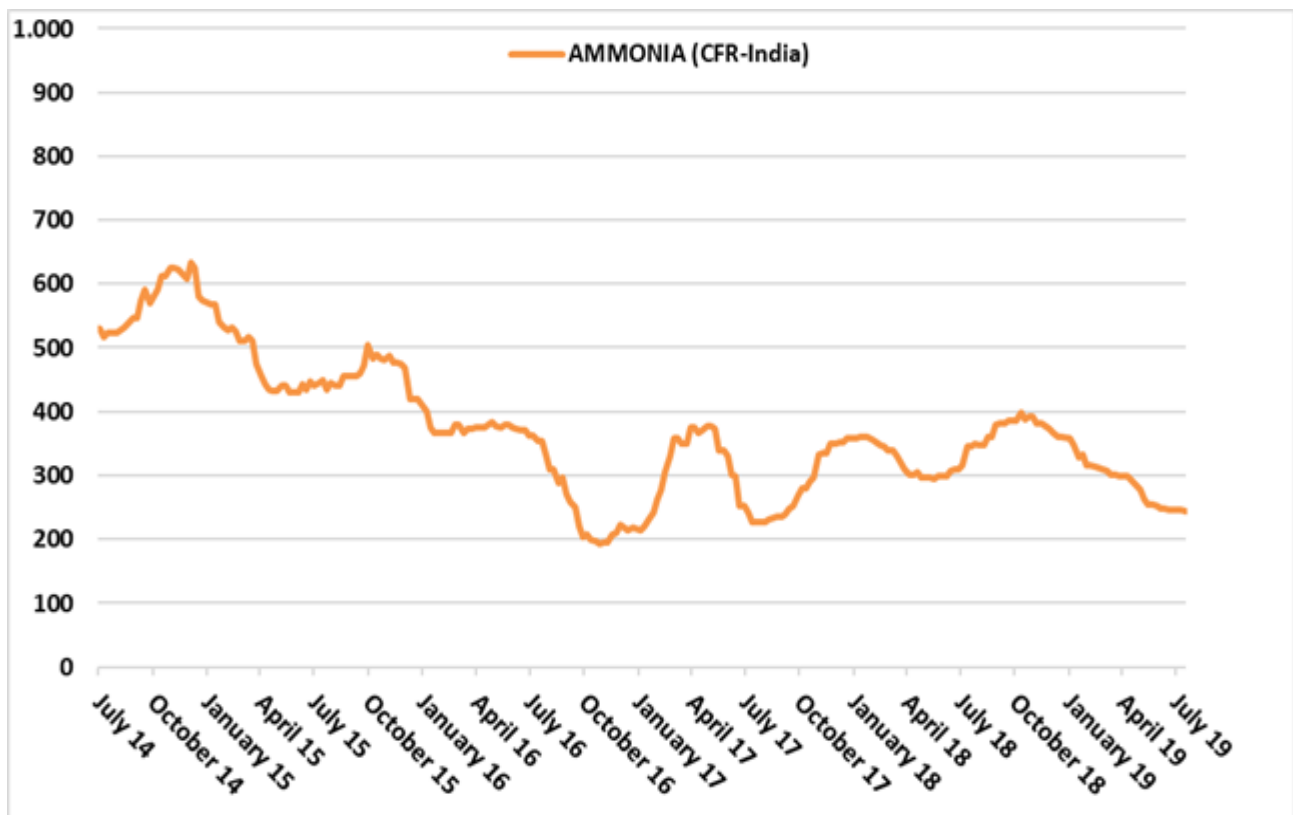
## VI. REVIEW

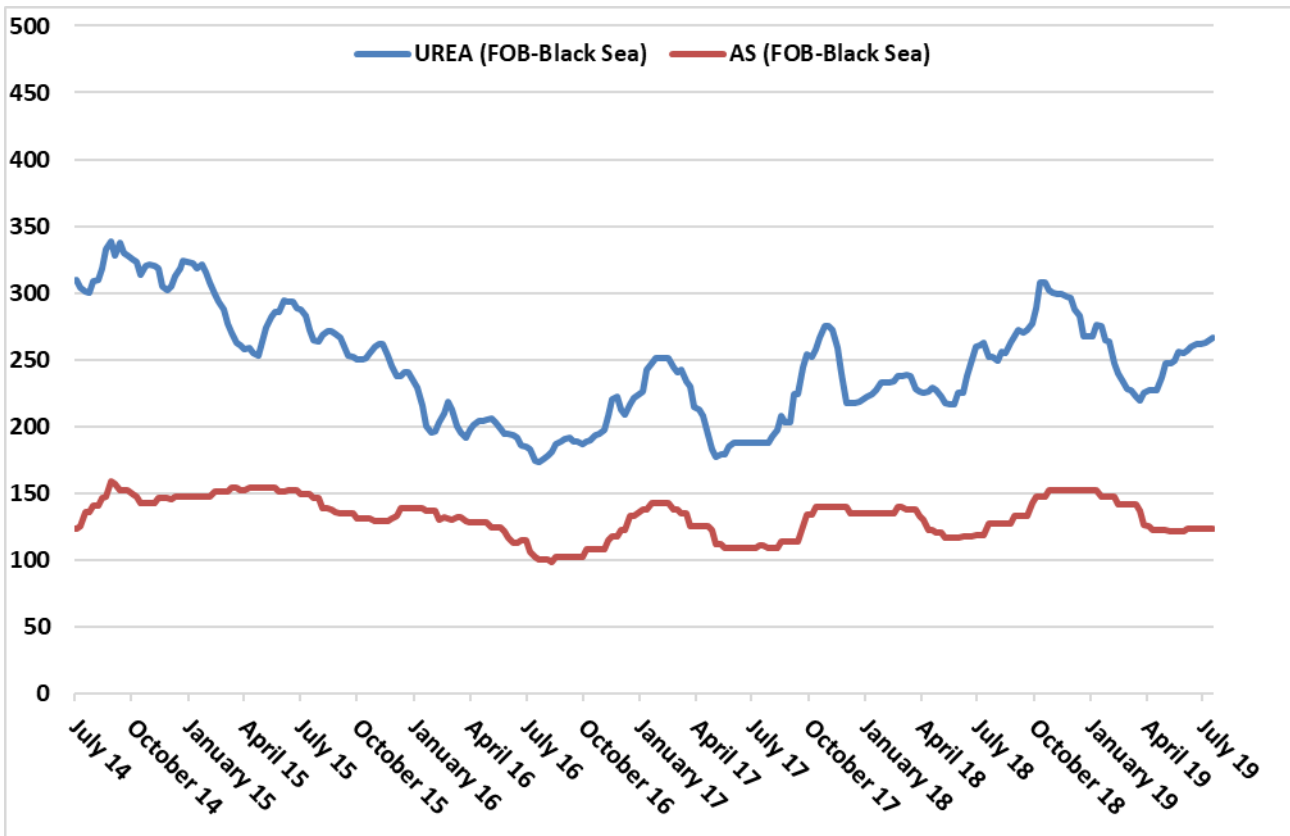
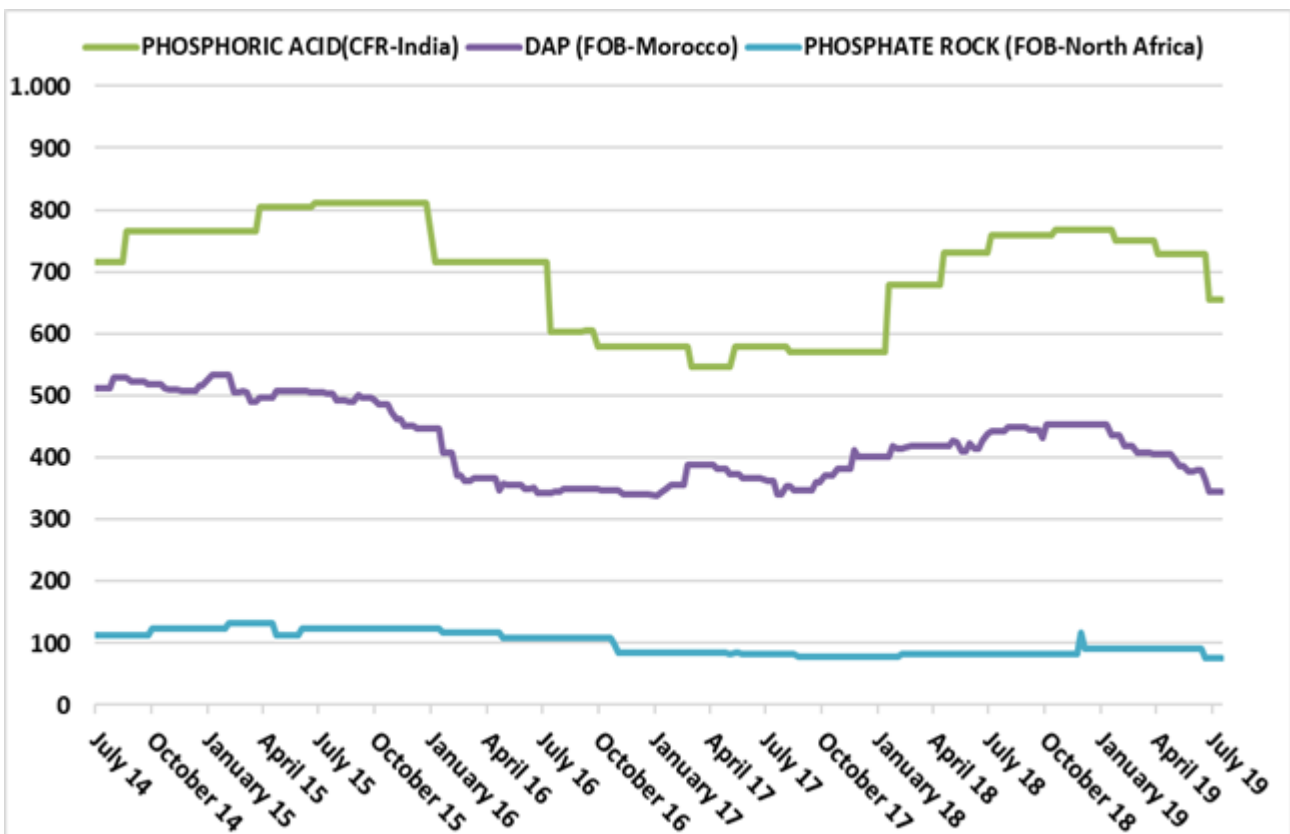
The ammonia is the most important product for the Iranian operations. The downturn in ammonia prices, which began by the end of 2018 in ammonia prices, continued in the first half of 2019. In the second quarter of the year, the average CFR prices in India region was around 265 USD. Ammonia prices, which showed a decrease of about 11,6% compared to the same period of the previous year, have been observed as a significant negative development for the Iranian operations.

In the second quarter, it was observed that while urea FOB prices generally displayed an upward trend and AS prices had a more stable trend in the Black Sea basin.

