



**2019 3rd 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

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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2019 - 30.09.2019

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

Web Address: www.gubretas.com.tr

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

YARIMCA FACILITIES

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

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

FOÇA FACILITIES

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

Phone: +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

ANTALYA REGIONAL OFFICE

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

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

Fax : +90 (242) 311 43 93

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

İSKENDERUN REGIONAL OFFICE

Address: Sariseki Mah. Atatürk Cad. No: 6 Sariseki İskenderun/HATAY

Phone : +90 (326) 626 14 42 - 44 – 49

Fax : +90 (326) 626 14 50

İZMİR REGIONAL OFFICE

Address: Kırlar Mevkii Fatih Mah. 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

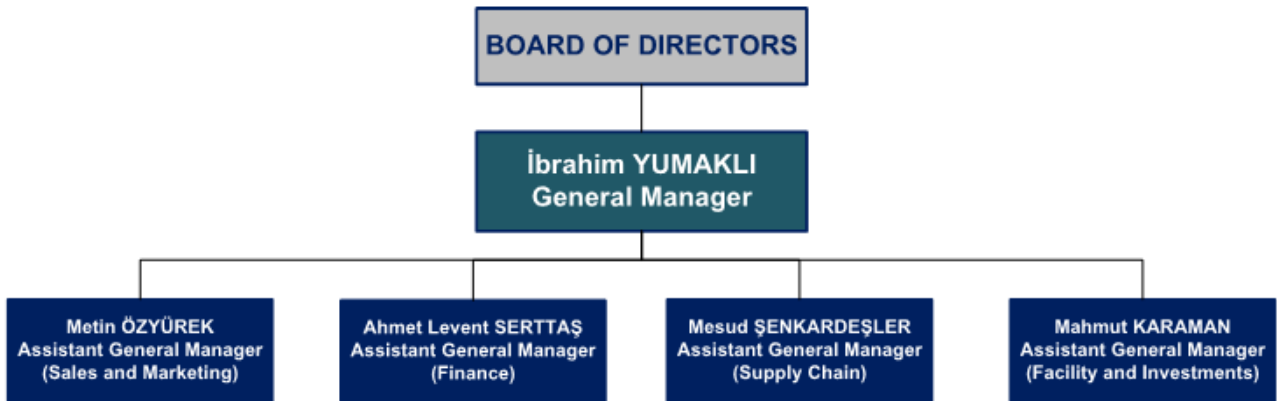
Fax : +90 (414) 381 08 10

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 30.09.2019, 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 376th 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
Total	334.000.000,00	100,00

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 30.09.2019, the number of personel decreased by 0,7% to 566 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 10.963 hours with participation of 316 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 368.744 tons (2018/9: 377.226 tons) of compound fertilizers, 52.800 tons (2018/9: 76.920 tons) of nitrogen-based fertilizers, 34.970 tons (2018/9: 44.840 tons) of phosphate-based fertilizers, and a total of 456.514 tons (2018/9: 498.986 tons) of solid fertilizers in the first nine months of 2019. In addition, 20.248 tons (2018/9: 16.581 tons) of liquid and powder fertilizers were produced in the same period.

Solid fertilizer production decreased by 8,51%; liquid-powder production increased by 22,11% in 2019 compared to 2018. Total fertilizer production including solid, liquid and powder decreased by 7,53%.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 65% in the first nine months of 2019.

Table 2: PRODUCTION BY GROUP -TON

Production	2019/9	2018/9	Change
Solid Fertilizer	456.514	498.986	(8,51%)
Liquid - Powder Fertilizer	20.248	16.581	22,11%
TOTAL	476.762	515.567	(7,53%)

B. SALES AND PURCHASES

The Company sold 1.330.000 tons (2018/9: 1.355.532 tons) of solid, 40.973 tons (2018/9: 36.828 tons) of liquid and powder fertilizers in the first nine months of 2019.

The solid fertilizer sales decreased by 1,88% in the first nine months of 2019, compared to the same period of the previous year.

The volume of purchases was 1.364.443 tons in the first nine months of 2018, and decreased by 5,88% to 1.284.247 tons in the first nine months of 2019. Exports has been 22.984 tons in the first nine months of 2019, while it was 16.805 tons in the same period of 2018.

Table 3: PROCUREMENT AND SALES-TON

Solid Chemical Fertilizer	2019/9	2018/9	Change
Raw Material	382.196	471.763	(18,99%)
Commodity	902.051	892.680	1,05%
Total Purchases	1.284.247	1.364.443	(5,88%)

Table 4: SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2019/9	2018/9	Change
Compound	486.085	500.875	(2,95%)
Nitrogen-based	710.381	700.455	1,42%
Phosphate-based and others	133.534	154.201	(13,40%)
Total Solid Fertilizer	1.330.000	1.355.532	(1,88%)
Total Liquid - Powder Fertilizer	40.973	36.828	11,26%
Grand Total	1.370.973	1.392.360	(1,54%)

C. INVESTMENTS

In Turkish operations, the Company incurred 73.603.497 ₺ of capital expenditure in the first nine months of 2019, while this figure was 44.193.874 ₺ 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 September 2019.

IV. RAZI PETROCHEMICAL CO.'S ACTIVITIES

A. PRODUCTION

In the first nine months of 2019, 1.183.286 tons (2018/9: 1.423.794 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 43,33% (2018/9: 52,14%)

Table 5: RAZI PRODUCTION-TON

PRODUCT	2019/9	2018/9	Change	Capacity	2019/9 CUR
Ammonia	542.505	661.896	(18,04%)	1.336.000	54,14%
Urea	339.913	295.635	14,98%	594.000	76,30%
Sulphur	160.227	190.788	(16,02%)	508.000	42,05%
Sulphuric Acid	97.969	178.479	(45,11%)	627.000	20,83%
Phosphoric Acid	25.307	48.318	(47,62%)	126.000	26,78%
DAP	17.365	48.678	(64,33%)	450.000	5,15%
Total	1.183.286	1.423.794	(16,89%)	3.641.000	43,33%

B. SALES

In the first nine months of 2019, 1.131.129 tons (2018/9: 1.228.828 tons) of fertilizer were sold and 1.400.851.873 ₺ (2018/9: 1.501.159.077 ₺) of revenue was generated by Razi and its subsidiaries. Razi exported 937.981 tons and sold 193.149 tons in the domestic market in the first nine months of 2019. The share of exports in total sales was 82,92%.

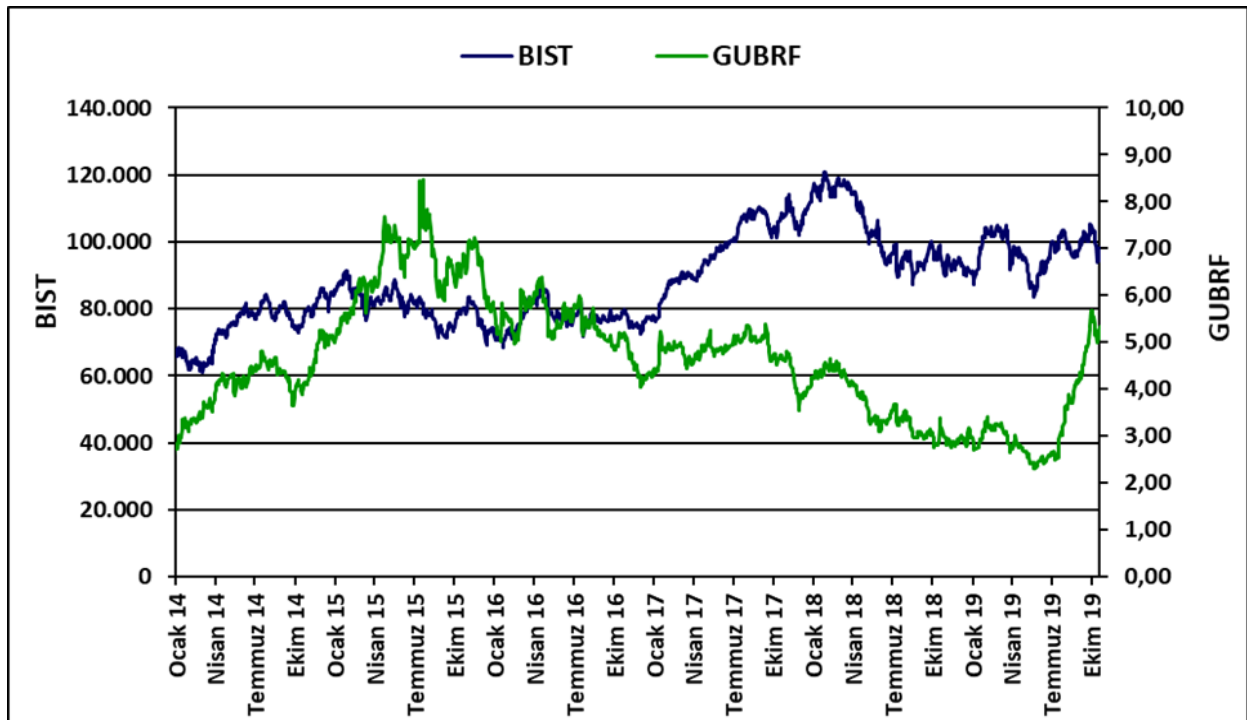
Table 6: RAZİ SALES-TON

PRODUCT	2019/9	2018/9	Change
Finished Goods	806.343	1.098.936	(26,63%)
Urea	329.207	338.991	(2,89%)
Ammonia	314.896	504.754	(37,61%)
Sulphur	134.697	156.106	(13,71%)
Sulphuric Acid	15.598	32.324	(51,74%)
Phosphoric Acid	10.639	24.497	(56,57%)
DAP	1.307	42.265	(96,91%)
Trade Goods	324.787	129.891	150,05%
Urea	160.339	94.951	68,86%
Ammonia	120.448	-	-
Ammonium Sulphate	44.000	34.940	25,93%
TOTAL	1.131.129	1.228.828	(7,95%)

