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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1, - DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Gübre Fabrikaları Türk Anonim Şirketi

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

1) Opinion

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

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

2) Basis for Qualified Opinion

As explained in Footnote 16, Razi Petrochemical Co. ("Razi") which is a subsidiary of the Company, has value added taxes receivable arising from export sales under the prevailing tax laws. There is an uncertainty about the collection time and collectability of tax receivables of TL 120.587.913 (2.473 Billion IRR) that were accounted under the short-term other receivables and no provision has been recognized thereon in the consolidated financial statements.

As of December 31, 2019, the inventories of Razi, the consolidated subsidiary of the Group, include spare parts inventories amounting to TL 67.828.040 (equivalent to IRR 1.351 Billion), related to which production costs amounting to TL 21.036.231 (equivalent to IRR 419 Billion) are recorded to cost of goods sold. However, during the current period Razi made some changes in its inventory system whereby TL 29.922.659 (596 Billion IRR equivalent) part of the inventory purchases were accounted under prepaid expenses, raw materials used during the year were not accounted using the weighted average method and purchases in foreign currency, the stock system and the accounting records were not accounted for using the relevant foreign exchange rates. Accordingly, in order to assure accurate presentation of inventories and cost of goods sold in the consolidated financial statements, some adjustments would have been necessary in the relevant accounts As of the report date, the reliable data could not be obtained in order to make the necessary adjustments.

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

3) Emphasis of Matter

As explained in the Footnote 16, the sanctions imposed by the United Nations on the Islamic Republic of Iran since 2010 have recently been suspended and suspended to a certain extent. However, as a side of the agreement, the United States has stated that it had withdrawn from the agreement on May 8, 2018 and would reapply the sanctions that had been repealed previously. The first part of the sanctions was put into effect on August 6, 2018 and the second group sanctions, which were put into operation on November 4, 2018, will be the subject of sanctions for the petroleum, petroleum products and petrochemical products of Iran. On May 2, 2019, the United States abolished the exemption provided to some countries in trading of petroleum, petroleum products and petrochemical products. No company within the Group is not subjected to any sanction as of the date of these consolidated financial statements. This may affect the future operations of the Group's subsidiary in this country in the future. The economic stability of the Islamic Republic of Iran depends on the measures to be taken against sanctions and the effects of legal, administrative and political developments. These developments are not under the control of companies operating in the country. As a result, companies operating in this country must take into account some of the risks that are not generally observed in other markets. The attached consolidated financial statements include the Group Management's assumptions about the effects of the current sanctions applied on Iran to the operations and financial position of the subsidiary. The future economic situation of the Islamic Republic of Iran may be different from the assumptions of the Group Management. This matter does not affect our qualified opinion.

As explained in the Footnote 16, Iskenderun Fiscal Directorate (“Treasury”) brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of located in Hatay, Iskenderun, in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is TL 99.639.315 as of the balance sheet date. The Group has appealed against the case in its legal period and requested the re-preparation of expert’s report issued towards determining Shore Edge Line which constitutes a base for the case and has filed a counterclaim for the compensation of the right to property, by considering that the case may result in favor of the Treasury. The lawsuits were resulted against the Company; however, the Company requested a revision of the appeal court within the legal period and its request was accepted. The legal process is still ongoing as of the balance sheet date. In accordance with the opinions of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this stage. This matter does not affect our qualified opinion.

As explained in the 8th and 16th Footnotes, Tabosan Mühendislik İmalat ve Montaj A.Ş. ("Tabosan"), one of the consortium partners with whom the Group purchased Razi shares applied to the court in 2011 with the request to postpone bankruptcy in 2011 whereby the request was rejected by the court, which ruled on the bankruptcy of Tabosan and the establishment of a bankruptcy desk in order to transfer all transactions to the bankruptcy desk. The Group has become a joint guarantor on behalf of Tabosan to the Banks which provided finance during the purchase of Razi shares and to Iran Privatization Administration. Within the scope of this surety, the Group has made a payment of TL 43.780.597 to the banks and the Iran Privatization Administration on behalf of Tabosan as a guarantor. Since the accumulated dividend receivable of Tabosan's 10.88% share in Razi have been transferred to the bankruptcy desk, the Bankruptcy Administration paid TL 25.278.225 to the Group on July 8, 2015 and the principal due of TL 5.548.880 on August 4, 2016. As of report date the principal and the interest receivable arising from the payments made by the Group amounted to TL 33.273.552. The Bankruptcy Administration will repay the Group's outstanding receivables to the extent that it receives the dividend to be received by Razi from Tabosan's shareholding provided the transfer is made to the bankruptcy desk. The Group management has not recognized any provision for this receivable in the prior nor in the current period in view of the fact that the dividend receivable by Tabosan pertaining to Razi shares and the mortgages and collaterals that were transferred to the Group by the bank. This matter does not affect our qualified opinion.