In phosphate fertilizers and fertilizer raw materials, a period with predominantly horizontal movement has been observed except for DAP product with a downward trend.

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



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

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


## VII. FINANCIAL STRUCTURE

### A. CONSOLIDATED BALANCE SHEET

<b>ASSETS</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Current Assets	2.256.905.317	2.427.884.451
Non-current Assets	1.899.367.129	1.907.383.163
<b>TOTAL ASSETS</b>	<b>4.156.272.446</b>	<b>4.335.267.614</b>
<b>LIABILITIES</b>		
	<b>30 June 2019</b>	<b>31 December 2018</b>
Short-term Liabilities	2.686.815.943	2.545.722.327
Long-term Liabilities	523.595.793	551.988.841
<b>Total Liabilities</b>	<b>3.210.411.736</b>	<b>3.097.711.168</b>
Equity	945.860.710	1.237.556.446
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4.156.272.446</b>	<b>4.335.267.614</b>

### B. CONSOLIDATED INCOME STATEMENT

<b>CONTINUING OPERATIONS</b>	<b>1 Jan - 30 June 2019</b>	<b>1 Jan - 30 June 2018</b>
Sales (net)	2.567.176.790	2.269.852.199
Costs of Sales	(2.090.526.397)	(1.796.618.834)
<b>GROSS PROFIT</b>	<b>476.650.393</b>	<b>473.233.365</b>
Operating Expenses	(319.759.893)	(329.452.832)
<b>OPERATION PROFIT/(LOSS)</b>	<b>156.890.500</b>	<b>143.780.533</b>
Financial Income/(Expense)	(164.390.578)	(126.426.356)
Other Income/(Expense)	2.175.877	(3.349.707)
<b>PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS</b>	<b>(5.324.201)</b>	<b>14.004.470</b>
Total Tax Income / (Expense)	7.990.627	22.417.500
<b>PERIOD PROFIT/ (LOSS)</b>	<b>2.666.426</b>	<b>36.421.970</b>
<b>Distribution of Period Profit / (Loss)</b>		
Minority Shares	19.893.728	75.323.450
Parent Company's Shares	(17.227.302)	(38.901.480)
<b>Earnings / (Loss) Per Share (kr)</b>	<b>(0,0005)</b>	<b>(0,0012)</b>

## VIII. EVENTS AFTER BALANCE SHEET DATE

There are no event to be reported has occurred after the balance sheet date.

## IX. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 03.01.2014, within the first six months of 2019 covering the dates of 01.04.2019 - 30.06.2019, the following works have been realized by the Company in order to be compliant with the principles issued in the related communique:

1. 67th Ordinary General Meeting of Gübretaş, which belongs to the 2018 accounting period, was held in our headquarters Merdivenköy Mahallesi Bora Sokak No: 1 Nida Kule İş Merkezi Göztepe, Kadıköy/İstanbul in May 2, 2019, 10:00. The General Meeting was held in the conference hall of the headquarters with the participation of around %78,1 of the total 334m TRY capital and according to the regulations of Capital Markets Law, the meeting has been held both in physical and electronical media simultaneously.
2. The Minutes of the 67th Ordinary General Meeting, Attendance list and Profit Distribution Table has been announced both in Public Disclosure Platform and company official website in May 2, 2019. The minutes of the meeting have been registered by İstanbul Trade Registry Office and have been announced in the Turkish Trade Registry Gazette no. 9839, which is dated May 29, 2019. These minutes have also been brought to the investors and public attention at e-Company portal.
3. After the 67th Ordinary General Meeting, the committees that perform under Board of Directors, has been formed and the Board members of the committees announced in the Public Disclosure Platform.
4. Regarding to the article 2.1.3 of Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communique, our 1st quarter financial statements including footnotes have been announced in the Public Disclosure Platform both in Turkish and English.

## X. CONCLUSION

### DEAR SHAREHOLDERS,

In the first six months of 2019, 899.078 tons (2018/6: 1.015.263 tons) of fertilizers and raw materials were procured from domestic and foreign markets and 292.629 tons (2018/6: 355.408 tons) of various types of chemical solid fertilizer were produced at facilities. On the other hand, 1.079.136 tons (2018/6: 1.104.327 tons) of solid, liquid and powder fertilizers were sold in the first six months of 2019. In Turkish operations of the Company, net sale revenues realized as 1.977.673.622 ₺ (2018/6: 1.354.461.607 ₺).

In addition, 721.558 tons (2018/6: 974.378 tons) of fertilizer and fertilizer raw materials were produced and 945.217.527 ₺ (2018/6: 962.251.632 ₺) sale revenues were realized by the sale of 800.181 tons (2018/6: 858.067 tons) of fertilizer and fertilizer raw material in Razi and its subsidiaries.

The Company reached to 2.567.176.790 ₺ (2018/6: 2.269.852.199 ₺) consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 5.324.201 ₺ (2018/6: 14.004.470 ₺ profit) loss realized before tax. 2.666.426 ₺ (2018/6: 36.421.970 ₺) consolidated profit occurred after adding 7.990.627 ₺ (2018/6: 22.417.500 ₺) net tax income. 17.227.302 ₺ (2018/6: 23.906.488 ₺) consolidated net period loss to shareholders has occurred after deducting 19.893.728 ₺ (2018/6: 75.323.450 ₺) shares of minority shareholders.

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

**Best Regards,**

**BOARD OF DIRECTORS**

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

**GÜBRE FABRİKALARI TÜRK  
ANONİM ŞİRKETİ  
INTERIM CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD  
JANUARY 1-JUNE 30, 2019  
TOGETHER WITH THE  
INDEPENDENT  
AUDITORS' REPORT**



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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ  
INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE PERIOD ENDED 30 JUNE 2019**

**Engin Bağımsız Denetim ve  
Serbest Muhasebecilik  
Mali Müşavirlik A.Ş.**  
Abide-i Hürriyet Caddesi  
Bolkan Center 211 C Kat 2  
34381 Şişli / İstanbul, Turkey

T + 90 212 373 00 00  
F + 90 212 291 76 01  
www.gtturkey.com

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

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Gübre Fabrikalari Türk Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2019, and the interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim financial information. Management is responsible for the preparation and presentation of these interim financial information in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on these the accompanying interim financial statements based on our review.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As explained in the accompanying Footnote 12, Razi Petrochemical Co. ("Razi") which is a subsidiary of the Company, has value added taxes receivable amounting to TL 101,4 million arising from export sales in accordance with the prevailing tax laws. There is an uncertainty about the collectability and the collection timing related to the VAT receivable in the amount of TL 101.352.225 (IRR 2.028 Million) recorded under short- term other receivables. Accordingly, no provision has been recognized in the consolidated financial statements.

### **Qualified Conclusion**

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

## Emphasis of Matter

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

As explained in the Footnote 12, 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 100.067.754 as of the balance sheet date. The Group has appealed against the case within the legal period and requested the re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the case and has filed a counterclaim for the compensation of the right to property, by considering that the case may result in favor of the Treasury. The lawsuits were resulted against the Company, however the Company requested an overturn of the appeal court decision within the legal period and its request was accepted. The legal process is still ongoing as of the balance sheet date and the next court hearing is scheduled for October 2019. In accordance with the opinions of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this stage.

As explained in the accompanying 7th and 12th Footnotes, Tabosan Mühendislik İmalat ve Montaj A.Ş. (“Tabosan”), one of the consortium partners with whom the Group purchased Razi shares applied to the court with the request to postpone bankruptcy in 2011, the court rejected the request and concluded on the bankruptcy of Tabosan and ruled for an establishment of a bankruptcy desk to transfer all transactions to the bankruptcy desk. The Group has become a joint guarantor on behalf of Tabosan to the Banks who were financed during the purchase of Razi shares and to Iran Privatization Administration. Within the scope of this surety, the Group has paid TL 43.780.597 to the banks and to Iran Privatization Administration on behalf of Tabosan as a guarantor. Since the accumulated dividend receivable of Tabosan's 10.88% share in Razi were transferred to the bankruptcy desk, the Bankruptcy Administration paid TL 25.278.225 to the Group on July 8, 2015 and the amount of principal amounting to TL 5.548.880 on 4 August 2016. As of the report date, the principal and the interest receivable arising from the payments made by the Group due to suretyship amounted to TL 32.482.253. The Bankruptcy Administration may pay the Group's receivables to the extent that it receives the dividend to be received by Razi from Tabosan and the transfer to the bankruptcy desk. The Group management has not recognized any provision for this receivable either in the prior years in the current period by considering dividend payables by Tabosan regarding the Razi shares and the mortgages and collaterals transferred to the Group by the bank.

As explained in the accompanying Footnote 12, there is a lawsuit filed against Razi by the NIOC at Ahwaz General and Revolutionary Court with the amount of TL 31.485.029 (IRR 624.000 million) due to excessive gas consumption. The court put mortgages on the land of Razi which was carried in financial statements for TL 69.808.162 (IRR 1.383.524 Million). In accordance with the opinion of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this considering that the outcome of the court verdict is uncertain. The attempts of the Group management to the said remove mortgages are still ongoing.

Since 28 January 2012, the Central Bank of the Islamic Republic of Iran has been implementing a fixed exchange rate regime. All foreign currency based transactions are taken into legal records on this exchange rates. In the current period, the exchange rates used in foreign exchange based transactions in the Islamic Republic of Iran differ significantly from the fixed exchange rates. In September 2012, a Foreign Exchange Center was established by the administration of the Islamic Republic of Iran under the supervision of the Central Bank of the Islamic Republic of Iran and indicator ratios close to the free market rates have started to be explained. The TAS 21 The Effect of Changes in Foreign Currency Exchange Rates Standard states that in case of situations where various exchange rates are available, the Exchange rate to be used is the expected Exchange rate where the related transactions are realized and the future cash flows will occur. Due to the ambiguity of the exchange rate regime in the Islamic Republic of Iran and the uncertainty of the exchange rates of the future cash flows, the Group Management used the mentioned Center's announced exchange rates in the foreign currency valuation of Razi in the accompanying consolidated financial statements. Similarly, the average of the exchange rates announced by the Center was taken into account when calculating the period average rates.

As explained in the Footnote 6, as of 30 June 2019, Razi has trade receivables amounting to TL 46.338.243 (IRR 918.375 Million) (December 31, 2018: TL 64.381.842) (IRR 941.065 Million) from Iran Petrochemical Co. The Group has not recorded any provision for the uncollected overdue and unsecured trade receivables from Iran Petrochemical. Considering that Razi continues its trade with Iran Petrochemical Co and also continues to negotiate for the collection of the mentioned amount.

These matters stated above do not affect our qualified review.

### Other Matter

The audited consolidated financial statements of the Group for the year ended December 31, 2018 was audited by another auditor whose reports dated 11 March 2019 and review of interim statement of financial position as of 30 June 2018 whose reports dated 17 August 2018, respectively expressed a qualified opinion and qualified conclusion on those statements.