C. INVESTMENTS

25.755.671 ₺ of capital expenditures were incurred by the Iranian operations in the first nine months of 2019, while this figure was 13.030.092 ₺ in 2018.

V. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK


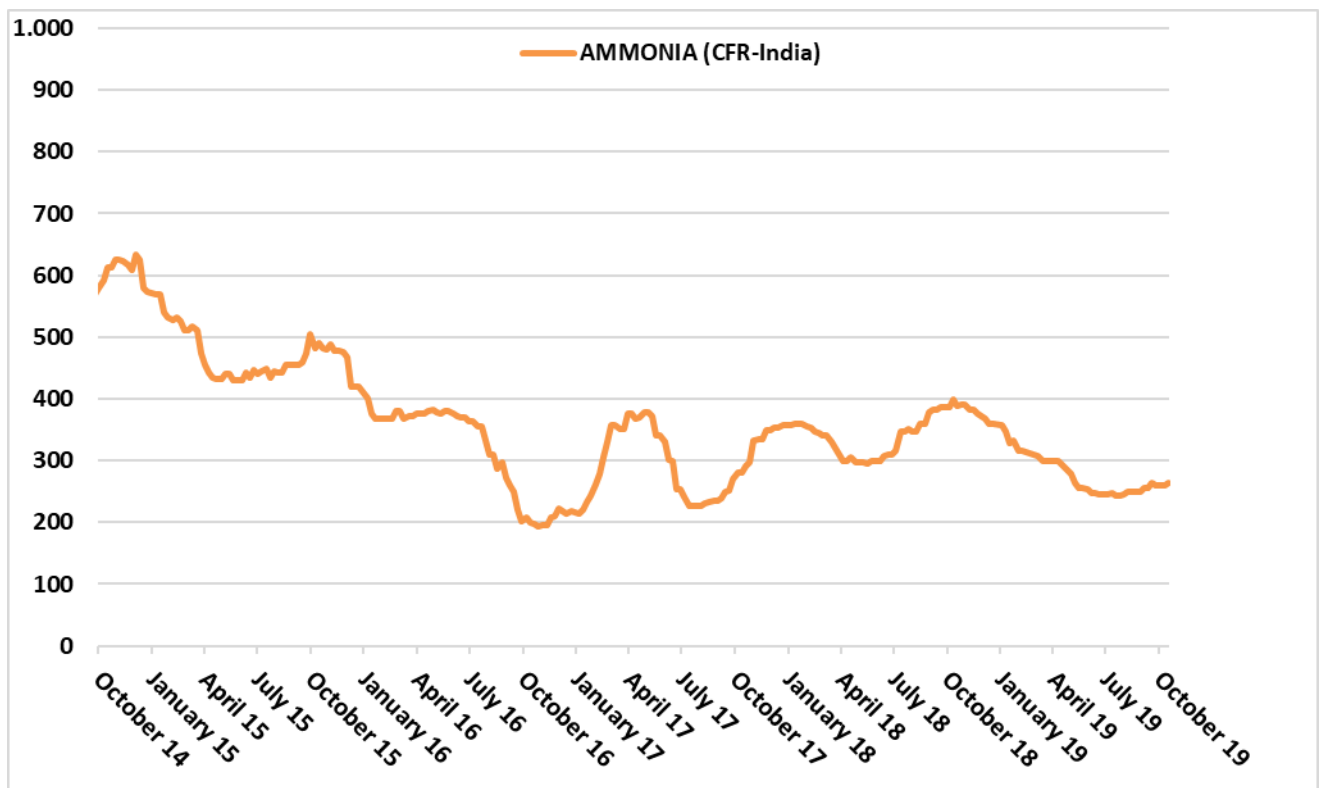
VI. REVIEW

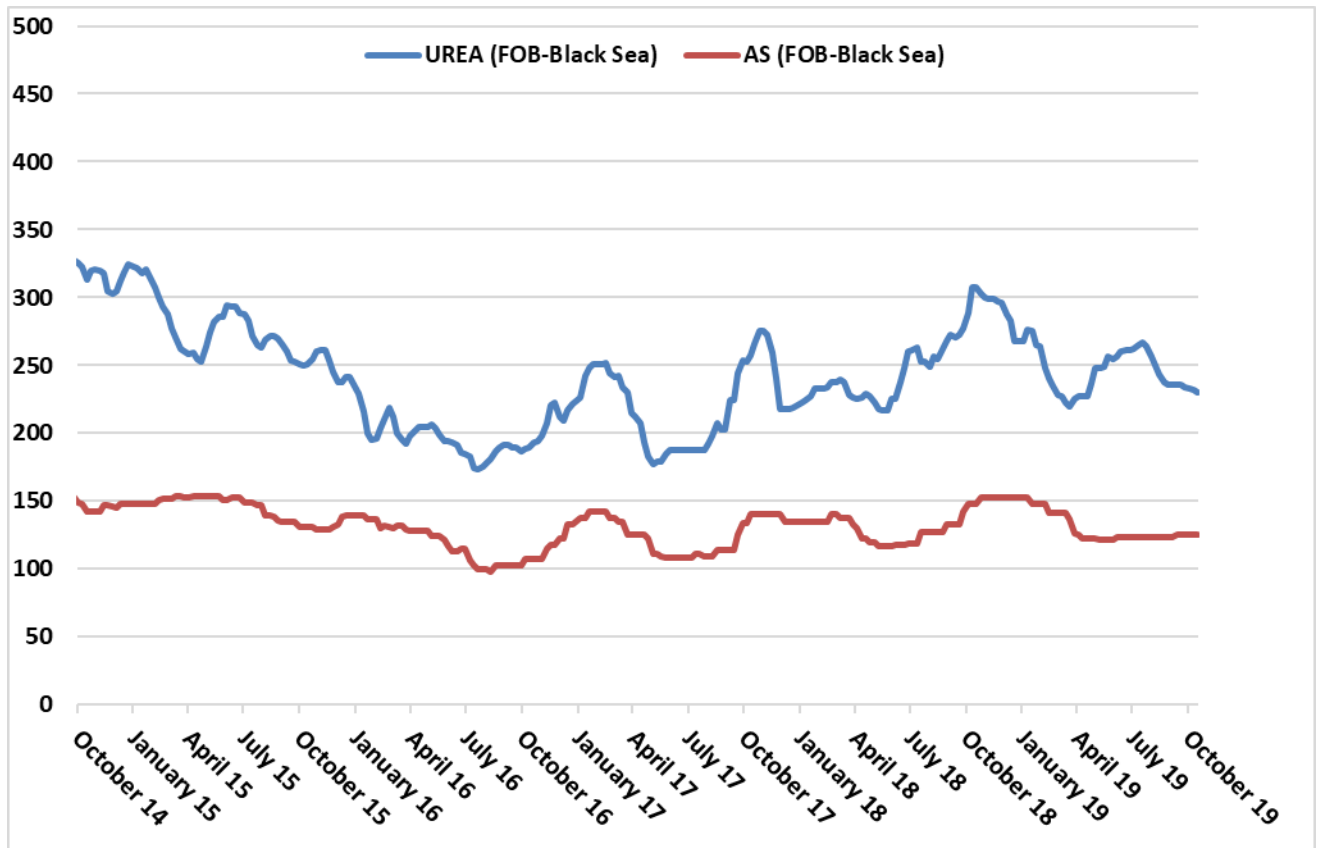
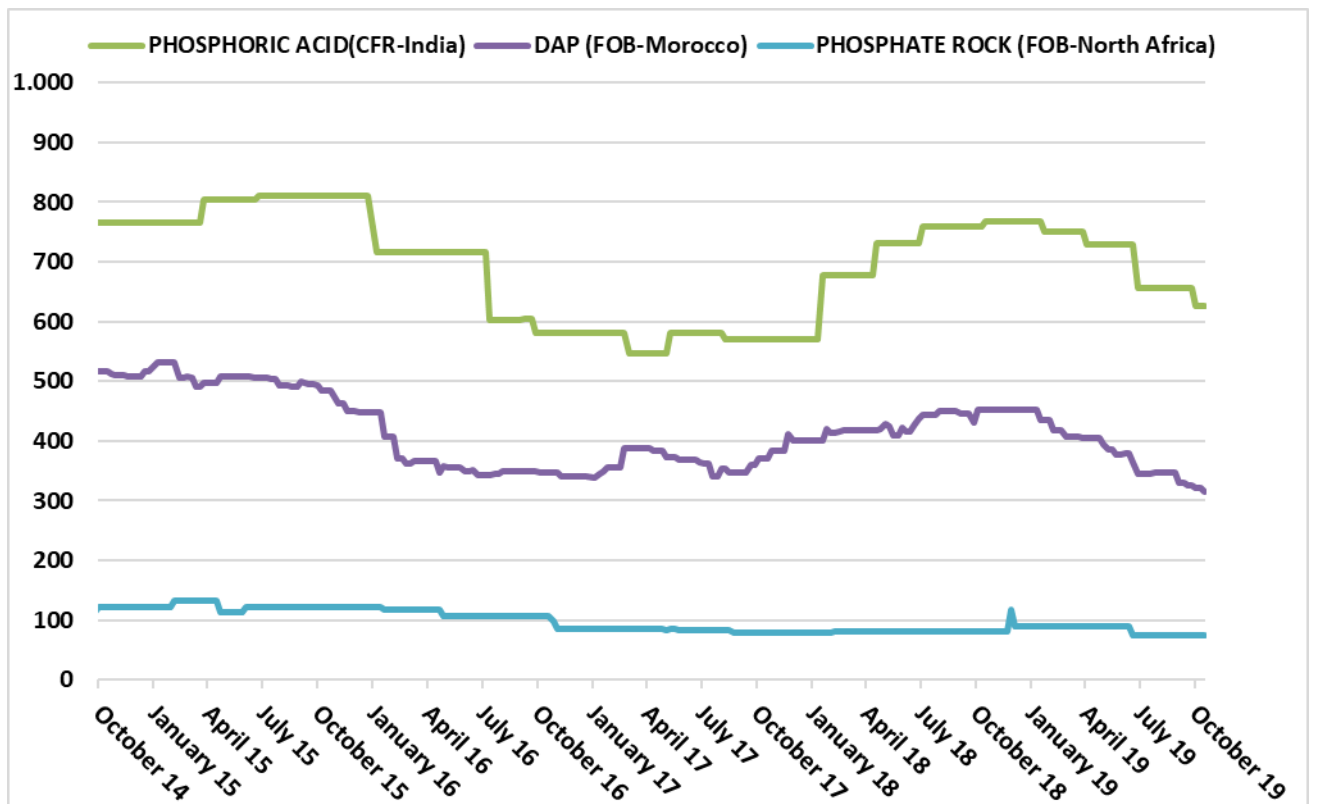
The ammonia is the most important product for the Iranian operations. While there was a downward trend in ammonia prices in the first half of 2019, there was a slight upward movement in the third quarter of the year. In the third quarter, the average CFR prices in India region was around 250 USD. Ammonia prices, which showed a decrease of about 30% compared to the same period of the previous year, have been observed as a significant negative development for the Iranian operations.