As explained in the Footnote 16, a lawsuit has been filed against Razi by the NIOC at the Ahwaz General and Revolutionary Court with claims amounting to TL 31.328.421(624.000 Billion IRR) due to excessive gas consumption. As a result of such litigious matter, the court put mortgages on the land of Razi having a carrying amount of TL 69.460.933 (1.383.524 Billion IRR). In line with the opinion of the legal advisors, the Group Management has not recorded any provision in respect of matter in the consolidated financial statements owing to the fact that the court outcome remains uncertain at this stage. The attempts of the Group management to release the said mortgages are still ongoing. This matter does not affect our qualified opinion.

Since January 28, 2012, the Central Bank of the Islamic Republic of Iran has been implementing a fixed exchange rate regime. All foreign currency-based transactions are taken into legal records on these exchange rates. In the current period, the exchange rates used in foreign exchange-based transactions in the Islamic Republic of Iran differ significantly from the fixed exchange rates. In September 2012, a Foreign Exchange Center was established by the administration of the Islamic Republic of Iran under the supervision of the Central Bank of the Islamic Republic of Iran and indicator ratios close to the free market rates have started to be explained. The TAS 21 The Effect of Changes in Foreign Currency Exchange Rates Standard states that in case of situations where various exchange rates are available, the Exchange rate to be used is the expected Exchange rate where the related transactions are realized and the future cash flows will occur. Due to the ambiguity of the exchange rate regime in the Islamic Republic of Iran and the uncertainty of the exchange rates of the future cash flows, the Group Management used the mentioned Center's announced exchange rates in the foreign currency valuation of Razi in the accompanying consolidated financial statements. Similarly, the average of the exchange rates announced by the Center was considered in the calculation of the period average rates. This matter does not affect our qualified opinion.

As explained in the Footnote 7, as of December 31, 2019, Razi has trade receivables amounting to TL 46.161.675 (919.449 Billion IRR) (December 31, 2018: TL 64.381.842) (941.065 Billion IRR) from Iran Petrochemical Co. The Group has not recorded any provision for the uncollected and unsecured trade receivables from Iran Petrochemical due to the fact that negotiations are underway for the collection of this receivable and Razi continues trading with the said company.

4) Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Deferred tax assets generated from investment incentives and prior year losses	
As of December 31,2019, the Group has corporate tax advantages related to investment expenditures incurred under the investment incentive certificates. As of December 31, 2019, a total of TL 29.590.115 deferred tax asset was recorded in the scope of these investment incentive certificates. In addition, the Group has made an estimate of the recoverable amount of deferred tax assets reflected in the financial statements for the future financial losses based on the taxable profits for the future financial years and the periods in which the past losses can be deducted from the tax base. A deferred tax asset amounting to TL 92.784.171 has been recorded on the basis of this estimate. There are uncertainties in estimating the future taxable profit that determines whether deferred tax assets will be recognized or not and since the evaluation process requires an estimation, the assumptions upon the measurement and recoverability of deferred income assets is a key audit matter. Explanations on deferred tax assets are presented in the Footnote 28 and the assumptions on recoverability are presented in the Footnote 2.	Our audit procedures include the assessment of the assumptions and estimates made by the Board of Directors regarding the probability of generating sufficient future taxable profits based on previous years' budgets and business plans and past experiences, and it includes our knowledge and experience regarding the tax position of the Group, the timing of taxable profit forecasts and the implementation of the relevant tax legislation. In addition, tax authorities within the same audit network, have been included in the audit team to examine the impact of deferred tax assets on investment incentives. Measurement of related deferred tax assets has been submitted to the review and evaluation of tax experts. During our procedures, the consistency of the basic estimates was evaluated, and procedures were applied to ensure that the Group's entities fiscal losses, tax practices and financial statement disclosures were complete and accurate. The conformity of the explanations in the consolidated financial statements to TFRSs were also evaluated.