Istanbul, 9 August 2019

Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.  
Member Firm of Grant Thornton International



Jale Akkaş  
Partner

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

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Interim consolidated statement of financial position as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		<b>Reviewed</b>	<b>Restated</b>
	<b>Notes</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	410.875.347	368.851.076
Financial investments		39.741.473	35.397.720
Trade receivables			
- Trade receivables from related parties	16	147.418.054	104.052.340
- Trade receivables from third parties	6	554.061.470	543.266.746
Other receivables			
- Other receivables from third parties	7	213.046.562	216.078.981
Inventories	8	819.921.683	1.108.978.905
Prepaid expenses		41.772.489	27.772.069
Assets related to the current period taxes		4.321.589	2.113.481
Other current assets		25.746.650	21.373.133
<b>Total current assets</b>		<b>2.256.905.317</b>	<b>2.427.884.451</b>
<b>Non-current assets</b>			
Financial investments		21.961.547	6.662.887
Other receivables			
- Other receivables from third parties	7	64.485.834	59.948.500
Investments valued by equity method		20.946.573	18.904.335
Investment properties		63.732.123	63.809.825
Property, plant and equipment	9	1.550.649.290	1.552.653.459
Intangible assets	10		
- Goodwill		87.479.727	121.614.875
- Other intangible assets		18.692.710	20.694.884
Prepaid expenses		16.732.027	19.573.127
Deferred tax assets		54.687.298	43.521.271
<b>Total non-current assets</b>		<b>1.899.367.129</b>	<b>1.907.383.163</b>
<b>Total assets</b>		<b>4.156.272.446</b>	<b>4.335.267.614</b>

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

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Interim consolidated statement of financial position as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		Reviewed	Restated
	Notlar	June 30, 2019	December 31, 2018
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings	5	1.178.723.554	1.352.015.844
Current portion of long-term borrowings	5	85.207.688	198.437.226
Trade payables			
- Trade payables to related parties	16	1.095.716	1.431.632
- Trade payables to third parties	6	1.233.449.379	778.200.783
Employee benefit obligations		18.373.899	31.205.404
Other payables			
Other payables to third parties	7	51.484.606	34.850.876
Deferred income		9.140.737	41.334.435
Current income tax liability		4.446.183	4.680.658
Derivative financial instruments		14.178.935	4.703.497
Short-term provisions			
- Short-term provisions for employee benefits		6.792.833	32.496.815
- Other short-term provisions	12	83.922.413	66.365.157
<b>Total current liabilities</b>		<b>2.686.815.943</b>	<b>2.545.722.327</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	5	24.283.425	59.850.476
Other borrowings			
- Other borrowings from third parties		361.420.280	349.323.760
Long-term provisions			
- Long-term provisions for employee benefits		118.724.647	116.286.123
Deferred tax liability		19.167.441	26.528.482
<b>Total non-current liabilities</b>		<b>523.595.793</b>	<b>551.988.841</b>
<b>Total liabilities</b>		<b>3.210.411.736</b>	<b>3.097.711.168</b>
<b>Shareholders' equity</b>			
Share Capital		334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Impairment on property, plant and equipment		328.930.319	328.930.319
- Defined benefit plans re-measurement losses		(338.772)	(937.828)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency translation differences		(341.979.538)	(213.293.368)
Restricted reserves from profit			
- Legal reserves		53.838.737	52.295.108
Prior year profit		348.259.261	434.038.586
Current year profit or loss		(17.227.302)	(84.235.696)
<b>Shareholders' Equity</b>		<b>705.482.705</b>	<b>850.797.121</b>
Non-controlling interests		240.378.005	386.759.325
<b>Total shareholders' equity</b>		<b>945.860.710</b>	<b>1.237.556.446</b>
<b>Total liabilities and equity</b>		<b>4.156.272.446</b>	<b>4.335.267.614</b>

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

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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated statement of profit or loss and other comprehensive income as of June 30, 2019

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

	Notes	Reviewed January 1, – June 30, 2019	Restated Reviewed January 1, – June 30, 2018	Reviewed April 1 – June 30, 2019	Restated Reviewed April 1 – June 30, 2018
Sales	13	2.567.176.790	2.269.852.199	1.106.834.716	1.012.245.709
Cost of sales (-)	13	(2.090.526.397)	(1.796.618.834)	(886.386.796)	(801.154.325)
<b>Gross profit</b>		<b>476.650.393</b>	<b>473.233.365</b>	<b>220.447.920</b>	<b>211.091.384</b>
General and administrative expense (-)		(78.640.790)	(80.058.598)	(40.170.940)	(41.427.597)
Marketing, selling and distribution expense (-)		(177.437.823)	(169.363.125)	(92.790.012)	(77.326.609)
Other operating income	14	154.536.360	166.912.294	88.421.290	113.170.398
Other operating expenses (-)	14	(218.217.640)	(246.943.403)	(115.519.484)	(182.280.029)
<b>Operating profit</b>		<b>156.890.500</b>	<b>143.780.533</b>	<b>60.388.774</b>	<b>23.227.547</b>
Income((expenses) from investment activities		133.639	(7.781.223)	29.993	(1.108.383)
Profit / (loss) from investments accounted by equity method		2.042.238	4.431.516	1.154.241	3.115.397
<b>Financial income / (expense) before operating profit</b>		<b>159.066.377</b>	<b>140.430.826</b>	<b>61.573.008</b>	<b>25.234.561</b>
Financial income / (expense)		(164.390.578)	(126.426.356)	(74.318.391)	(21.929.487)
<b>Profit before tax from continuing operations</b>		<b>(5.324.201)</b>	<b>14.004.470</b>	<b>(12.745.383)</b>	<b>3.305.074</b>
- Current period tax (expense)		(3.058.750)	(1.639.793)	(1.722.848)	(1.639.793)
- Deferred tax (expense) / income		11.049.377	24.057.293	15.524.396	19.624.207
<b>Total tax (expense) / income</b>		<b>7.990.627</b>	<b>22.417.500</b>	<b>13.801.548</b>	<b>17.984.414</b>
<b>Net profit</b>		<b>2.666.426</b>	<b>36.421.970</b>	<b>1.056.165</b>	<b>21.289.488</b>
<b>Distribution of income for the period</b>					
Non-controlling interests		19.893.728	75.323.450	12.474.333	51.402.781
Attributable to equity holders of the parent		(17.227.302)	(38.901.480)	(11.418.168)	(30.113.293)
<b>Loss per share (kr)</b>	15	<b>(0,0005)</b>	<b>(0,0012)</b>	<b>(0,0003)</b>	<b>(0,0009)</b>
<b>Other Comprehensive Income:</b>					
<b>Items not to be reclassified to profit or loss</b>					
Actuarial gain/(loss) arising from defined benefit plans		748.820	968.711	842.723	945.681
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss		(149.764)	(193.742)	(168.545)	(189.136)
<b>Items to be reclassified to profit or loss</b>					
Changes in currency translation differences		(204.828.695)	23.298.178	(179.083.835)	24.795.555
<b>Other comprehensive (expense)</b>		<b>(204.229.639)</b>	<b>24.073.147</b>	<b>(178.409.657)</b>	<b>25.552.100</b>
<b>Total comprehensive (expense) / income</b>		<b>(201.563.213)</b>	<b>60.495.117</b>	<b>(177.353.492)</b>	<b>46.841.588</b>
<b>Distribution of total comprehensive income /(income)</b>					
Non-controlling interests		(56.248.797)	77.753.495	(50.722.225)	60.352.702
Equity holders of the parent		(145.314.416)	(17.258.378)	(126.631.267)	(13.511.114)

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

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**  
**Interim consolidated statement of changes in equity as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

	Share capital	Items not to be reclassified to profit or loss		Items to be reclassified to profit or loss		Restricted reserves	Retained earnings		Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		Revaluation reserves	Actuarial gain/(loss) arising from defined benefit plans	Changes in currency translation differences from investments accounted by equity method	Foreign currency translation reserve		Retained earnings	Net profit for the period			
<b>Balances at January 1, 2018</b>	<b>334.000.000</b>	<b>261.940.485</b>	<b>(1.458.551)</b>	<b>(28.376.207)</b>	<b>(68.388.089)</b>	<b>52.295.108</b>	<b>387.155.939</b>	<b>33.317.912</b>	<b>970.486.597</b>	<b>237.024.490</b>	<b>1.207.511.087</b>
Transfers	--	--	--	--	--	--	33.317.912	(33.317.912)	--	--	--
Acquisition and disposal of Subsidiary	--	--	--	28.376.207	--	--	--	--	28.376.207	35.857.652	64.233.859
Total comprehensive income/ (expense)	--	--	774.969	--	20.868.133	--	--	(38.901.480)	(17.258.378)	77.753.495	60.495.117
<b>Balances as restated at June 30, 2018</b>	<b>334.000.000</b>	<b>261.940.485</b>	<b>(683.582)</b>	<b>--</b>	<b>(47.519.956)</b>	<b>52.295.108</b>	<b>420.473.851</b>	<b>(38.901.480)</b>	<b>996.599.418</b>	<b>350.635.637</b>	<b>1.332.240.063</b>
<b>Balances at January 1, 2019</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(937.828)</b>	<b>--</b>	<b>(213.293.368)</b>	<b>52.295.108</b>	<b>434.038.586</b>	<b>(64.340.136)</b>	<b>870.692.681</b>	<b>386.759.325</b>	<b>1.257.452.006</b>
Effect of correction of errors	--	--	--	--	--	--	--	(19.895.560)	(19.895.560)	--	(19.895.560)
<b>Balances as restated</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(937.828)</b>	<b>--</b>	<b>(213.293.368)</b>	<b>52.295.108</b>	<b>434.038.586</b>	<b>(84.235.696)</b>	<b>850.797.121</b>	<b>386.759.325</b>	<b>1.237.556.446</b>
Transfers	--	--	--	--	--	1.543.629	(85.779.325)	84.235.696	--	--	--
Profit shares	--	--	--	--	--	--	--	--	--	(90.132.523)	(90.132.523)
Total comprehensive income / (expense)	--	--	599.056	--	(128.686.170)	--	--	(17.227.302)	(145.314.416)	(56.248.797)	(201.563.213)
<b>Balances at June 30, 2019</b>	<b>334.000.000</b>	<b>328.930.319</b>	<b>(338.772)</b>	<b>--</b>	<b>(341.979.538)</b>	<b>53.838.737</b>	<b>348.259.261</b>	<b>(17.227.302)</b>	<b>705.482.705</b>	<b>240.378.005</b>	<b>945.860.710</b>

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



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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of cash flows as of June 30, 2019