In the third quarter, it was observed that while urea FOB prices generally displayed a downward 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 towards the end of the third quarter

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

ASSETS	30 September 2019	31 December 2018
Current Assets	2.159.169.202	2.427.884.451
Non-current Assets	1.921.725.095	1.907.383.163
TOTAL ASSETS	4.080.894.297	4.335.267.614
LIABILITIES	30 September 2019	31 December 2018
Short-term Liabilities	2.606.976.283	2.545.722.327
Long-term Liabilities	521.362.166	551.988.841
Total Liabilities	3.128.338.449	3.097.711.168
Equity	952.555.848	1.237.556.446
TOTAL LIABILITIES AND EQUITY	4.080.894.297	4.335.267.614

B. CONSOLIDATED INCOME STATEMENT

CONTINUING OPERATIONS	1 Jan - 30 Sep 2019	1 Jan - 30 Sep 2018
Sales (net)	3.388.266.544	3.213.707.790
Costs of Sales	(2.671.732.073)	(2.408.684.331)
GROSS PROFIT	716.534.471	805.023.459
Operating Expenses	(446.268.508)	(646.614.566)
OPERATION PROFIT/(LOSS)	270.265.963	158.408.893
Financial Income/(Expense)	(281.530.121)	(276.690.922)
Other Income/(Expense)	1.230.186	(3.813.651)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	(10.033.972)	(122.095.680)
Total Tax Income / (Expense)	11.509.928	111.962.689
PERIOD PROFIT/ (LOSS)	1.475.956	(10.132.991)
Distribution of Period Profit / (Loss)		
Minority Shares	64.101.456	147.126.938
Parent Company's Shares	(62.625.500)	(157.259.929)
Earnings / (Loss) Per Share (kr)	(0,0019)	(0,0047)

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 third quarter of 2019 covering the dates of 01.07.2019 - 30.09.2019, the following works have been realized by the Company in order to be compliant with the principles issued in the related communique:

1. Regarding to the article 2.1.3 of Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communique, our 2nd quarter financial statements including footnotes have been announced in the Public Disclosure Platform both in Turkish and English.
2. Regarding to the article 11/1 of Corporate Governance Communiqué, Investor and Subsidiary Relations Department prepared “Investor Relations Operating Report” related to activities within the first six months of 2019, and submitted it for the Board’s information.

X. CONCLUSION

DEAR SHAREHOLDERS,

In the first nine months of 2019, 1.284.247 tons (2018/9: 1.364.443 tons) of fertilizers and raw materials were procured from domestic and foreign markets. In the January-September period of 2019, 476.762 tons (2018/9: 515.567 tons) of various types of solid, liquid and powder fertilizer were produced at facilities and totally 1.370.973 tons (2018/9: 1.392.360 tons) fertilizers were sold in the same period. In Turkish operations of the Company, net sale revenues realized as 2.601.496.555 ₺ (2018/9: 1.972.982.606 ₺).

In addition, 1.183.286 tons (2018/9: 1.423.794 tons) of fertilizer and fertilizer raw materials were produced and 1.400.851.873 ₺ (2018/9: 1.501.159.077 ₺) sale revenues were realized by the sale of 1.131.129 tons (2018/9: 1.228.828 tons) of fertilizer and fertilizer raw material in Razi and its subsidiaries.

The Company reached to 3.388.266.544 ₺ (2018/9: 3.213.707.790 ₺) consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 10.033.972 ₺ (2018/9: -122.095.680 ₺) loss realized before tax. 1.475.956 ₺ (2018/9: -10.132.991 ₺) consolidated profit occurred after adding 11.509.928 ₺ (2018/9: 111.962.689) net tax income. 62.625.500 ₺ (2018/9: -157.259.929 ₺) consolidated net period loss to shareholders has occurred after deducting 64.101.456 ₺ (2018/9: 147.126.938 ₺) shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding the first nine 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, - SEPTEMBER 30, 2019**

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim condensed consolidated statement of financial position as of September 30, 2019

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

			Restated Audited
	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	223.780.401	368.851.076
Financial investments		41.225.486	35.397.720
Trade receivables			
-Trade receivables from related parties	16	104.930.295	104.052.340
- Trade receivables from third parties	6	359.310.289	543.266.746
Other receivables			
- Other receivables from third parties	7	236.594.712	216.078.981
Inventories	8	1.111.858.631	1.108.978.905
Prepaid expenses		61.395.658	27.772.069
Assets related to the current period taxes		2.854.255	2.113.481
Other current assets		17.219.475	21.373.133
Total current assets		2.159.169.202	2.427.884.451
Non-current assets			
Financial investments		22.679.405	6.662.887
Other receivables			
- Other receivables from third parties	7	66.479.962	59.948.500
Investments valued by equity method		20.043.475	18.904.335
Investments properties		63.698.581	63.809.825
Property, plant and equipment	9	1.560.780.540	1.552.653.459
Intangible assets	10		
-Goodwill		90.746.366	121.614.875
-Other intangible assets		21.074.162	20.694.884
Prepaid expenses		18.571.446	19.573.127
Deferred tax assets		57.651.158	43.521.271
Total non-current assets		1.921.725.095	1.907.383.163
Total Assets		4.080.894.297	4.335.267.614

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 condensed consolidated statement of financial position as of September 30, 2019