5) Other Matter

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

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

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

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

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

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

7) Auditor’s Responsibility for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Jale Akkaş
Engagement Partner

Istanbul, March 10, 2020
Abide-i Hürriyet Cad.
Bolkan Center No:211
C Blok Kat:2 34381
Şişli-İstanbul

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

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

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Consolidated statements of financial position as of December 31, 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 31 December 2019	Restated Audited 31 December 2018
LIABILITIES			
Current liabilities			
Short term borrowings	6	1.465.961.474	1.352.015.844
Current portion of long-term borrowings	6	55.885.641	198.437.226
Trade payables			
- Trade payables to related parties	7,30	1.821.087	1.431.632
- Trade payables to third parties	7	986.018.509	778.200.783
Payables due to employee benefits	17	32.161.760	31.205.404
Other payables			
-Other payables to related parties	8,30	25.000.000	--
-Other payables to third parties	8	86.375.472	34.850.876
Deferred income	10	17.163.951	41.334.435
Current period tax liabilities	28	2.641.986	4.680.658
Derivative financial instruments	20	--	4.703.497
Short term provisions			
-Short-term provisions for employee benefits	17	24.878.780	32.496.815
-Other short-term provisions	16	138.046.967	66.365.157
Current liabilities		**2.835.955.627**	**2.545.722.327**
Liabilities related to assets held for sale	1.1, 27	358.058.558	--
Total current liabilities		**3.194.014.185**	**2.545.722.327**
Non-current liabilities			
Long-term borrowings	6	117.472.564	59.850.476
Other borrowings			
-Other borrowings to third parties	8	--	349.323.760
Long term provisions			
- Long-term provisions for employee benefits	17	113.665.364	116.286.123
Deferred tax liability	28	19.577.929	26.528.482
Total non-current liabilities		**250.715.857**	**551.988.841**
Total liabilities		**3.444.730.042**	**3.097.711.168**
Shareholders' Equity			
Share Capital	19	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		(1.678.630)	(937.828)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
-Foreign currency translation differences		(359.020.958)	(213.293.368)
Restricted reserves from profit			
-Legal reserves	19	53.838.737	52.295.108
Prior year profits		348.259.261	434.038.586
Current year profit/loss		(149.740.564)	(84.235.696)
Shareholders' Equity		**554.588.165**	**850.797.121**
Non-controlling interests		**286.320.656**	**386.759.325**
Total shareholders' equity		**840.908.821**	**1.237.556.446**
Total liabilities and equities		**4.285.638.863**	**4.335.267.614**

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Consolidated statements of profit or loss and other comprehensive income as of December 31, 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited January 1 – December 31, 2019	Restated, Audited January 1 – December 31, 2018
Sales	21	4.344.496.369	4.559.086.668
Cost of Sales	21	(3.494.521.126)	(3.279.309.282)
Gross Profit		**849.975.243**	**1.279.777.386**
General and administrative expense	22	(146.751.465)	(151.894.048)
Marketing, selling and distribution expense	22	(392.069.013)	(350.838.860)
Other operating income	24	304.237.871	720.918.514
Other operating expense	24	(433.302.258)	(1.113.512.910)
Operating profit		**182.090.378**	**384.450.082**
Income((expenses) from investment activities	25	7.485.850	(11.234.651)
Profit/(loss) from investments accounted by equity method	3	861.617	6.024.575
Financial income / (expense) before operating profit		**190.437.845**	**379.240.006**
Financial income / expense	26	(307.761.252)	(238.262.659)
Profit before tax from continuing operations		**(117.323.407)**	**140.977.347**
- Current period tax (expense)	28	(5.853.910)	(4.833.529)
- Deferred tax (expense) / income	28	24.536.311	(484.151)
Total tax (expense) / income		**18.682.401**	**(5.317.680)**
Net profit		**(98.641.006)**	**135.659.667**
Distribution of income for the period			
Non-controlling interests		51.099.558	219.895.363
Attributable to equity holders of the parent		(149.740.564)	(84.235.696)
Loss per share (kr)	29	**(0,0045)**	**(0,0025)**
Other Comprehensive Income			
Items not to be reclassified to profit or loss			
Increases related to revaluation of fixed assets	12	--	74.433.149
Tax effect of other comprehensive income/expense	28	--	(7.443.315)
Actuarial gain/(loss) arising from defined benefit plans	12	(926.003)	650.904
Tax effect of other comprehensive income/expenses	28	185.201	(130.181)
Items to be reclassified to profit or loss			
Changes in currency translation differences		(207.133.294)	(265.108.639)
Changes in currency translation differences from investments accounted by equity method	3	--	28.376.207
Other comprehensive (expense)		**(207.874.096)**	**(169.221.875)**
Total comprehensive (expense) / income		**(306.515.102)**	**(33.562.208)**
Distribution of total comprehensive income /(income)			
Non-controlling interests		(10.306.146)	99.692.003
Equity holders of the parent		(296.208.956)	(133.254.211)