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

	Notes	Review January 1, - June 30, 2019	Restated Reviewed January 1,- June 30, 2018
<b>Cash flows from operating activities</b>			
Period income /loss		2.666.426	51.416.962
<b>Adjustments to reconcile net profit/(loss) for the period</b>			
Adjustments related to depreciation and amortization expense	9-10	41.271.355	35.945.611
Gain on equity investments		(2.042.238)	(4.431.516)
Retirement pay provision, early retirement pay liability		46.610.370	48.472.363
Adjustments related to interest expense		162.394.810	55.854.706
Adjustments related to Impairment of inventories	8	(5.356.848)	133.331
Adjustments related to trade receivables	7	1.622.122	2.294.632
Deferred financial income		(867.393)	(591.516)
Lawsuit provision / cancellation	12	868.813	1.008.049
Current year tax income / (expense)		(7.990.627)	(22.417.500)
Adjustments related to losses (gains) on sale of property, plant and equipments	9-10	67.398	--
Adjustments related to fair value losses (gains) on derivative financial instruments		9.475.438	(13.486.084)
Other Adjustments		77.702	--
<b>Cash flows from the operating activities before changes in the assets and liabilities</b>		<b>248.797.328</b>	<b>139.204.046</b>
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		(58.195.995)	(132.600.665)
Adjustments related to increase / (decrease) in other receivables		(1.504.915)	(68.209.725)
Adjustments related to increase / (decrease) in inventories		363.468.235	(98.671.158)
Adjustments related to increase / (decrease) in trade payables		470.290.004	240.695.967
Employee benefit obligations		(12.831.505)	13.278.040
Increase / (decrease) in deferred income		(32.193.698)	4.705.336
Increase / (decrease) in prepaid expenses		(11.159.320)	13.611.992
Increase / (decrease) in other payables		(73.498.769)	232.552.430
Adjustments related to other increases / (decreases) in working capital		(126.203.201)	43.448.206
<b>Cash flows from the operations after the changes in working capital</b>		<b>766.968.164</b>	<b>388.014.469</b>
Interest paid		(104.138.233)	(70.174.440)
Taxes refunds/(payments)		(8.910.115)	(2.659.606)
Payment termination indemnity		(20.724.616)	(44.659.633)
<b>Cash flow regarding investment activities</b>		<b>633.195.200</b>	<b>270.520.790</b>
<b>Cash flows from investment activities</b>			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9-10	(66.287.368)	(25.070.993)
Proceeds from sales of property, plant and equipment	9-10	32.972	5.924.580
Other cash inflows / (outflows)		(19.642.413)	50.043.037
<b>Cash flows from investment activities</b>		<b>(85.896.809)</b>	<b>30.896.624</b>
<b>Cash flows from financing activities</b>			
Cash inflows from financial borrowings		1.737.768.719	1.313.544.139
Cash outflows from financial borrowings payments		(2.118.114.175)	(1.374.388.791)
<b>Cash flows from financing activities</b>		<b>(380.345.456)</b>	<b>(60.844.652)</b>
Net change in cash and cash equivalents before effect of foreign currency translation difference		<b>166.952.935</b>	<b>240.572.762</b>
<b>Cash and cash equivalents as of January 1</b>		<b>359.227.711</b>	<b>223.188.075</b>
Foreign currency translation difference		(115.411.715)	9.552.083
<b>Cash and cash equivalents as of June 30</b>		<b>410.768.931</b>	<b>473.312.920</b>

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

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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

Gübre Fabrikaları T.A.Ş. and its subsidiaries (altogether referred to as “the Group”) are composed of two subsidiaries and an associate. 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. The registered head Office is in Istanbul and information about the locations of the other production facilities and offices are summarised here below:

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

The number of employees of the Company and its subsidiaries for the period ended June 30, 2019 is 1.620 (December 31, 2018: 1.639)

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

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

<u>Name</u>	<u>June 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Share %</u>	<u>Share amount</u>	<u>Share %</u>	<u>Share amount</u>
TKK	%75,95	253.684.607	%75,95	253.684.607
Other (Public Held)	%24,05	80.315.393	%24,05	80.315.393
<b>Total</b>	<b>%100,00</b>	<b>334.000.000</b>	<b>%100,00</b>	<b>334.000.000</b>

#### 1.1 Subsidiaries

Gübretaş has invested in Razi Petrochemical Co., which is located in Iran and operates in the production and sales of fertilizer and fertilizer raw materials on May 24, 2008. The share of Gübretaş in the share capital of Razi as of the date of balance sheet is 48,88% (December 31, 2018: 48,88). Razi is considered a subsidiary because Gübretaş has the right to select and nominate three of the five-member Board of Razi. Also, it has the controlling power over the operational management of Razi.

## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the interim condensed consolidated financial statements as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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

#### **1.1 Subsidiaries (Cont’d)**

At the year end of 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 in Raintrade; therefore, the Group has an indirect ownership of 48,88% in Raintrade.

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

In accordance with a sharing agreement signed on June 5, 2018, the Company has transferred its 40% shareholding in Negmar Denizcilik Yatırım A.Ş. (“Negmar”) to Etis Denizcilik Yatırım A.Ş. Therefore, 100% of the shares of Nbulkgas Marine Company Limited (Limited Nbulkgas) owned by Negmar were transferred to the Company. Hence, the Company acquired indirect shareholding of 50% of the shares of IGLC Anka Shipping Investment S.A. (“IGLC Anka”) and IGLC Dicle Shipping Investment S.A. (“IGLC Dicle”). Since the Company has control over Nbulkgas and the majority of the board members of IGLC Anka ile IGLC Dicle are appointed by Gübretaş and Gübretaş controls the operating activities of IGLC Dicle these entities were considered as subsidiaries and consolidated in the accompanying consolidated financial statements. Since the Company has control over IGLC Anka and IGLC Dicle companies, all companies are considered as subsidiaries. The indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50%, whereby the Group has control over the operating activities and ownership ratio on Nbulkgas is 100%.Nbulkgas who was founded in December 26, 2014, in Turkey and IGLC Anka and IGLC Dicle who were founded in September 19, 2013 in Panama are engaged in carrying out maritime transportation activities.

#### **1.2 Affiliates**

The Company has also participated in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş., which operates in Agricultural Pesticide sector on April 13, 2009. As of the balance sheet date, the share of Gübretaş on Tarkim A.Ş is 40% percentage (December 31, 2018: 40%).

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

The Group has a participation ratio of 15,78% in Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. (“Tarnet”) which is the subsidiary of the controlling shareholder founded in Turkey.

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

The interim condensed consolidated financial statements have been approved by the Board of Directors and instructed to be issued on 9 August 2019. The General Assembly has the power to amend condensed financial statements.

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

## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the interim condensed consolidated financial statements as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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### **NOTE 2 - BASIS OF 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 and statutory financial statements in line with the Turkish Commercial Code (“TCC”) and accounting principles stated by the tax legislation. The subsidiaries in Iran keep their its books and accounting entries as per the Iranian legislation in the currency of Iranian Rial (“IRR”).

The accompanying condensed consolidated financial statements of the Group have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) on June 13, 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards (“TFRS”) and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards (“IFRS”).

The companies are free to prepare their interim financial statements either as full set or in condensed form as per the Turkish Accounting Standard no. 34 “Interim Financial Reporting”. In this regard, the Group has selected to prepare interim consolidated financial statements. Therefore, these interim condensed and consolidated financial statements should be evaluated together with the consolidated financial statements of the Group as of December 31, 2018.

The Group presented its condensed consolidated interim financial statements for the period ended 30 June 2019 in accordance with CMB Communiqué Serial: XII, 14.1 and the announcing this Communiqué, in accordance with TAS 34 Interim Financial Reporting.

The accounting policies used in the preparation of the condensed consolidated interim financial statements as of 30 June 2019 are complies with accounting policies used with the consolidated financial statements of the previous year, except for the effect of the new and amended TFRSs and TFRS interpretations summarized in Note 2.2.

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

##### **Going concern**

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

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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
(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)

##### Comparative Information and Revision of the Financial Statements of Prior Period

In order to allow for the determination of financial position and performance trends, the Group's condensed consolidated financial statements are prepared to conform to the current period presentation, if necessary and material changes are disclosed.

Accordingly, the deferred taxes calculated over the tax deductions obtained from the investments made within the scope of investment incentive certificates of the Company were revised and the effect of this change was reflected in the condensed consolidated financial statements of 31 December 2018 and 30 June 2018. Accordingly, as of 31 December 2018, the deferred tax asset and deferred tax income in the statement of financial position and the statement of income was reduced by TL 19.895.560, respectively. Similarly, as of 30 June 2018, deferred tax asset in the financial position table and the deferred tax income in the profit or loss statement has been reduced by TL 14.994.992.

##### Functional currency

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

The functional currency of the Company's subsidiary operating in Iran is Iranian Rial (IRR) and the functional currency of IGLC Anka and IGLC Dicle, which the Company is participated in 2018, is US Dollar (“USD”). According to TAS 21 Changes in Exchange Rates, the assets and liabilities of the subsidiaries in foreign countries are converted to Turkish Lira with the parity on the balance sheet day. Income and expense items are translated into Turkish Lira with the average exchange rate in the period. The exchange differences occurred as a result of application of the closing and average rates are followed under the equity in the foreign currency translation reserve account. The translation differences incurred are recorded as income or expense at the end of the related accounting period.

The conversion rates used are as follows:

Currency	June 30, 2019		December 31, 2018	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000050457	0,000062532	0,000070145	0,000089246
USD/TL	5,7551	5,6069	5,2609	4,8378

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

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

The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at June 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019.

##### i. TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

The Group plans to adopt TFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying TAS 17 Leases. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17.

The Group plans to elect to use the facilitated applications applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Company's leases of warehouses renewed with short-terms and vehicles were considered as short-term.

<b>Short-term lease expenses</b>	<b>01.01.- 30.06.2019</b>
1. Warehouse lease expenses (six months lease expenses)	3.338.616
2. Vehicles lease payment (six months lease expenses)	650.670
<b>Total</b>	<b>3.989.286</b>



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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

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

The new standards, amendments and interpretations which are effective as at January 1, 2019  
(Cont’d)

##### i. TFRS 16 Leases (Cont’d)

<b>Short-term lease liability</b>	<b>30.06.2019</b>
1. Warehouse	3.338.616
2. Vehicles	864.773
<b>Total</b>	<b>4.203.389</b>

##### TFRIC 23 Uncertainty over Income Tax Treatments

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

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

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

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

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

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

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

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

- Amedment to TFRS 3: Definition of a Business
- Amendments to TAS 1 and TAS 8: Definition of Material
- TIFRS 17 - The new Standard for insurance contracts

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

### Notes to the interim condensed consolidated financial statements as of June 30, 2019 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

##### 2.3 Basis of consolidation

a) The consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended on 30 June 2019 and include financial statements of Gübretaş and its subsidiaries.

b) As of June 30, 2019, there are no changes in voting rights or proportion of effective interest on subsidiaries that are subject to consolidation from the information stated on consolidated financial statements for the year ended on December 31, 2018.

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.

c) The Company's significant interest in affiliates is accounted for with equity method. Affiliates accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The comprehensive income statement presents shares of financial results of the Group's affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group's share. The share of the Group from these changes is directly accounted under the Group's equity.

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.

##### 2.4 Leases

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 the commencement date, the Group will recognise a right-of-use asset and a lease liability.