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

			Restated Audited
	Notes	September 30, 2019	December 31, 2018
LIABILITIES			
Current liabilities			
Short term borrowings	5	1.291.110.698	1.352.015.844
Current portion of long-term borrowings	5	47.306.463	198.437.226
Trade payables			
- Trade payables to related parties	16	1.073.191	1.431.632
- Trade payables to third parties	6	1.031.319.651	778.200.783
Payables due to employee benefits		23.720.304	31.205.404
Other payables			
-Other payables to third parties	7	65.324.143	34.850.876
Deferred income		15.950.591	41.334.435
Current period tax liabilities		1.603.988	4.680.658
Derivative financial instruments		1.509.381	4.703.497
Short term provisions			
-Short-term provisions for employee benefits		29.726.814	32.496.815
-Other short-term provisions	12	98.331.059	66.365.157
Total current liabilities		2.606.976.283	2.545.722.327
Non-current liabilities			
Long-term borrowings	5	30.642.606	59.850.476
Other borrowings			
-Other borrowings to third parties		345.205.100	349.323.760
Long term provisions			
- Long-term provisions for employee benefits		124.847.870	116.286.123
Deferred tax liability		20.666.590	26.528.482
Total non-current liabilities		521.362.166	551.988.841
Total liabilities		3.128.338.449	3.097.711.168
Shareholders' Equity			
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		(400.466)	(937.828)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
-Foreign currency translation differences		(337.131.368)	(213.293.368)
Restricted reserves from profit			
-Legal reserves		53.838.737	52.295.108
Prior year profits		348.259.261	434.038.586
Current year profit/loss		(62.625.500)	(84.235.696)
Shareholders' Equity		664.870.983	850.797.121
Non-controlling interests		287.684.865	386.759.325
Total shareholders' equity		952.555.848	1.237.556.446
Total liabilities and equities		4.080.894.297	4.335.267.614

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 condensed consolidated statement of profit or loss and

other comprehensive income as of September 30, 2019

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

	Notes	January 1 – September 30,2019	Restated January 1- September 30,2018	July 1 – September 30,2019	Restated July 1- September 30,2018
Sales	13	3.388.266.544	3.213.707.790	821.089.754	943.855.591
Cost of Sales (-)	13	(2.671.732.073)	(2.408.684.331)	(581.205.676)	(612.065.497)
Gross Profit		716.534.471	805.023.459	239.884.078	331.790.094
General and administrative expense (-)		(103.542.646)	(110.142.898)	(24.901.856)	(30.084.300)
Marketing, selling and distribution expense (-)		(269.798.611)	(251.297.396)	(92.360.788)	(81.934.271)
Other operating income	14	336.838.314	969.546.900	182.301.954	802.634.606
Other operating expense (-)	14	(409.765.565)	(1.254.721.172)	(191.547.925)	(1.007.777.769)
Operating profit		270.265.963	158.408.893	113.375.463	14.628.360
Income((expenses) from investment activities		91.046	(7.710.775)	(42.593)	70.448
Profit/(loss) from investments accounted by equity method		1.139.140	3.897.124	(903.098)	(534.392)
Financial income / (expense) before operating profit		271.496.149	154.595.242	112.429.772	14.164.416
Financial income / expense		(281.530.121)	(276.690.922)	(117.139.543)	(150.264.566)
Profit before tax from continuing operations		(10.033.972)	(122.095.680)	(4.709.771)	(136.100.150)
- Current period tax (expense)		(2.472.226)	(7.938.832)	586.524	(6.299.039)
- Deferred tax (expense) / income		13.982.154	119.901.521	2.932.777	80.849.236
Total tax (expense) / income		11.509.928	111.962.689	3.519.301	74.550.197
Net profit		1.475.956	(10.132.991)	(1.190.470)	(61.549.953)
Distribution of income for the period					
Non-controlling interests		64.101.456	147.126.938	44.207.728	71.803.488
Attributable to equity holders of the parent		(62.625.500)	(157.259.929)	(45.398.198)	(133.353.441)
Loss per share (kr)	15	(0,0019)	(0,0047)	(0,0014)	(0,0040)
Other Comprehensive Income					
Items not to be reclassified to profit or loss					
Actuarial gain/(loss) arising from defined benefit plans		671.703	(564.788)	(77.117)	(1.533.499)
Tax effect of other comprehensive income/expense		(134.341)	112.958	15.423	306.700
Items to be reclassified to profit or loss					
Changes in currency translation differences		(196.881.393)	(140.557.811)	7.947.302	(163.855.989)
Other comprehensive (expense)		(196.344.031)	(141.009.641)	7.885.608	(165.082.788)
Total comprehensive (expense) / income		(194.868.075)	(151.142.632)	6.695.138	(226.632.741)
Distribution of total comprehensive income / (income)					
Non-controlling interests		(8.941.937)	73.009.192	47.306.860	(4.744.303)
Equity holders of the parent		(185.926.138)	(224.151.824)	(40.611.722)	(221.888.438)

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 condensed consolidated statement of changes in equity as of September 30, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Items not to be reclassified to profit or loss			Items to be reclassified to profit or loss			Accumulated profit		Attributable to equity holders of the parent	Non controlling interests	Total Equity
	Share capital	Revaluation reserves	Actuarial gain/(loss) arising from defined benefit plans)	Shares to be classified in profit / (loss) from other comprehensive income of investments accounted for using equity method	Foreign currency translation differences	Restricted reserves	Retained earnings	Net profit for the year			
Balances at January 1, 2018	334.000.000	261.940.485	(1.458.551)	(28.376.207)	(68.388.089)	52.295.108	387.155.939	33.317.912	970.486.597	237.024.490	1.207.511.087
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)	--	--	(451.830)	--	(66.440.065)	--	--	(157.259.929)	(224.151.824)	73.009.192	(151.142.632)
Balances as restated at September 30, 2018	334.000.000	261.940.485	(1.910.381)	--	(134.828.154)	52.295.108	420.473.851	(157.259.929)	774.710.980	345.891.334	1.120.602.314
Balances at January 1, 2019	334.000.000	328.930.319	(937.828)	--	(213.293.368)	52.295.108	434.038.586	(64.340.136)	870.692.681	386.759.325	1.257.452.006
Effect of correction of errors	--	--	--	--	--	--	--	(19.895.560)	(19.895.560)	--	(19.895.560)
Balances as restated	334.000.000	328.930.319	(937.828)	--	(213.293.368)	52.295.108	434.038.586	(84.235.696)	850.797.121	386.759.325	1.237.556.446
Transfers	--	--	--	--	--	1.543.629	(85.779.325)	84.235.696	--	--	--
Acquisition and disposal of Subsidiary	--	--	--	--	--	--	--	--	--	(90.132.523)	(90.132.523)
Total comprehensive income/ (expense)	--	--	537.362	--	(123.838.000)	--	--	(62.625.500)	(185.926.138)	(8.941.937)	(194.868.075)
Balances at September 30, 2019	334.000.000	328.930.319	(400.466)	--	(337.131.368)	53.838.737	348.259.261	(62.625.500)	664.870.983	287.684.865	952.555.848

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 condensed consolidated statement of cash flows as of September 30, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	January 1 – September 30, 2019	Restated January 1- September 30, 2018
Cash flows from operating activities			
Period income / loss		1.475.956	(10.132.991)
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	9-10	62.585.641	53.929.750
Gain from investments accounted by equity method		(1.139.140)	(3.897.124)
Adjustments related to provisions for employee benefits		72.114.612	60.971.166
Adjustments related to interest expenses		235.933.135	283.515.211
Adjustments related to impairment of inventories	8	(7.319.480)	(527.278)
Adjustments related to impairment of receivables	6	1.537.523	2.539.036
Deferred financial income		(867.393)	(3.337.673)
Adjustments related to lawsuit provision	12	2.341.711	7.481.530
Current period tax income		(11.509.928)	(111.962.689)
Adjustments related to losses (gains) on sale of property, plant and equipments	9-10	23.554	999.399
Adjustments related to fair value losses (gains) on derivative financial instruments		(3.194.116)	15.612.263
Other Adjustments		111.244	--
Cash flows from the operating activities before changes in the assets and liabilities		352.093.319	295.190.600
Change in working capital (net):			
Increase / (decrease) in trade receivables		179.127.544	(449.530.967)
Increase / (decrease) in other receivables		(27.047.193)	44.864.126
Increase / (decrease) in inventories		66.995.729	28.730.976
Increase / (decrease) in trade payables		251.922.571	13.635.546
Increase / (decrease) in employee benefit obligations		(7.485.100)	(3.418.642)
Increase / (decrease) in deferred income		(25.383.844)	370.909.996
Increase / (decrease) in prepaid expenses		(32.621.908)	42.594.884
Increase / (decrease) in other payables		(79.665.895)	276.817.430
Adjustments related to other increase / (decrease) in working capital		(59.659.232)	46.648.906
Cash flows from the operations after the changes in working capital		618.275.991	666.442.855
Interest paid		(209.995.111)	(266.241.385)
Taxes refunds/ (payments)		(9.071.478)	(6.953.594)
Payments for termination indemnity		(32.777.160)	(62.474.820)
Cash flow regarding investment activities		366.432.242	330.773.056
Cash flow from investment activities			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9-10	(99.359.168)	(57.223.966)
Proceeds from sale of property, plant and equipment	9-10	150.325	3.803.991
Other inflows (outflows) of cash		(21.844.284)	21.327.570
Cash flow from investment activities		(121.053.127)	(32.092.405)
Cash flow from financing activities			
Cash inflows from financing borrowings		2.990.304.305	2.327.410.848
Cash outflows from financing borrowings payments		(3.257.486.109)	(2.257.209.624)
Cash flow from financing activities		(267.181.804)	70.201.224
Net change in cash cash equivalents before affect of foreign currency translation difference		(21.802.689)	368.881.875
Cash and cash equivalents as of January 1		359.227.711	223.188.075
Foreign currency translation difference		(113.745.073)	(61.233.787)
Cash and cash equivalents as of September 30		223.679.949	530.836.163