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Consolidated statements of changes in equity as of December 31, 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				
	Notes	**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 accountedf for using equity method**	**Foreign currency translation differences**	**Restricted reserves**	**Retaines earnings**	**Net profit for the year**	**Attributable to equity holders of the parent**	**Non controlling interests**	**Total Equity**
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**
Adjustments of openning balances		--	--	--	--	--	--	13.564.735	--	13.564.735	14.185.180	27.749.915
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)		--	66.989.834	520.723	--	(144.905.279)	--	--	(64.340.136)	(141.734.858)	99.692.003	(42.042.855)
Balances as restated at December 31, 2019	**19**	**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**
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	**2.1**	--	--	--	--	--	--	--	(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	--	--	--
Dividend paid		--	--	--	--	--	--	--	--	--	(90.132.523)	(90.132.523)
Total comprehensive income/ (expense)		--	--	(740.802)	--	(145.727.590)	--	--	(149.740.564)	(296.208.956)	(10.306.146)	(306.515.102)
Balances at December 31, 2019	**19**	**334.000.000**	**328.930.319**	**(1.678.630)**	**--**	**(359.020.958)**	**53.838.737**	**348.259.261**	**(149.740.564)**	**554.588.165**	**286.320.656**	**840.908.821**

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Consolidated statements of cash flows as of December 31, 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	January 1 – December 31, 2019	Restated January 1- December 31, 2018
Cash flows from operating activities			
Period income / losss		**(98.641.006)**	**135.659.667**
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	12,13	94.543.534	70.152.958
Gain from investments accounted by equity method	3	(861.617)	(6.024.575)
Adjustments related to provisions for employee benefits	17	63.975.450	74.132.884
Adjustments related to interest expenses		284.505.493	133.624.166
Adjustments related to impairment of inventories	9	7.202.382	10.096.864
Adjustments related to impairment of receivables	8	2.124.464	1.290.086
Deferred financial income		(2.593.530)	--
Adjustments related to lawsuit provision	16	3.160.362	(3.769.651)
Current period tax income	28	(18.682.401)	5.317.680
Adjuestments related to losses (gains) on sale of property,plant and equipments	25	(340.386)	652.179
Adjuestments related to fair value losses (gains) on derivative financial instruments	20	(14.166.369)	4.789.413
Adjuestments related to fair value losses (gains) on investment properties	25	(4.333.373)	5.829.174
Cash flows from the operating activities before changes in the assets and liabilities		**315.893.003**	**431.750.845**
Change in working capital (net):			
Increase in trade receivables		133.394.116	(227.795.964)
Increase in other receivables		(18.504.295)	45.540.266
Decrease in inventories		(62.010.591)	(37.409.562)
Increase in trade payables		218.736.893	293.646.476
Increase / (decrease) in employee benefit obligations		956.356	(2.457.727)
Increase / (decrease) in deferred income		(22.879.031)	24.793.049
Increase / (decrease) in prepaid expenses		(71.973.587)	40.724.570
Increase / (decrease) in other payables		(13.590.999)	(512.047.119)
Adjuestments related to other decrease in working capital		(81.490.398)	(237.395.024)
Cash flows from the operations after the changes in working capital		**398.531.467**	**(180.650.190)**
Interest paid		(245.331.133)	(99.508.235)
Taxes refunds/ (payments)	28	(11.418.736)	(15.054.984)
Payments related to provision for employee benefits	17	(11.801.276)	(59.812.558)
Cash flow regarding investment activities		**129.980.322**	**(355.025.967)**
Cash flow from investment activities			
Cash outflows from the purchases of property,plant and equipmnet and intangible assets	12,13	(129.405.003)	(69.840.423)
Cash inflows from the sales of property,plant and equipmnet and intangible assets	12,13	595.677	11.603.762
Other inflows (outflows) of cash		(19.352.630)	(43.370.162)
Cash flow from discontinued operations, net		(7.936.987)	--
Cash flow frominvestment activities		**(156.098.943)**	**(101.606.823)**
Cash flow from financing activities			
Cash inflows from financing borrowings		3.570.630.333	2.700.686.948
Cash outflows from financing borrowings paymnets		(3.580.788.560)	(2.164.155.945)
Cash flow from financing activities		**(10.158.227)**	**536.531.003**
Net change in cash cash equivalents before affect of foreign currency translation difference		**(36.276.848)**	**79.898.213**
Cash and cash equivalents as of January 1	5	**359.227.711**	**223.188.075**
Foreign currency translation difference		(148.492.954)	56.141.423
Cash and cash equivalents as of December 31	5	**174.457.909**	**359.227.711**

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

(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 (TTK) (Turkish Agricultural Loan Cooperative Association). The registered head Office is in Istanbul and information about the locations of the other production facilities and offices are summarized here below:

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

The number of employees of the Company and its subsidiaries for the period ended December 31, 2019 is 1.569 (December 31, 2018: 1.639).