At the commencement date, the right-of-use asset at cost will be measured at cost and recognized after deducting the accumulated depreciation and impairment losses. The Group will apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset and TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments will be discounted using the interest rate implicit in the lease, if that rate can be readily determined. After the commencement date, the Group will measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.



## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

#### 2.5 Mergers

In accordance with a sharing agreement signed on March 5, 2018, the Company has transferred its 40% shareholding in Negmar Denizcilik Yatırım A.Ş. (“Negmar”) to Etis Denizcilik Yatırım A.Ş. Accordingly, the effects of Negmar, which is accounted for using equity method, are eliminated from the consolidated financial statements as of 31 December 2018. Therefore, 100% of the shares of Nbulkgas Marine Company Limited (Limited Nbulkgas) owned by Negmar were transferred to the Company. Hence, the Company acquired indirect shareholding of 50% of the shares of IGLC Anka Shipping Investment S.A. (“IGLC Anka”) and IGLC Dicle Shipping Investment S.A. (“IGLC Dicle”). Since the Company has control over Nbulkgas and the majority of the board members of IGLC Anka ile IGLC Dicle are appointed by Gübretaş and Gübretaş controls the operating activities of IGLC Dicle these entities were considered as subsidiaries and consolidated in the accompanying consolidated financial statements. Since the Company has control over IGLC Anka and IGLC Dicle companies, these entities are considered as subsidiaries. The indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50 % each, whereby the Group has control over their operating activities and the ownership rate on Nbulkgas is 100%.

As of December 31, 2018, the fair values of the identifiable assets acquired, and identifiable liabilities acquired under the aforementioned business combination have been determined.

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

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the interim condensed consolidated financial statements as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

**NOTE 3 -SEGMENT REPORTING**

The Group’s competent authority of making decision reviews the results and activities based on geographical divisions in order to make decision on resources to be allocated to departments and evaluate the performance of these departments. The Parent Company operates in Turkey; whereas Razi, a subsidiary, operates in Iran.

The Company is engaged in carrying out the production and sales of chemical fertilizer within Turkey. Razi, is engaged in carrying out the production and trading of chemical fertilizers and fertilizer raw materials. Since Company management evaluates operation results and performance through 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 periods ending on June 30, 2019 and December 31, 2018 is as follows:

	<b>Turkey</b>	<b>Iran</b>	<b>Consolidation</b>	<b>Total</b>
	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>Adjustments</b>	<b>30 June 2019</b>
			<b>30 June 2019</b>	
<b>Assets</b>				
Current assets	1.328.598.410	992.729.575	(64.422.668)	2.256.905.317
Non-current assets	1.867.960.433	372.180.591	(340.608.175)	1.899.367.129
<b>Total assets</b>	<b>3.196.558.843</b>	<b>1.364.910.166</b>	<b>(405.030.843)</b>	<b>4.156.272.446</b>
<b>Liabilities</b>				
Short-term liabilities	2.077.362.576	738.529.475	(129.076.108)	2.686.815.943
Long-term liabilities	398.968.784	124.627.009	--	523.595.793
Equities	720.061.763	501.753.682	(275.954.735)	946.026.430
<b>Total Liabilities</b>	<b>3.196.393.123</b>	<b>1.364.910.166</b>	<b>(405.030.843)</b>	<b>4.156.272.446</b>

	<b>Turkey</b>	<b>Iran</b>	<b>Consolidation</b>	<b>Total</b>
	<b>December 31,</b>	<b>December 31,</b>	<b>Adjustments</b>	<b>December 31,</b>
	<b>2018</b>	<b>2018</b>	<b>December 31,</b>	<b>2018</b>
			<b>2018</b>	
<b>Assets</b>				
Current assets	1.327.870.800	1.167.769.398	(67.755.747)	2.427.884.451
Non-current assets	1.741.339.131	474.018.940	(307.974.908)	1.907.383.163
<b>Total assets</b>	<b>3.069.209.931</b>	<b>1.641.788.338</b>	<b>(375.730.655)</b>	<b>4.335.267.614</b>
<b>Liabilities</b>				
Short-term liabilities	1.877.474.178	736.003.872	(67.755.747)	2.545.722.303
Long-term liabilities	421.593.387	130.395.478	--	551.988.865
Equities	770.142.366	775.388.987	(307.974.908)	1.237.556.446
<b>Total liabilities</b>	<b>3.069.209.931</b>	<b>1.641.788.337</b>	<b>(375.730.655)</b>	<b>4.335.267.614</b>

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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### NOT 3 - SEGMENT REPORTING (Cont'd)

The distribution of income statements by segments for the periods ending on June 30, 2019 and 2018 is as follows:

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

	Turkey	Iran	Consolidation Adjustments	Total
	1 January - 30 June 2018	1 January - 30 June 2018	1 January - 30 June 2018	1 January - 30 June 2018
Sales (Net)	1.354.461.607	962.251.632	(46.861.040)	2.269.852.199
Cost of sales (-)	(1.220.433.896)	(623.045.978)	46.861.040	(1.796.618.834)
<b>Gross profit</b>	<b>134.027.711</b>	<b>339.205.654</b>	<b>--</b>	<b>473.233.365</b>
Marketing, selling and distribution expense (-)	(71.112.549)	(98.250.576)	--	(169.363.125)
General and administrative expense (-)	(18.557.876)	(61.500.722)	--	(80.058.598)
Other operating income / expense (-)	(49.851.801)	(30.179.308)	--	(80.031.109)
<b>Operating profit</b>	<b>(5.494.515)</b>	<b>149.275.048</b>	<b>--</b>	<b>143.780.533</b>
Income / (expense) net from investments	(7.781.223)	--	--	(7.781.223)
Profit / (loss) from investments accounted by equity method	4.431.516	--	--	4.431.516
<b>Operation profit before financial income / (expense)</b>	<b>(8.844.222)</b>	<b>149.275.048</b>	<b>--</b>	<b>140.430.826</b>
Financial income / (expense)	(114.250.258)	(12.176.098)	--	(126.426.356)
<b>Profit before tax</b>	<b>(123.094.480)</b>	<b>137.098.950</b>	<b>--</b>	<b>14.004.470</b>
Tax expense	18.389.895	4.027.605	--	22.417.500
<b>Profit / (loss) for the period</b>	<b>(104.704.585)</b>	<b>141.126.555</b>	<b>--</b>	<b>36.421.970</b>

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Notes to the interim condensed consolidated financial statements as of June 30, 2019  
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### NOTE 3 -SEGMENT REPORTING (Cont’d)

Investment expenditures pertaining to segment assets for the six-month periods ending on June 30, 2019 and 2018 are as follows:

	January 1,- June 30, 2019	January 1,- June 30, 2018
Turkey	47.117.958	21.665.694
Iran	19.169.410	3.405.299
<b>Total</b>	<b>66.287.368</b>	<b>25.070.993</b>

### Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on June 30, 2019 and 2018 are as follows:

	January 1,- June 30, 2019	January 1,- June 30, 2018
Turkey	26.331.457	14.158.298
Iran	14.939.898	21.787.313
<b>Total</b>	<b>41.271.355</b>	<b>35.945.611</b>

### NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018
Cash on hands	1.508.746	317.371
Bank	409.282.407	368.517.959
- demand deposits	65.291.401	106.160.602
- time deposits	343.991.006	262.357.357
Other cash equivalents (*)	84.194	15.746
<b>Total</b>	<b>410.875.347</b>	<b>368.851.076</b>
Pledge cash and cash equivalents (**)	(106.416)	(9.623.365)
<b>Cash and cash equivalents at the statement of cash flow</b>	<b>410.768.931</b>	<b>359.227.711</b>

(\*) As of 30 June 2019 and 31 December 2018, other cash and cash equivalents consist of credit card receivables of Gübretaş.

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### NOT 4 - CASH AND CASH EQUIVALENTS (Cont’d)

#### 4.1 Time deposits (TL):

Interest rate (%)	Maturity	30 June 2019
23,85	1-3 days	7.508.331
<b>Total</b>		<b>7.508.331</b>

Interest rate (%)	Maturity	December 31, 2018
18 - 24	1-3 days	48.484.587
<b>Total</b>		<b>48.484.587</b>

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

Interest rate (%)	Maturity	Currency	Foreign currency amount	30 June 2019 Amount in TL
1,5	1-3 day	EUR	16.038.141	96.677.912
10 – 15	1-3 day	Mil. IRR	1.363.954	68.820.742
3,50 - 3,55	1-3 day	USD	32.500.907	170.984.021
<b>Total</b>				<b>336.482.675</b>

Interest rate (%)	Maturity	Currency	Foreign currency amount	December 31, 2018 Amount in TL
Euribor	1-3 days	EUR	3.188	19.220
10	1-3 days	Mil. IRR	1.606.094	112.659.999
1,80	1-3 days	USD	19.235.027	101.193.551
<b>Total</b>				<b>213.872.770</b>

### NOTE 5 – FINANCIAL BORROWINGS

Short-term and Long-term borrowings	30 June 2019	31 December 2018
Payable within 1 year	1.263.931.242	1.550.453.070
Payable within 1 – 5 years	24.283.425	59.850.476
<b>Total</b>	<b>1.288.214.667</b>	<b>1.610.303.546</b>

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### NOT 5 – FINANCIAL BORROWINGS (Cont’d)

As of June 30, 2019, and December 31, 2018, details of short-term and long-term borrowings are as follows:

<b>Short-term borrowings</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Short-term borrowings	1.176.711.945	1.350.135.187
Short-term portion of long-term borrowings	85.207.688	198.437.226
Short-term finance lease liabilities	2.011.609	1.880.657
<b>Total</b>	<b>1.263.931.242</b>	<b>1.550.453.070</b>

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

As of 30 June 2019 and 31 December 2018, the details of short-term and long-term borrowings are as follows:

##### 30 June 2019

<b>Currency</b>	<b>Maturity</b>	<b>Average effective annual interest rate (%)</b>	<b>Original amount</b>	<b>Amount in TL</b>
EUR	January 2020	3,40	10.906.597	71.445.845
USD	February 2020	3,44	10.115.454	58.215.450
TL	March 2022	14,83 – 29,50	1.102.994.820	1.102.994.820
<b>Other Financial Borrowings</b> Mill.IRR (*)	September 2019	18,00	579.972	29.263.518
<b>Total</b>				<b>1.261.919.633</b>

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

##### 31 December 2018

<b>Currency</b>	<b>Maturity</b>	<b>Average effective annual interest rate (%)</b>	<b>Original amount</b>	<b>Amount in TL</b>
EUR	May 2019	2,75 – 3,40	46.837.417	282.335.952
USD	March 2019	2,09	1.999.739	10.520.425
TL	December 2019	14,83 – 34,00	1.189.725.341	1.189.725.341
<b>Other Financial Borrowings</b> Mill.IRR (*)	September 2019	18	940.771	65.990.695
<b>Total</b>				<b>1.548.572.413</b>