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 condensed interim consolidated financial statements as of September 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. (the Company) and its subsidiaries (altogether referred to as “the Group”) are composed of three subsidiaries and two associates. Gübretaş, established in 1952, operates in the field of production and marketing of chemical fertilizers.

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

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

The number of employees of the Company and its subsidiaries for the period ended September 30, 2019 is 1.608. (December 31, 2018: 1.639)

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

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

<u>Name</u>	<u>September 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	%24,05	80.315.393	%24,05	80.315.393
Total	%100,00	334.000.000	%100,00	334.000.000

1.1 Subsidiaries

Gübretaş has invested in Razi Petrochemical Co. (“Razi”), 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.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 1 - GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (CONT’D)

1.1 Subsidiaries (Cont’d)

In 2012, Razi has purchased 87,5% of Arya Phosphoric Jonoob Co. (“Arya”), 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, which resulted as an indirect ownership of 48,88% for the Group.

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

1.2 Affiliates

Gübretaş has participated in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. (“Tarkim”), which operates in agricultural pesticide sector on April 13, 2009. As September 30, 2019, the shares held by Gübretaş is 40% of total shares of Tarkim (December 31, 2018: 40%).

1.3 Other financial investments

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

1.4 The approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements have been approved by the Board of Directors and instructed to be issued on November 8, 2019. The General Assembly has the power to amend the financial statements.

NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED 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 its books and accounting entries as per the Iranian legislation in the currency of Iranian Rial (“IRR”).

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT’D)

2.1. Basis of Presentation (Cont’d)

Financial Reporting Standards (Cont’d)

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 condensed interim consolidated financial statements. Therefore, these interim condensed and consolidated financial statements should be evaluated together with the condensed interim consolidated financial statements of the Group as of December 31, 2018.

The Group presented its condensed interim consolidated financial statements for the period ended September 30, 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 September 30, 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 interim 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.

Comparative Information and Restatement of the Prior Period Financial Statements

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

Accordingly, the deferred taxes calculated over the tax deductions 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 December 31, 2018 and September 30, 2018. Accordingly, as of December 31, 2018, the deferred tax asset and deferred tax income in the statement of financial position and the statement of income was reduced by TL 19.895.560, respectively. Similarly, as of September 30, 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.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.1. Basis of Presentation (Cont'd)

Functional currency

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

The functional currency of the Company's subsidiary operating in Iran is Iranian Rial (“IRR”) and the functional currency of IGLC Anka and IGLC Dicle, which the Company is participated in 2018, is US Dollar (“USD”). According to TAS 21 Changes in Exchange Rates, the assets and liabilities of the subsidiaries in foreign countries are converted to Turkish Lira with the parity on the balance sheet day. Income and expense items are translated into Turkish Lira with the average exchange rate in the period. Currency translation differences resulted from closing and average rate usage is accounted under currency translation difference under equity. These translation differences are recognized as income or loss at the period

The conversion rates used are as follows:

Currency	September 30, 2019		December 31, 2018	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000052341	0,000058756	0,000070145	0,000089246
USD/TL	5,6591	5,6304	5,2609	4,8378

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

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

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

i. TFRS 16 Leases (Cont'd)

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

ii. TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

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

Standards and amendments issued but not yet effective

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.3 Principles of Consolidation

- a) The consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended on September 30, 2019 and include financial statements of Gübretaş and its subsidiaries.
- b) As of September 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.
- c) The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and statement of comprehensive income for the year, respectively.
- d) The 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.
- e) 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 Summary of Significant Accounting Policies

2.4.1 Leases – TFRS 16 (as a Lessee)

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

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Leases – TFRS 16 (as a lessee) (Cont'd)

- The Group has the right to direct the use of an identified asset. Group has the right to direct the use of the asset throughout the period of use only if either:
 - a) The Group has the right to direct how and for what purpose the asset is used throughout the period of use or
 - b) Relevant decisions about how and for what purpose the asset is used are predetermined:
 - i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

Right of use

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

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Group, and
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

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

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

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

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NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Leases – TFRS 16 (as a lessee) (Cont'd)

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

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

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

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

Practical expedients

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

2.5 Mergers

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

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NOTE 2 - BASIS OF THE PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2.5 Mergers (Cont'd)

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
Total assets	4.136.447	182.549.182	214.702.547	401.388.176
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
Total liabilities	2.904.520	176.954.028	148.582.397	328.440.945
Net assets at purchase date	1.231.927	5.595.154	66.120.150	72.947.231
Minority shares at purchase date	--	2.797.577	33.060.075	35.857.652
Shareholders' equity	1.231.927	2.797.577	33.060.075	37.089.579
Purchase value				37.089.579
Goodwill				--

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.

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

NOTE 3 -SEGMENT REPORTING (CONT'D)

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 September 30, 2019 and December 31, 2018 is as follows:

	Turkey	Iran	Consolidation	Total
	September 30,	September 30,	Adjustments	September 30,
	2019	2019	September 30,	2019
			2019	
Assets				
Current assets	1.345.408.100	1.063.966.493	(250.205.391)	2.159.169.202
Non-current assets	1.869.187.331	389.501.800	(336.964.036)	1.921.725.095
Total assets	3.214.595.431	1.453.468.293	(587.169.427)	4.080.894.297

Liabilities				
Short-term liabilities	2.133.627.873	724.094.575	(250.746.165)	2.606.976.283
Long-term liabilities	389.546.360	131.815.806	--	521.362.166
Equities	691.421.198	597.557.912	(336.423.262)	952.555.848
Total Liabilities	3.214.595.431	1.453.468.293	(587.169.427)	4.080.894.297

	Turkey	Iran	Consolidation	Total
	December 31,	December 31,	Adjustments	December 31,
	2018	2018	December 31,	2018
			2018	
Assets				
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
Total assets	3.069.209.931	1.641.788.338	(375.730.655)	4.335.267.614

Liabilities				
Short-term liabilities	1.877.474.202	736.003.872	(67.755.747)	2.545.722.327
Long-term liabilities	421.593.363	130.395.478	--	551.988.841
Equities	770.142.366	775.388.988	(307.974.908)	1.237.556.446
Total liabilities	3.069.209.931	1.641.788.338	(375.730.655)	4.335.267.614

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the condensed interim consolidated financial statements as of September 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 September 30, 2019 and 2018 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	January 1, - September 30, 2019	January 1, - September 30, 2019	January 1, - September 30, 2019	January 1, - September 30, 2019
Sales	2.601.496.555	1.400.851.873	(614.081.884)	3.388.266.544
Cost of sales	(2.271.398.738)	(1.011.390.008)	611.056.673	(2.671.732.073)
Gross profit	330.097.817	389.461.865	(3.025.211)	716.534.471
Marketing, selling and distribution expense	(128.204.770)	(141.593.841)	--	(269.798.611)
General and administrative expense	(28.518.779)	(75.023.867)	--	(103.542.646)
Other operating income / expense, net	(11.230.041)	(61.697.210)	--	(72.927.251)
Operating profit	162.144.227	111.146.947	(3.025.211)	270.265.963
Income from investments, net	63.253.064	--	(63.162.018)	91.046
Profit from investments accounted by equity method	1.139.140	--	--	1.139.140
Operation profit before financial income / (expense)	226.536.431	111.146.947	(66.187.229)	271.496.149
Financial expense, net	(313.130.510)	31.600.389	--	(281.530.121)
Profit / (loss) before tax	(86.594.079)	142.747.336	(66.187.229)	(10.033.972)
Deferred tax income / (expense)	13.204.208	(2.359.826)	665.546	11.509.928
Profit / (loss) for the period	(73.389.871)	140.387.510	(65.521.683)	1.475.956