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

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

#### 5.2 Finance lease liabilities

June 30, 2019 Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	March 2020	21	2.011.609	2.011.609
<b>Total</b>				<b>2.011.609</b>

December 31, 2018 Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	December 2019	21	1.880.657	1.880.657
<b>Total</b>				<b>1.880.657</b>

#### 5.3 Long-term borrowings

	30 June 2019	31 December 2018
Long-term bank loans	23.739.134	58.261.655
Long-term lease liabilities	544.291	1.588.821
<b>Total</b>	<b>24.283.425</b>	<b>59.850.476</b>

As June 30, 2019 details of long-term borrowings are as follows:

#### Bank loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2022	14,83	23.739.134	23.739.134
<b>Total</b>				<b>23.739.134</b>

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

#### 5.3 Long-term borrowings (Cont’d)

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

##### Bank loans:

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

##### Finance lease liabilities:

June 30, 2019 Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	September 2020	21	544.291	544.291
<b>Total</b>				<b>544.291</b>

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

### NOTE 6 – TRADE RECEIVABLES AND PAYABLES

#### 6.1 Short-term trade receivables:

	30 Haziran 2019	31 Aralık 2018
Trade receivables	519.433.847	488.508.390
Receivables from Iran Oil Ministry’s participations	46.338.243	64.381.842
Notes receivable	--	465.012
	<b>565.772.090</b>	<b>553.355.244</b>
Provision for doubtful trade receivables	(11.710.620)	(10.088.498)
<b>Total</b>	<b>554.061.470</b>	<b>543.266.746</b>



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## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

#### 6.1 Short-term trade receivables (Cont’d):

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

<b>Time after maturity</b>	<b>June 30,2019</b>	<b>June 30,2019</b>
More than 9 months	11.170.620	11.093.044
<b>Total</b>	<b>11.170.620</b>	<b>11.093.044</b>

For the six months period ended June 30, 2019 and 2018, the movement of doubtful trade receivables provision is as follows:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Balance at beginning of the period</b>	10.088.498	8.798.412
Period cost	1.622.122	2.294.632
<b>Balance at end of the period</b>	<b>11.170.620</b>	<b>11.093.044</b>

As June 30, 2019 and December 31, 2018 guarantees obtained for receivables not due yet are as follows:

	<b>June 30,2019</b>	<b>December 31,2018</b>
Guarantee letters	221.371.469	245.044.412
Collateral cheques and notes	790.001	790.001
<b>Total</b>	<b>222.161.470</b>	<b>245.834.413</b>

#### 6.2 Short-term trade payables

	<b>June 30,2019</b>	<b>December 31,2018</b>
Payables to NIOC	739.292.497	435.870.054
Creditors	470.987.575	337.249.522
Other trade payables	23.169.307	5.081.207
<b>Total</b>	<b>1.233.449.379</b>	<b>778.200.783</b>

(\*) As of June 30, 2019, the commercial debts of Razi, a subsidiary of Gübretaş to NIOC (National Iranian Oil Co.) arising from the purchase of natural gas must be paid to the Tehran Tax Office until further notice due to the fact that the assets and receivables of NIOC were confiscated by the Tehran Tax Office on the grounds of tax debts.

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### NOTE 7 – OTHER RECEIVABLES AND PAYABLES

#### 7.1 Other short-term receivables:

	June 30,2019	December 31,2018
VAT receivables (Razi)	97.381.277	142.369.070
VAT receivables - Türkiye	24.688.986	18.833.591
Due from personnel	3.889.924	8.849.346
Other various receivables (Tabosan) (*)	33.273.552	32.482.253
Other various receivables	53.812.923	13.544.721
<b>Total</b>	<b>213.046.562</b>	<b>216.078.981</b>

(\*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TL33.273.552 as of report date. The Group management have requested from the Bankruptcy Administration as of report date to realize share transfer of Razi shares owned by Tabosan at a rate of 1,31% corresponding to payments at an amount of EUR 5.439.402 made as co-guarantor. Since the aforementioned request was not accepted by the Bankruptcy Administration, the Group applied to court and it is decided to rule an interim injunction on June 27, 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. The share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group whereby the court ruling was approved by the Supreme Court. The Group then applied to the Supreme Court in order to seek a revision of the verdict. The lawsuit filed by the Group against the Bankruptcy Court to seek share transfer plea was rejected by the Court.

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

#### 7.2 Other long-term receivables

	June 30, 2019	December 31, 2018
Deposits and guarantees given	56.976.806	52.084.226
Due from personnel (*)	1.788.631	2.666.364
Other long-term receivables	5.720.397	5.197.910
<b>Total</b>	<b>64.485.834</b>	<b>59.948.500</b>

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

#### 7.3 Other short-term payables

	June 30, 2019	December 31, 2018
Dividend payables to non-controlling interests	15.214.283	1.518.717
Other payables and liabilities	36.270.323	33.332.135
<b>Total</b>	<b>51.484.606</b>	<b>34.850.852</b>

#### 7.4 Other long-term payables

	June 30, 2019	December 31, 2018
Other payables to third parties (*)	361.420.280	349.323.760
<b>Total</b>	<b>361.420.280</b>	<b>349.323.760</b>

(\*) Consists of payables of the consolidated subsidiaries of the Group; Anka and Dicle.

### NOTE 8 - INVENTORIES

	June 30, 2019	December 31, 2018
Raw materials and supplies	188.993.349	175.923.775
Finished goods	148.006.215	259.492.688
Trade goods	360.300.493	465.740.737
Other inventories	136.195.355	226.752.282
	<b>833.495.412</b>	<b>1.127.909.482</b>
(-) Provision for inventories	(13.573.729)	(18.930.577)
<b>Total</b>	<b>819.921.683</b>	<b>1.108.978.905</b>

### NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

The details of the depreciation and amortization expenses of the Group during the periods ended 30 June 2019 and 2018 are given below.

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

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### NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

During the period ended June 30, 2019, out of the total of TL 41.271.355 of depreciation and amortization costs, TL 38.955.869 was included in General Production Expenses, TL 695.477 in Marketing and Selling Expenses and TL 1.620.009 in General Administrative Expenses.

	<b>June 30, 2018</b>		
	<b>Gübretaş</b>	<b>Razi</b>	<b>Total</b>
Depreciation cost	13.161.310	21.787.313	34.948.623
Amortization cost	996.988	--	996.988
<b>Total</b>	<b>14.158.298</b>	<b>21.787.313</b>	<b>35.945.611</b>

During the period ended June 30, 2018, out of the total of TL 35.945.611 of depreciation and amortization costs, TL 34.305.590 was included in General Production Expenses, TL 650.665 in Marketing and Selling Expenses and TL 989.356 in General Administrative Expenses.

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### NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Cont’d)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost Value</b>									
<b>Opening balance at January 1, 2019</b>	<b>487.225.047</b>	<b>128.434.581</b>	<b>357.345.942</b>	<b>828.132.342</b>	<b>575.107.963</b>	<b>31.834.492</b>	<b>1.018.158</b>	<b>45.392.380</b>	<b>2.454.490.95</b>
Foreign currency translation differences	(27.239.570)	--	(21.562.690)	(175.165.245)	71.492.543	(3.809.863)	--	(10.130.966)	(166.415.791)
Additions	1.309.214	429.895	1.380.329	994.953	168.702	1.218.444	--	57.256.607	62.758.144
Sales/Cancellations	--	--	--	(147.039)	(47.730)	(40.794)	--	--	(235.563)
Transfer from construction in progress	--	228.836	1.277.336	4.228.996	--	178.432	--	(5.913.600)	--
<b>Closing balance on June 30, 2019</b>	<b>461.294.691</b>	<b>129.093.312</b>	<b>338.440.917</b>	<b>658.044.007</b>	<b>646.721.478</b>	<b>29.380.711</b>	<b>1.018.158</b>	<b>86.604.421</b>	<b>2.350.597.695</b>
<b>Accumulated depreciation</b>									
Opening balance at January 1, 2019	--	(50.620.073)	(145.623.103)	(543.716.808)	(145.988.138)	(15.379.288)	(510.037)	--	(901.837.447)
Foreign currency translation differences	--	--	10.940.038	130.886.083	(2.180.386)	2.774.292	--	--	142.420.027
Period costs	--	(5.339.575)	(6.372.178)	(16.480.326)	(10.690.371)	(1.697.121)	(86.608)	--	(40.666.179)
Sales/Cancellations	--	--	--	69.339	47.730	18.125	--	--	135.194
<b>Closing balance on June 30, 2019</b>	<b>--</b>	<b>(55.959.648)</b>	<b>(141.055.243)</b>	<b>(429.241.712)</b>	<b>(158.811.165)</b>	<b>(14.283.992)</b>	<b>(596.645)</b>	<b>--</b>	<b>(799.948.405)</b>
<b>Net book value on June 30, 2019</b>	<b>461.294.691</b>	<b>73.133.664</b>	<b>197.385.674</b>	<b>228.802.295</b>	<b>487.910.313</b>	<b>15.096.719</b>	<b>421.513</b>	<b>86.604.421</b>	<b>1.550.649.290</b>

In the period ended 30 June 2019, the Group reviewed the remaining useful lives of IGCL Anka and IGCL Dicle and determined the remaining useful lives as 25 years in the light of the data in a valuation report.

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Notes to the interim condensed consolidated financial statements as of June 30, 2019

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### NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Cont’d)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost Value</b>									
<b>Opening balance at January 1, 2018</b>	<b>467.703.378</b>	<b>125.964.958</b>	<b>327.708.330</b>	<b>1.118.941.632</b>	<b>10.857.084</b>	<b>32.882.870</b>	<b>1.018.158</b>	<b>59.072.463</b>	<b>2.144.148.873</b>
Foreign currency translation differences	3.382.017	--	2.582.499	21.214.884	79.808.912	433.991	--	901.858	108.324.161
Additions	8.442.174	388.840	1.592.950	1.004.742	591.315	2.706.861	--	10.344.111	25.070.993
Entries due to subsidiary purchases	--	--	--	--	417.595.095	--	--	--	417.595.095
Sales/Cancellations	(331.500)	--	(4.261.799)	(282.676)	(477.016)	(408.551)	--	--	(5.761.542)
Transfer from construction in progress	--	--	26.394.454	1.477.307	--	723.975	--	(28.595.736)	--
<b>Closing balance on June 30, 2018</b>	<b>479.196.069</b>	<b>126.353.798</b>	<b>354.016.434</b>	<b>1.142.355.889</b>	<b>508.375.390</b>	<b>36.339.146</b>	<b>1.018.158</b>	<b>41.722.696</b>	<b>2.689.377.580</b>
<b>Accumulated depreciation</b>									
<b>Opening balance at January 1, 2018</b>	<b>--</b>	<b>(46.433.852)</b>	<b>(127.478.338)</b>	<b>(724.560.768)</b>	<b>(7.018.239)</b>	<b>(15.427.880)</b>	<b>(342.730)</b>	<b>--</b>	<b>(921.261.807)</b>
Foreign currency translation differences	--	--	(2.165.899)	(17.972.534)	(31.188.572)	(1.150.579)	--	--	(52.477.584)
Period costs	--	(4.705.840)	(4.315.361)	(23.492.488)	(530.499)	(1.823.735)	(80.700)	--	(34.948.623)
Entries due to subsidiary purchases	--	--	--	--	(76.348.776)	--	--	--	(76.348.776)
Sales/Cancellations	--	--	613.382	(56.840)	233.788	319.687	--	--	1.110.017
<b>Closing balance on June 30, 2018</b>	<b>--</b>	<b>(51.139.692)</b>	<b>(133.346.216)</b>	<b>(766.082.630)</b>	<b>(114.852.298)</b>	<b>(18.082.507)</b>	<b>(423.430)</b>	<b>--</b>	<b>(1.083.926.773)</b>
<b>Net book value on June 30, 2018</b>	<b>479.196.069</b>	<b>75.214.106</b>	<b>220.670.218</b>	<b>376.273.259</b>	<b>393.523.092</b>	<b>18.256.639</b>	<b>594.728</b>	<b>41.722.696</b>	<b>1.605.450.807</b>