	Turkey	Iran	Consolidation Adjustments	Total
	January 1, - September 30, 2018	January 1, - September 30, 2018	January 1, - September 30, 2018	January 1, - September 30, 2018
Sales	1.972.982.606	1.501.159.077	(260.433.893)	3.213.707.790
Cost of sales	(1.695.603.146)	(973.515.078)	260.433.893	(2.408.684.331)
Gross profit	277.379.460	527.643.999	--	805.023.459
Marketing, selling and distribution expense	(92.746.167)	(158.551.229)	--	(251.297.396)
General and administrative expense	(28.759.204)	(81.383.694)	--	(110.142.898)
Other operating income / expense, net	(281.395.354)	(3.778.918)	--	(285.174.272)
Operating profit	(125.521.265)	283.930.158	--	158.408.893
Income from investments, net	(7.710.775)	--	--	(7.710.775)
Profit from investments accounted by equity method	3.897.124	--	--	3.897.124
Operation profit before financial income / (expense)	(129.334.916)	283.930.158	--	154.595.242
Financial expense, net	(273.248.710)	(3.442.212)	--	(276.690.922)
Profit / (loss) before tax	(402.583.626)	280.487.946	--	(122.095.680)
Deferred tax income / (expense)	113.384.058	(1.421.369)	--	111.962.689
Profit / (loss) for the period	(289.199.568)	279.066.577	--	(10.132.991)

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NOTE 3 -SEGMENT REPORTING (Cont’d)

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

	January 1, - September 30, 2019	January 1, - September 30, 2018
Turkey	73.603.497	44.193.874
Iran	25.755.671	13.030.092
Total	99.359.168	57.223.966

Depreciation and amortization:

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

	January 1, - September 30, 2019	January 1, - September 30, 2018
Turkey	42.016.256	21.906.482
Iran	20.569.385	32.023.268
Total	62.585.641	53.929.750

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018
Cash on hands	1.711.492	317.371
Bank	221.935.335	368.517.959
- demand deposits	36.743.653	106.160.602
- time deposits	185.191.682	262.357.357
Other cash equivalents (*)	133.574	15.746
Total	223.780.401	368.851.076
Pledge cash and cash equivalents (**)	(100.452)	(9.623.365)
Cash and cash equivalents at the statement of cash flow	223.679.949	359.227.711

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NOTE 4 - CASH AND CASH EQUIVALENTS (Cont'd)

4.1 Time deposits (TL):

Interest rate (%)	Maturity	September 30, 2019
14,75	1-3 days	9.303.194
Total		9.303.194

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

4.2 Time deposits (Foreign currency):

Interest rate (%)	Maturity	Currency	September 30, 2019	
			Foreign currency amount	Amount in TL
0,75	1-3 days	EUR	7.974.709	48.071.549
10 – 15	1-3 days	Mil. IRR	766.148	40.100.889
2,75	1-3 days	USD	16.673.202	87.716.050
Total				175.888.488

Interest rate (%)	Maturity	Currency	December 31, 2018	
			Foreign currency amount	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
Total				213.872.770

NOTE 5 – FINANCIAL BORROWINGS

Short-term and Long-term borrowings	September 30, 2019	December 31, 2018
Payable within 1 year	1.338.417.161	1.550.453.070
Payable within 1 – 5 years	30.642.606	59.850.476
Total	1.369.059.767	1.610.303.546

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NOTE 5 – FINANCIAL BORROWINGS (CONT’D)

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

	September 30, 2019	December 31, 2018
Short-term borrowings		
Short-term borrowings	1.285.269.012	1.350.135.187
Short-term portion of long-term borrowings	47.306.463	198.437.226
Lease liabilities (Note 2.4)	5.841.686	1.880.657
Total	1.338.417.161	1.550.453.070

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

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

September 30, 2019

Currency	Average effective annual interest rate (%)	Original amount	Amount in TL
Bank loans			
EUR	3,40	5.542.960	33.502.262
USD	3,43	10.203.238	57.741.141
TL	17,25	1.149.120.356	1.149.120.356
Other Financial Borrowings			
Mil. IRR (*)	18,00	1.761.752	92.211.716
Total			1.332.575.475

December 31, 2018

Currency	Average effective annual interest rate (%)	Original amount	Amount in TL
Bank loans			
EUR	3,07	46.837.417	282.335.952
USD	2,09	1.999.739	10.520.425
TL	24,18	1.189.725.341	1.189.725.341
Other Financial Borrowings			
Mil. IRR (*)	18,00	940.771	65.990.695
Total			1.548.572.413

(*) 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

September 30, 2019 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
TL	13	5.841.686	5.841.686
Total			5.841.686

December 31, 2018 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
TL	21	1.880.657	1.880.657
Total			1.880.657

5.3 Long-term borrowings

	September 30, 2019	December 31, 2018
Long-term bank loans	20.307.505	58.261.655
Lease liabilities (Note 2.4)	10.335.101	1.588.821
Total	30.642.606	59.850.476

As September 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	20.307.505	20.307.505
Total				20.307.505

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
Total				58.261.655

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NOTE 5 – FINANCIAL BORROWINGS (CONT’D)

Finance lease liabilities:

September 30, 2019		Average effective annual interest rate (%)	Original amount	Amount in TL
Currency	Maturity			
TL	December 2023	13	10.335.101	10.335.101
Total				10.335.101

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

6.1 Short-term trade receivables:

	September 30, 2019	December 31, 2018
Trade receivables	322.718.066	488.508.390
Receivables from Iran Oil Ministry’s participations	48.069.114	64.381.842
Notes receivable	149.130	465.012
	370.936.310	553.355.244
Provision for doubtful trade receivables	(11.626.021)	(10.088.498)
Total	359.310.289	543.266.746

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

Time after maturity	September 30, 2019	December 31, 2018
More than 9 months	11.626.021	10.088.498
Total	11.626.021	10.088.498

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES (CONT'D)

For the nine months period ended September 30, 2019 and the year ended December 31, 2018, the movement of doubtful trade receivables provision is as follows:

	September 30, 2019	December 31, 2018
Balance at beginning of the period	10.088.498	8.798.412
Period cost	1.537.523	2.539.036
Balance at end of the period	11.626.021	11.337.448

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

	September 30, 2019	December 31, 2018
Guarantee letters	222.142.247	245.044.412
Collateral cheques and notes	2.790.001	790.001
Total	224.932.248	245.834.413

6.2 Short-term trade payables

	September 30, 2019	December 31, 2018
Payables to NIOC	633.948.207	435.870.054
Creditors	352.497.655	337.249.522
Other trade payables	44.873.789	5.081.207
Total	1.031.319.651	778.200.783

(*) As of September 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 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.

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

7.1 Other short-term receivables:

	September 30, 2019	December 31, 2018
VAT receivables (Razi)	113.782.141	142.369.070
VAT receivables - Turkey	24.574.606	18.833.591
Due from personnel	5.618.670	8.849.346
Other various receivables (Tabosan) (*)	33.273.552	32.482.253
Receivables from other government agencies - Iran	37.580.569	7.238.858
Other various receivables	21.765.174	6.305.863
Total	236.594.712	216.078.981

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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NOTE 7 – OTHER RECEIVABLES AND PAYABLES (CONT'D)

(*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TL 33.273.552 as of report date. The 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 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 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 against the Bankruptcy Court to seek share transfer plea was rejected.

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 Razi 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

	September 30, 2019	December 31, 2018
Deposits and guarantees given	57.680.459	52.084.226
Due from personnel (*)	1.905.057	2.666.364
Other long-term receivables	6.894.446	5.197.910
Total	66.479.962	59.948.500

7.3 Other short-term payables

	September 30, 2019	December 31, 2018
Dividend payables to non-controlling interests	15.312.963	1.518.717
Other payables and liabilities	50.011.180	33.332.135
Total	65.324.143	34.850.852

7.4 Other long-term payables

	September 30, 2019	December 31, 2018
Other payables to third parties (*)	345.205.100	349.323.760
Total	345.205.100	349.323.760

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

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NOTE 8- INVENTORIES

	September 30, 2019	December 31, 2018
Raw materials and supplies	209.401.282	175.923.775
Finished goods	273.173.795	259.492.688
Trade goods	481.952.230	465.740.737
Other inventories	158.942.421	226.752.282
	1.123.469.728	1.127.909.482
Provision of inventories (-)	(11.611.097)	(18.930.577)
Total	1.111.858.631	1.108.978.905

NOTE 9- PROPERTY, PLANT AND EQUIPMENT

The details of the depreciation and amortization expense of the Group during the periods ended September 30, 2019 and 2018 are given below:

	September 30, 2019		
	Gübretaş	Razi	Total
Depreciation expense	41.324.471	20.569.386	61.893.857
Amortization expense	691.784	--	691.784
Total	42.016.255	20.569.386	62.585.641

During the period ended September 30, 2019, out of the total of TL 62.585.641 of depreciation and amortization expense, TL 59.151.388 was included in General Production Expense, TL 1.024.089 in Marketing and Selling Expenses and TL 2.410.164 in General Administrative Expenses.