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## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
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### NOTE 10 – INTANGIBLE ASSETS

#### 10.1 Rights

	June 30, 2019	June 30, 2018
Cost		
Opening balance on 1 January	25.644.968	30.393.260
Purchases	3.529.224	639.398
Foreign currency translation differences	(4.926.222)	--
Sales/cancellations	--	(163.038)
<b>Closing balance on 31 December</b>	<b>24.247.970</b>	<b>30.869.620</b>

#### Accumulated Amortisation

Opening balance on 1 January	(4.950.084)	(1.442.953)
Amortization expenses for current period	(605.176)	(996.988)
Foreign currency translation differences	--	--
Sales/cancellations	--	--
<b>Closing balance on 31 December</b>	<b>(5.555.260)</b>	<b>(2.439.941)</b>

<b>Net book value</b>	<b>18.692.710</b>	<b>28.429.679</b>
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#### 10.2 Goodwill

	June 30, 2019	June 30, 2018
Opening balance on the beginning of the period	121.614.875	181.331.891
Foreign currency translation differences	(34.135.148)	4.238.159
<b>Balance as of end of the period</b>	<b>87.479.727</b>	<b>185.570.050</b>

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### NOTE 11 – COMMITMENTS

#### 11.1 Razis’ share purchase

Related to Razis’ purchase agreement, all shares of Razi are put in pledge by Iranian Privatization Organisation until Group and other consortium members will pay all of their debts. The Group and consortium members have no right for changing articles of association of company, transferring and selling assets unless they pay all of debts or have written permission from Iranian Privatization Organization.

As of 1 August 2016, a portion of the shares held by the Group and other consortium members were released, and 1.225.559.793 of 1.368.698.169 shares of the Group were actually received.

As of the date of the report, the delivery of remaining shares amounting 143.138.376 is in the process.

#### 11.2 Purchasing commitments

As of June 30, 2019, the Group has USD 148.718.311 purchasing commitments under letters of credit for raw materials and trade goods. (December 31, 2018: USD 97.654.560).

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

#### 12.1 Short-term debt provision

	June 30, 2019	December 31, 2018
Provision for costs	76.226.870	54.068.584
Provisions for pending claims and lawsuits	2.371.563	1.502.750
Other short-term debt provisions	5.323.980	10.793.823
<b>Total</b>	<b>83.922.413</b>	<b>66.365.157</b>

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

	June 30, 2019	December 31, 2018
As of January 1	1.502.750	8.984.280
Additional provision	868.813	1.008.049
<b>Closing Balance</b>	<b>2.371.563</b>	<b>9.992.329</b>



## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

### Notes to the interim condensed consolidated financial statements as of June 30, 2019 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

##### 12.1 Short-term debt provision (Cont’d)

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued the Group for claims about profit losses amounting to TL 785.193. The Group Management has not made any provision for this lawsuit in the accompanying consolidated financial statements according to the opinion of the legal counsel. The Group recorded a provision of TL 2.371.563 TL (2018: TL 9.992.329) for other lawsuits.

##### 12.2 Gurantees given

As from June 30, 2019 and December 31, 2018, the tables related to the Group’s tables related to Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position are as follows:

	June 30, 2019			December 31, 2018		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB’s given for Company’s own legal personality	TL	18.249.689	18.249.689	TL	18.353.334	18.353.334
	EUR	2.000.000	13.101.400	--	--	--
	USD	10.700.000	61.579.570	--	--	--
B. CPMB’s given on behalf of fully consolidated companies	--	--	--	--	--	--
C. CPMB’s given on behalf of third parties for ordinary course of business	--	--	--	--	--	--
D. Total amount of other CPMB’s	--	--	--	--	--	--
i) Total amount of CPMB’s given on behalf of the majority shareholder	--	--	--	--	--	--
ii) Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C	--	--	--	--	--	--
iii) Total amount of CPMB’s given on behalf of third parties which are not in scope of C	--	--	--	--	--	--
<b>Total</b>			<b>92.930.659</b>			<b>18.353.334</b>

##### 12.3 Contingent liabilities

###### Iran Comprehensive Action Plan

Comprehensive Joint Action Plan (EP KOEP ”,” JCPOA ”) signed in July 2015 between Iran, permanent members of the United Nations Security Council, Germany and the European Union. and the abolition of economic sanctions imposed on Iran as a result of its nuclear activities and suspension of the implementation of certain sanctions.

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

## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of June 30, 2019  
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### NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)

#### 12.3 Contingent liabilities (Cont’d)

##### Iran Comprehensive Action Plan

In the sanctions put into effect on November 4, 2018, Iran's oil, petroleum products and petrochemical products were subject to sanctions. The Group is not subject to any sanctions as of the date of these financial statements.

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

##### Coastal Line

In November 2011, in accordance with the provisions of the Iskenderun Merchandise Directorate (“Treasury”), the provisions of the Coastal Law and the Implementing Regulation on the Implementation of the Coastal Law, the Coastal Edge Line is located within the boundaries of the Group's 79.350 m<sup>2</sup> land located in the province of Hatay, Iskenderun has filed a lawsuit for the cancellation of the title deed registration of the immovable and the cancellation of the immovable on behalf of the public. The net book value of the land of Razi amounted to TL 100.067.754 as of the balance sheet date. Group objected to the case within the legal period, requested the reissue of the expert report prepared for the determination of the Coastal Edge, which was the basis for the request for the cancellation, and also filed a counterclaim for the compensation of the property right. In March 2018, the İskenderun 3rd Civil Court of First Instance partially accepted the lawsuit filed by the Directorate of Merchandise and canceled the 78.674.76 m<sup>2</sup> part of the immovable owned by the Company within the borders of Sarıseki, İskenderun District of Hatay Province. and the rejection of the request for the surplus and the rejection of the counterclaim filed by the Group. During the legal period, the Group appealed the legal remedy, the Group's appeal was accepted and the District Court of Gaziantep 15th Department of Law abolished the decisions of the Property Directorate and the Group's cases and returned the file to the local court for review. The legal process is ongoing as of the balance sheet date. In accordance with the opinions of legal advisors, the Group Management has not made provision for this matter in the summary consolidated financial statements at this stage of Razi, which are owned by Tabosan, from being distributed to the table creditors and to avoid any savings. The Group's transfer of share was rejected, and the Group appealed, but the Supreme Court upheld the court's decision. The application for rectification of the decision of the Supreme Court of Appeals regarding the transfer of shares by the Group was also rejected by the Supreme Court. The Group then applied for the registration of the amount subject to the transfer of shares to the bankruptcy desk as a receivable. As of the balance sheet date, the legal proceedings are in progress. 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.

##### Razi Shares

During the acquisition of Razi shares, the Group and other consortium members provided joint guarantee on behalf of each other against the financing banks and the Iranian Privatization Administration. One of the consortium members, Tabosan Mühendislik Üretim ve Montaj A.Ş. (“Tabosan”), the bankruptcy request of Tabosan was rejected by the court in 2011 and Tabosan's bankruptcy and bankruptcy desk was established and all transactions were transferred to bankruptcy desk.

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## **GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the interim condensed consolidated financial statements as of June 30, 2019**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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

#### **12.3 Contingent liabilities (Cont’d)**

The Group requested share transfer for some of the payments made on behalf of the guarantor, Tabosan, and applied to the bankruptcy table for the remaining receivables.

For the payments made on behalf of Tabosan, the Group filed a lawsuit for the transfer of 1.31% of the shares of Tabosan in Razi Petrochemical Company in Iran. On 28 April 2014 the court decided to dismiss the case. Thereupon, Gübretaş applied to the Court of Cassation for correction of the decision.

However, this request was also rejected and the application was made to register the receivable as a receivable to the bankruptcy desk and a part of this amount was written to the bankruptcy desk.

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

The Bankruptcy Administration may pay the Group's outstanding receivables to the extent that it meets the Group's balance receivable on the condition that the Group receives a dividend from Tabosan Razi and this is transferred to the bankruptcy table. The Group management has not made any provision in the prior years and in the current period regarding Tabosan's dividend share and the mortgages and collaterals transferred to it by the Bank.

#### **Use of Gas**

There is a lawsuit filed with the Ahwaz General and Revolutionary Court amounting to TL 31.5 million due to the alleged excessive use of gas. Due to the lawsuit in question, the title deed of Razi's land amounting to TL 70 million has been shown as collateral. In accordance with the opinions of legal advisors, the Group Management has not made provision for this matter in the summary consolidated financial statements at this stage due to the uncertain outcome of the court

#### **VAT Receivable**

Razi, the subsidiary of the Company, has VAT receivable in the amount of TL 101.352.225 (IRR 2.028 Million). Even though there is value added tax exemption over the sales subject to export in accordance with the prevailing tax regime in Iran and any such taxes paid have to be refunded upon presentation of required documents, such refund request placed by Razi Management has not been accepted as of the date of the report. There is uncertainty regarding the collectability of this receivable accounted under short term other receivables as to timing account and the Group Management has not made any thereon provision in the condensed consolidated financial statements.

**GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ**

**Notes to the interim condensed consolidated financial statements as of June 30, 2019**  
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**NOTE 13 – REVENUE**

<b>13.1 Sales</b>	<b>January 1, - June 30, 2019</b>	<b>January 1, - June 30, 2018</b>	<b>April 1,- June 30, 2019</b>	<b>April 1,- June 30, 2018</b>
Domestic sales	2.054.102.803	1.580.541.709	811.099.283	626.624.216
Foreign sales	512.590.695	732.290.372	290.541.729	398.238.594
Service sales	33.076.937	1.458.900	18.380.706	1.458.900
Sales returns (-)	(4.182.573)	(6.578.552)	(2.467.217)	(1.823.237)
Sales discounts (-)	(25.808.063)	(36.524.119)	(10.277.186)	(12.086.810)
Other discounts from sales (-)	(2.603.009)	(1.336.111)	(442.599)	(165.954)
<b>Total</b>	<b>2.567.176.790</b>	<b>2.269.852.199</b>	<b>1.106.834.716</b>	<b>1.012.245.709</b>
<b>13.2 Cost of sales (-)</b>	<b>January 1, - June 30, 2019</b>	<b>January 1, - June 30, 2018</b>	<b>April 1,- June 30, 2019</b>	<b>April 1,- June 30, 2018</b>
Cost of Good Produced	940.394.267	935.031.778	469.940.626	468.363.079
Change in the Good Inventory	111.486.473	44.804.065	24.350.842	2.029.826
- Goods at the beginning of the Period	259.492.688	190.011.290	172.357.057	(9.835.723)
- Goods at the end of the Period	(148.006.215)	(145.207.225)	(148.006.215)	11.865.549
<b>Cost of Good sold</b>	<b>1.051.880.740</b>	<b>979.835.843</b>	<b>494.291.468</b>	<b>470.392.905</b>
-Merchandise Inventory at the beginning of the Period	465.740.737	407.533.261	371.416.370	211.665.930
- Purchases	890.471.670	864.998.127	357.193.482	577.219.226
- Merchandise Inventory at the end of the Period	(360.300.493)	(489.173.875)	(360.300.493)	(489.173.875)
<b>Cost of Merchandise Sold</b>	<b>995.911.914</b>	<b>783.357.513</b>	<b>368.309.359</b>	<b>299.711.281</b>
<b>Cost of Other Sales</b>	<b>40.813.137</b>	<b>31.447.631</b>	<b>23.581.337</b>	<b>29.255.302</b>
<b>Cost of Services Sold</b>	<b>1.920.606</b>	<b>1.977.847</b>	<b>204.632</b>	<b>1.794.837</b>
<b>Toplam</b>	<b>2.090.526.397</b>	<b>1.796.618.834</b>	<b>886.386.796</b>	<b>801.154.325</b>

**NOT 14- OTHER OPERATING INCOME AND EXPENSES**

**14.1 Other Operating Income**

	<b>January 1, - June 30, 2019</b>	<b>January 1, - June 30, 2018</b>	<b>April 1,- June 30, 2019</b>	<b>April 1,- June 30, 2018</b>
Foreign exchange gain from trade receivables	136.123.734	138.685.245	81.775.209	100.532.019
Interest Income	6.538.173	3.963.775	1.614.422	1.520.693
Other Income	11.874.453	24.263.274	5.031.659	11.117.686
<b>Total</b>	<b>154.536.360</b>	<b>166.912.294</b>	<b>88.421.290</b>	<b>113.170.398</b>

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

#### 14.2 Other Operating Expenses

	January 1, - June 30, 2019	January 1, - June 30, 2018	April 1,- June 30, 2019	April 1,- June 30, 2018
Foreign exchange loss from trade payables	193.793.221	212.634.169	104.544.898	160.451.617
Provision expenses	3.981.412	--	3.981.412	--
Other expenses	20.443.007	34.309.234	6.993.174	21.828.412
<b>Total</b>	<b>218.217.640</b>	<b>246.943.403</b>	<b>115.519.484</b>	<b>182.280.029</b>

### NOTE 15 - 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 gross dividend per share and earnings per share is as follows:

	January 1, - June 30, 2019	January 1, - June 30, 2018	April 1,- June 30, 2019	April 1,- June 30, 2018
Net profit for the period	(17.227.302)	(38.901.480)	(11.418.168)	(30.113.293)
Weighted average number of ordinary shares outstanding during the year (each 1 kr)	33.400.000.000	33.400.000.000	33.400.000.000	33.400.000.000
<b>Earnings per share (kr)</b>	<b>(0,0005)</b>	<b>(0,0012)</b>	<b>(0,0003)</b>	<b>(0,0009)</b>

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

### NOTE 16 - RELATED PARTIES TRANSACTIONS

#### 16.1 Balances due from related parties

Trade Receivables	30 Haziran 2019	31 Aralık 2018
TTK	146.167.433	99.019.932
Other related parties	1.250.621	5.032.408
<b>Total</b>	<b>147.418.054</b>	<b>104.052.340</b>

Average terms of sales to Central Union of Turkish Agricultural Credit Cooperatives are 15 to 45 days.

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

#### 16.1 Balances due from related parties

Trade payables	June 30, 2019	December 31, 2018
Tarkim	1.093.861	1.204.133
Tarnet	1.855	194.774
TTK	--	32.725
<b>Total</b>	<b>1.095.716</b>	<b>1.431.632</b>

#### 16.2 Related party transactions

Sales of goods and services	January 1, - June 30, 2019	January 1, - June 30, 2018	Sales of goods and services	January 1, - June 30, 2019
TTK	1.353.304.128	930.137.075	540.689.708	273.475.283
Tarım Kredi Birlik Tarım Ürünleri	7.624.372	--	214.957	--
Tarkim	136.176	293.642	33.750	102.044
Tarnet	52.368	170.632	45.595	120.068
<b>Total</b>	<b>1.361.117.044</b>	<b>930.601.349</b>	<b>540.984.010</b>	<b>273.697.395</b>

Purchase of Goods and Services	January 1, - June 30, 2019	January 1, - June 30, 2018	Sales of goods and services	January 1, - June 30, 2019
TTK	6.656.080	5.867.423	1.469.261	1.459.667
Tarnet	1.191.727	1.573.272	620.207	761.714
Tarım Kredi Birlik Tarım Ürünleri	865.036	1.304.256	848.330	480.297
<b>Total</b>	<b>8.712.843</b>	<b>8.744.951</b>	<b>2.937.798</b>	<b>2.701.678</b>

#### 16.3 Remuneration of board of directors and executive management:

The total benefits provided to the board of directors and executive management during the period ended June 30, 2019 and 2018 are shown in the table below:

	30 June 2019		30 June 2018	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee provided (*)	1.658.466	2.967.178	1.221.369	3.689.090
<b>Total</b>	<b>1.658.466</b>	<b>2.967.178</b>	<b>1.221.369</b>	<b>3.689.090</b>

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

The currencies other than the functional currencies of the countries in which the Group operates are valid according to their economies are considered as foreign currencies.

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of June 30, 2019 is as follows;

		June 31, 2019	
	TL (functional currency)	USD	EURO
1 Trade receivables	291.611.439	50.395.310	241.408
2 Monetary financial assets (cash and bank accounts included)	317.187.675	34.748.541	17.892.187
3 Other current assets	8.516.804	832.530	568.719
<b>4 Current assets (1+2+3)</b>	<b>617.315.918</b>	<b>85.976.381</b>	<b>18.702.314</b>
5 Trade payables	(762.362.182)	(131.215.417)	(1.099.781)
6 Financial liabilities	(157.085.664)	(10.000.000)	(15.194.508)
7 Other short-term liabilities, net	(141.501)	(24.587)	--
<b>8 Short-term liabilities (5+6+7)</b>	<b>(919.589.347)</b>	<b>(141.240.004)</b>	<b>(16.294.289)</b>
9 Trade payables	--	--	--
10 Financial liabilities	--	--	--
<b>11 Long-term liabilities (9+10)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>12 Total liabilities (8+11)</b>	<b>(919.589.347)</b>	<b>(141.240.004)</b>	<b>(16.294.289)</b>
<b>13 Net Foreign Exchange Asset/ (Liability) Position (4-12)</b>	<b>(302.273.429)</b>	<b>(55.263.623)</b>	<b>2.408.025</b>
<b>14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)</b>	<b>(302.273.429)</b>	<b>(55.263.623)</b>	<b>2.408.025</b>
<b>15 Fair value of derivatives classified for hedging purposes</b>	<b>(14.178.935)</b>	<b>--</b>	<b>--</b>
<b>16 Amount of hedged portion of foreign currency liabilities</b>	<b>443.142.700</b>	<b>77.000.000</b>	<b>--</b>



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## GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of December 31, 2018 is as follows;

		December 31, 2018	
	TL (functional currency)	USD	EUR
1 Trade receivables	373.850.389	69.095.689	1.716.137
2 Monetary financial assets (cash and bank accounts included)	159.982.999	11.091.566	16.859.884
3 Other current assets	11.645.169	227.058	1.733.683
<b>4 Current assets (1+2+3)</b>	<b>545.478.557</b>	<b>80.414.313</b>	<b>20.309.704</b>
5 Trade payables	(428.272.123)	(467.873)	(70.638.801)
6 Financial liabilities	(350.205.991)	(51.736.524)	(12.943.814)
7 Other short-term liabilities, net	(88.624)	(60)	(14.650)
<b>8 Short-term liabilities (5+6+7)</b>	<b>(778.566.738)</b>	<b>(52.204.457)</b>	<b>(83.597.265)</b>
9 Trade payables	--	--	--
10 Financial liabilities	--	--	--
11 Long-term liabilities (9+10)	--	--	--
<b>12 Total liabilities (8+11)</b>	<b>(778.566.738)</b>	<b>(52.204.457)</b>	<b>(83.597.265)</b>
<b>13 Net Foreign Exchange Asset/ (Liability) Position (4-12)</b>	<b>(233.088.181)</b>	<b>28.209.856</b>	<b>(63.287.561)</b>
<b>14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)</b>	<b>(233.088.181)</b>	<b>28.209.856</b>	<b>(63.287.561)</b>
<b>15 Fair value of derivative instruments classified for hedging purposes</b>	<b>(4.703.497)</b>	<b>--</b>	<b>--</b>
<b>16 Fair value of derivatives classified for hedging purposes</b>	<b>297.161.937</b>	<b>56.485.000</b>	<b>--</b>



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### NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

#### 17.5 Foreign currency risk (Cont'd)

As of June 30, 2019 and 2018, if the related currencies had gained / decreased by 10% against TL and all other variables had remained constant, profit / loss and other comprehensive income before tax due to foreign exchange net position (pre-tax) effect is shown in the table below .The foreign currency hedges contain the effects of derivative instruments.

	<b>June 30, 2019</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by 10% against TL</b>		
1- Assets/liability denominated in USD - net	(31.804.768)	31.804.768
2- The part hedged for USD risk (-)	44.314.270	(44.314.270)
3- The impact of TL net profit for the period	12.509.502	(12.509.502)
<b>Change of EUR by 10% against TL</b>		
1- Assets/liability denominated in EUR - net	1.577.425	(1.577.425)
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	1.577.425	(1.577.425)
	<b>June 30, 2018</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by 10% against TL</b>		
1- Assets/liability denominated in USD - net	(49.564.279)	49.564.279
2- The part hedged for USD risk (-)	35.105.988	(35.105.988)
3- The impact of TL net profit for the period	(14.458.291)	14.458.291
<b>Change of EUR by 10% against TL</b>		
1- Assets/liability denominated in EUR - net	(155.549.482)	155.549.482
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(155.549.482)	155.549.482

### NOTE 18 - SUBSEQUENT EVENTS

None.