	September 30, 2018		
	Gübretaş	Razi	Total
Depreciation expense	20.079.036	32.023.268	52.102.304
Amortization expense	1.827.446	--	1.827.446
Total	21.906.482	32.023.268	53.929.750

During the period ended September 30,2018, out of the total of TL 53.929.750 of depreciation and amortization expense, TL 51.538.210 was included in General Production Expense, TL 1.028.265 in Marketing and Selling Expenses and TL 1.363.275 in General Administrative Expenses.

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

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles (*)	Furnitures and fixtures	Initial recognition of right-of-use assets within the scope of TFRS 16 (**)	Special Costs	Construction in progress	Total
Cost Value										
Opening balance at January 1,2019	487.225.047	128.434.581	357.345.942	828.132.342	575.107.963	31.834.492	--	1.018.158	45.392.380	2.454.490.905
Foreign currency translation differences	(24.632.819)	--	(19.499.200)	(158.564.724)	71.339.183	(3.449.544)	--	--	(8.486.955)	(143.294.059)
Additions	1.309.214	532.815	1.604.984	1.064.409	201.900	1.666.207	17.308.182	--	69.683.082	93.370.793
Sales / disposals	--	--	--	(386.486)	(47.730)	(94.668)	--	--	--	(528.884)
Transfer from construction in progress	--	228.836	50.593.529	16.896.178	--	285.127	--	--	(68.003.670)	--
Closing balance on September 30,2019	463.901.442	129.196.232	390.045.255	687.141.719	646.601.316	30.241.614	17.308.182	1.018.158	38.584.837	2.404.038.755
Accumulated depreciation										
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	--	--	9.779.492	118.131.974	(10.313.166)	2.519.783	--	--	--	120.118.083
Period costs	--	(8.015.052)	(8.939.134)	(23.977.266)	(15.492.944)	(2.669.869)	(2.670.645)	(128.947)	--	(61.893.857)
Sales / disposals	--	--	--	268.961	47.730	34.848	--	3.467	--	355.006
Closing balance on September 30,2019	--	(58.635.125)	(144.782.745)	(449.293.139)	(171.746.518)	(15.494.526)	(2.670.645)	(635.517)	--	(843.258.215)
Net book value on September 30,2019	463.901.442	70.561.107	245.262.510	237.848.580	474.854.798	14.747.088	14.637.537	382.641	38.584.837	1.560.780.540

(*) In the period ended September 30,2019, the Group revised the remaining useful lives of IGCL Anka and IGCL Dicle and determined the remaining useful lives as 25 years in the light of the data in the valuation report.

(*) As of September 30,2019, the net book value of the light of us assets classified under tangible assets is TL 17.308.182. The depreciation expenses of the right of use assets for the period ended September 30,2019 is TL 2.670.645. Details of the initial recognition of right-of-use assets under TFRS 16 are presented in Note 2.4.

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

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles (*)	Furnitures and fixtures	Special Costs	Construction in progress	Total
Cost Value									
Opening balance at January 1,2018	467.703.378	125.964.958	327.708.330	1.118.941.632	10.857.084	32.882.870	1.018.158	59.072.463	2.144.148.873
Foreign currency translation differences	(34.200.316)	--	(26.100.805)	(218.822.658)	(2.285.573)	(4.396.399)	--	(10.632.383)	(296.438.134)
Additions	9.809.076	474.666	26.782.387	1.382.620	992.719	3.845.565	254.848	12.003.524	55.545.405
Additions through subsidiary acquisitions	--	--	--	3.544.582	486.277.026	449.668	--	--	490.271.276
Sales / disposals	(331.500)	--	(4.346.039)	(7.395.204)	(528.089)	(301.987)	--	--	(12.902.819)
Transfer from construction in progress	--	--	160.857	1.037.183	--	540.236	--	(1.738.276)	--
Closing balance on September 30,2018	442.980.638	126.439.624	324.204.730	898.688.155	495.313.167	33.019.953	1.273.006	58.705.328	2.380.624.601
Accumulated depreciation									
Opening balance at January 1,2018	--	(46.433.852)	(127.478.338)	(724.560.768)	(7.018.239)	(15.427.880)	(342.730)	--	(921.261.807)
Foreign currency translation differences	--	--	11.583.420	154.148.185	1.592.597	2.229.186	--	--	169.553.388
Period costs	--	(7.287.710)	(6.487.797)	(34.272.471)	(819.076)	(3.111.247)	(124.003)	--	(52.102.304)
Sales / Cancellations	--	--	611.698	6.900.767	267.277	319.687	--	--	8.099.429
Closing balance on September 30,2018	--	(53.721.562)	(121.771.017)	(597.784.287)	(5.977.441)	(15.990.254)	(466.733)	--	(795.711.294)
Net book value on September 30,2018	442.980.638	72.718.062	202.433.713	300.903.868	489.335.726	17.029.699	806.273	58.705.328	1.584.913.307

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NOTE 10 – INTANGIBLE ASSETS

10.1 Rights

	September 30, 2019	September 30, 2018
Cost		
Opening balance at January 1	25.644.968	30.393.260
Additions	5.988.375	1.678.561
Foreign currency translation differences	(4.917.313)	(6.498.220)
Closing balance	26.716.030	25.573.601
Accumulated Depreciation		
Opening balance at January 1	(4.950.084)	(1.442.953)
Current period amortization expense	(691.784)	(1.827.446)
Closing balance	(5.641.868)	(3.270.399)
Net Book Value	21.074.162	22.303.202

10.2 Goodwill

	September 30, 2019	September 30, 2018
Opening balance at January 1	121.614.875	181.331.891
Foreign currency translation differences	(30.868.509)	2.386.211
Closing balance	90.746.366	183.718.102

NOTE 11 – COMMITMENTS

11.1 Razi’s share purchase

Related to Razi’s purchase agreement, all shares of Razi are put in pledge by Iranian Privatization Organization until Group and other consortium members will pay all of their debts. The Group and consortium members have agreed that they have no right to make any implement or change within period of pledge. Moreover, Group and consortium members gave have no right for changing articles of association of company, transferring and selling assets unless they pay all debts or have written permission from Iran Privatization Organization.

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

As of the data of the report, the delivery of the 143.138.376 remaining shares is in progress.

11.2 Purchasing commitments

As of September 30, 2019, the Group has USD 129.310.552 of accredited purchase commitment for raw materials and trade goods. (December 31, 2018: USD 97.654.560).

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

12.1 Short-term provisions

	September 30, 2019	December 31, 2018
Provisions for costs	89.308.889	54.068.584
Provisions for pending claims and lawsuits	3.844.461	1.502.750
Other short-term debt provisions	5.177.709	10.793.823
Total	98.331.059	66.365.157

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

	September 30, 2019	September 30, 2018
As of January 1,	1.502.750	8.984.280
Additional provision	2.341.711	(7.481.530)
Closing Balance	3.844.461	1.502.750

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 3.844.461TL (2018: TL 1.502.750) for other lawsuits.

12.2 Guarantees given

As from September 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:

	September 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						
B. CPMB’s given on behalf of fully consolidated companies	TL	16.492.533	16.492.533	TL	18.353.334	18.353.334
C. CPMB’s given on behalf of third parties for ordinary course of business	USD	10.700.000	60.552.370	--	--	--
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	--	--	--	--	--	--
CPMB given by the company	--	--	--	--	--	--
A. CPMB’s given for Company’s own legal personality	--	--	--	--	--	--
B. CPMB’s given on behalf of fully consolidated companies	--	--	--	--	--	--
Total			77.044.903			18.353.334

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

12.3 Contingent liabilities and Assets

Iran Comprehensive Action Plan

The Joint Comprehensive Plan of Action (“JCPOA”) signed between Iran and P5 + 1 countries (five permanent members of the United Nations Security Council and Germany) and the European Union in July 2015, comprises of the abolition of the economic sanctions imposed by the European Union, United States and the United Nations Security Council in return of Iran to limit its nuclear activities and the interruption of the implementation of certain sanctions.

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

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

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

Coastal Line

Iskenderun Fiscal Directorate (“Treasury”) brought a lawsuit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m² located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 99.853.535 TL as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favour of Treasury. In March of 2018, Iskenderun 3.Civil Court partially accepted the case opened by the Property Directorate and decided to cancel the title deed registration of 78.674,76 m² of the immovable property of the Company located in Hatay, Iskenderun and Sariseki borders, the court ruled that the applicant had been denied the registration with the abandonment as a line and rejected the request concerning the surplus and rejected the case against the group. Within the legal period, the Group has applied for the appeal law, the group has accepted the appeal and the Gaziantep Regional Court of Justice has removed the decisions given by the Law Department of the 15th Law Department and the Group actions and returned the case to the local court for reconsideration. The Group Management has not recorded any provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

12.3 Contingent liabilities and Assets (Cont’d)

Razis’ Shares

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

For the payments made on behalf of Tabosan, the Group filed a lawsuit for the transfer of 1.31% of the shares of Tabosan in Razi Petrochemical Company in Iran. On 28 April 2014 the court decided to dismiss the case. 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 Group's case for the registration of receivables and upon this declaration, the Court has decided on 15 July 2017 to accept the case of the Group's registration. As of the reporting date, the Group's principal receivable arising from the payments made on surety and total interest receivable as of the reporting date is TL 33.273.552.

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

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 receivable value added tax receivable amounting to TL 113.782.141 (2.174 Milyon IRR). Even though there is the value added tax exemption over the sales subject to export in accordance with the current tax regime in Iran and the tax paid is required to be returned in case of the declaration of required documents, Razi Management's refund request has not been accepted as of the date of the report. There is uncertainty regarding the collection time of this receivable accounted under short term other receivables account and the Group Management has not made any provision in the condensed consolidated financial statements.

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

12.3 Contingent liabilities and Assets (Cont’d)

Koza Altın Case

Mining rights of mine site located in Kızılsaray village in Söğüt / Bilecik was transferred to Koza Altın İşletmeleri A.Ş.'ye (“Koza Altın”) in accordance with the agreement dated June 2, 2007 for the fee and royalty offered in the agreement.

The related agreement was terminated unilaterally by sending the notice of termination via notary on September 7, 2015, as Koza Altın did not fulfill its obligations in the agreement and exhibited acts and transactions contrary to the agreement. Koza Altın objected to the termination reasons of the Group with the notification dated October 2, 2015 and stated that it would not fulfill the demands of the Group. On October 30, 2015, the Group requested Koza Altın to fulfill its demands in the notice of termination not to issue the subject to the jurisdiction.

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

At the trial dated December 27, 2018, upon the acceptance of the case, it was decided to terminate the agreement issued between the parties on July 2, 2007, to evacuate Koza Altın from the mine site subjected to the lawsuit and the agreement, to transfer the mine site area to the Group, to reject the request to register the operation licenses on behalf of the group as it’s an administrative saving, where right to appeal is open. Both parties have appealed, and the process is in progress.

NOTE 13 -SALES

	January 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2019	July 1- September 30, 2018
Sales	3.388.266.544	3.213.707.790	821.089.754	943.855.591
Cost of Sales	(2.671.732.073)	(2.408.684.331)	(581.205.676)	(612.065.497)
Total	716.534.471	805.023.459	239.884.078	331.790.094

NOTE 14 – OTHER OPERATING INCOME AND EXPENSES

14.1 Other Operating Income

	January 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2019	July 1- September 30, 2018
Foreign exchange gain from trade receivables	302.028.044	948.551.863	165.904.310	809.866.618
Other Income	34.810.270	20.995.037	16.397.644	(7.232.012)
Total	336.838.314	969.546.900	182.301.954	802.634.606

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NOTE 14 – OTHER OPERATING INCOME AND EXPENSES (Cont’d)

14.2 Other Operating Expenses

	January 1- September 30,2019	January 1- September 30,2018	July 1- September 30,2019	July 1- September 30,2018
Foreign exchange loss from trade payables	376.260.748	1.251.514.444	182.467.527	1.038.880.275
Provision expenses	5.462.911	--	1.481.499	--
Other expenses	28.041.906	3.206.728	7.598.899	(31.102.506)
Total	409.765.565	1.254.721.172	191.547.925	1.007.777.769

NOTE 15 – EARNINGS PER SHARE

Earnings per share stated in the 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- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2019	July 1- September 30, 2018
Net profit for the period	(62.625.500)	(157.259.929)	(45.398.198)	(133.353.441)
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
Earnings per share(loss) (kr)	(0,0019)	(0,0047)	(0,0014)	(0,0040)

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	September 30, 2019	December 31, 2018
TKK	104.142.064	99.019.932
Other related parties	788.231	5.032.408
Total	104.930.295	104.052.340

The maturity of sales to TKK varies between 15 and 180 days.

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NOTE 16 - RELATED PARTIES TRANSACTIONS (Cont’d)

16.1 Balances due from related parties (Cont’d)

Trade payables	September 30,2019	December 31,2018
Tarkim	1.067.633	1.204.133
Tarnet	4.515	194.774
TKK	1.043	32.725
Total	1.073.191	1.431.632

16.2 Related party transactions

	January 1- September 30,2019	January 1- September 30,2018	July 1- September 30,2019	July 1- September 30,2018
Sales of goods and services				
TKK	1.860.972.077	1.761.227.518	507.667.949	831.090.443
Tarım Kredi Birlik Tarım Ürünleri	7.624.372	--	--	--
Tarkim	162.229	1.530.727	26.053	1.237.085
Tarnet	73.168	256.124	20.800	85.492
Total	1.868.831.846	1.763.014.369	507.714.802	832.413.020

	January 1- September 30,2019	January 1- September 30,2018	July 1- September 30,2019	July 1- September 30,2018
Purchases of goods and services				
TKK	17.762.123	7.724.318	11.106.043	1.856.895
Tarnet	2.337.813	2.723.761	1.146.086	1.150.489
Tarım Kredi Birlik Tarım Ürünleri	870.224	2.512.029	5.188	1.207.773
Total	20.970.160	12.960.108	12.257.317	4.215.157

16.3 Remuneration of board of directors and executive management:

The total benefits provided to the board of directors and executive management as of September 30, 2019 and 2018 are shown in the table below:

	September 30,2019		September 30,2018	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	2.769.563	4.226.187	1.616.039	5.209.153
Total	2.769.563	4.226.187	1.616.039	5.209.153

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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 September 30, 2019 is as follows;

		September 30, 2019		
	TL (functional currency)	USD	EUR	
1 Trade receivables	165.715.959	29.039.523	222.911	
2 Monetary financial assets (cash and bank accounts included)	154.884.469	17.474.147	9.055.651	
3 Other current assets	4.853.615	279.908	528.751	
4 Current assets (1+2+3)	325.454.043	46.793.578	9.807.314	
5 Trade payables	(831.564.418)	(145.533.652)	(1.289.690)	
6 Financial liabilities	(119.021.099)	(10.000.000)	(10.096.077)	
7 Other short-term liabilities, net	(95.509)	(16.877)	--	
8 Short term liabilities (5+6+7)	(950.681.026)	(155.550.529)	(11.385.767)	
9 Trade payables	--	--	--	
10 Financial liabilities	--	--	--	
11 Long term liabilities (9+10)	--	--	--	
12 Total Liabilities (8+11)	(950.681.026)	(155.550.529)	(11.385.767)	
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(625.226.983)	(108.756.951)	(1.578.453)	
14 Monetary Items Net Foreign Exchange Asset/ (Liability) Position (4-12)	(625.226.983)	(108.756.951)	(1.578.453)	
15 Fair value of derivatives classified for hedging purposes	(1.509.381)	--	--	
16 Amount of hedged portion of foreign currency liabilities	548.932.700	97.000.000	--	

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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	
4 Current assets (1+2+3)	545.478.557	80.414.313	20.309.704	
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)	
8 Short term liabilities (5+6+7)	(778.566.738)	(52.204.457)	(83.597.265)	
9 Trade payables	--	--	--	
10 Financial liabilities	--	--	--	
11 Long term liabilities (9+10)	--	--	--	
12 Total Liabilities (8+11)	(778.566.738)	(52.204.457)	(83.597.265)	
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(233.088.181)	28.209.856	(63.287.561)	
14 Monetary Items Net Foreign Exchange Asset/ (Liability) Position (4-12)	(233.088.181)	28.209.856	(63.287.561)	
15 Fair value of derivatives classified for hedging purposes	(4.703.497)	--	--	
16 Amount of hedged portion of foreign currency liabilities	297.161.937	56.485.000	--	

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

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

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

17.5 Foreign currency risk (Cont'd)

As of September 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.

	September 30, 2019	
	Profit/(Loss)	
	Appreciation of foreign currency	Appreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(61.546.646)	61.546.646
2- The part hedged for USD risk (-)	54.893.270	(54.893.270)
3- The impact of TL net profit for the period	(6.653.376)	6.653.376
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(976.052)	976.052
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(976.052)	976.052
	September 30, 2018	
	Profit/(Loss)	
	Appreciation of foreign currency	Appreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(105.770.736)	105.770.736
2- The part hedged for USD risk (-)	--	--
3- The impact of TL net profit for the period	(105.770.736)	105.770.736
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(35.254.179)	35.254.179
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(35.254.179)	35.254.179

NOTE 18 - SUBSEQUENT EVENTS

None.