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

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

	December 31, 2019		December 31, 2018	
Name	**Share %**	**Share amount**	**Share %**	**Share amount**
TKK	%75,95	253.684.607	%75,95	253.684.607
Other	%24,05	80.315.393	%24,05	80.315.393
Total	**%100,00**	**334.000.000**	**%100,00**	**334.000.000**

1.1 Subsidiaries

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

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

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 owns a production facility having an annual production capacity of 126.000 tons of phosphoric acid. In 2013, Razi purchased the remaining 12,5% of the shares and fully owns Arya, which resulted as an indirect ownership of 48,88% for the Group.

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

The Group had sold all of its shares of Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. with a share transfer agreement dated February 5, 2020, who made a bid amounting to USD 75.120.000 (including related debts) in the tender held on January 8, 2020. As of 31 December 2019, due to the fact that a sales plan has been created that results in the loss of control of affiliated Nbulkgas, IGLC Dicle and IGLC Anka, all assets and liabilities of subsidiaries are classified as Assets / Liabilities Held for Sale.

1.2 Affiliates

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

1.3 Other financial investments

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

1.4 The approval of the consolidated financial statements

The consolidated financial statements have been approved by the Board of Directors and authorized to be issued on March 10, 2020. The General Assembly has the power to amend the consolidated financial statements.

NOTE 2 - BASIS OF THE PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

The Company and its subsidiaries located in Turkey record and prepare their statutory books of accounts and their statutory financial statements in line with the Turkish Commercial Code ("TCC") and accounting principles stated by the tax legislation. The subsidiaries based in Iran keep their books of accounts and prepare their financial statements in the currency of Iranian Rial ("IRR") in accordance with the prevailing regulation in Iran.

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

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

Going Concern

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

Comparative Information and Restatement of the Prior Period Financial Statements

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

Accordingly, the deferred taxes calculated over the tax deductions gained through the investments made within the scope of investment incentive certificates of the Group were revised and the effect of this change was reflected in the consolidated financial statements of December 31, 2018. Accordingly, as of December 31, 2018, the deferred tax asset and deferred tax income in the statement of financial position and the statement of income was reduced by TL 19.895.560, respectively, in comparison with the financial statements previously stated. In addition, the office flat with a carrying amount of TL 16.335.678, which was classified in property, plant and equipment by the Group in prior year financial statements, was reclassified as investment properties in the comparative financial statements as of December 31, 2018.

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.

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

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

2.1 Basis of Presentation (Cont'd)

Functional currency (Cont'd)

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:

	December 31, 2019		December 31, 2018	
Currency	**Period End**	**Period Average**	**Period End**	**Period Average**
IRR/TL	0,000050206	0,000059189	0,000070145	0,000089246
USD/TL	5,9402	5,6708	5,2609	4,8378

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

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

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019.

i. TFRS 16 Leases

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

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

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

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

ii. TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

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

Standards and amendments issued but not yet effective

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

Amendments to TAS 1 and TAS 8 Definition of Significance

Effective from annual periods beginning on or after January 1, 2020, amendments in TAS 1 "Presentation of Financial Statements" and TAS 8 "Accounting Policies, Changes in Accounting Policies and Errors" are as follows:

• Use of materiality definition consistent with TFRS and financial reporting framework
• Clarification of the description of the materiality definition,
• Including a guidance in TAS 1 regarding insignificant information

Changes in TFRS 3 - Business Definition

Effective from annual periods beginning on or after January 1, 2020. With this amendment, the business definition has been revised. According to the feedback received by the IASB, current practice guidance is often considered to be very complex, and this results in too many processes to meet the definition of business combinations.

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

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

Standards and amendments issued but not yet effective (cont'd)

Changes on TFRS 9, TMS 39 and TFRS 7

The changes will be effective for annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform relating to hedge accounting.

TFRS 17 – Insurance Contracts

The standard will be effective for annual periods beginning on or after January 1, 2021. This standard replaces TFRS 4, which currently allows for a wide range of applications. TFRS 17 will fundamentally change the accounting for all businesses that issue insurance contracts and investment contracts with discretionary participation features.

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

2.3 Principles of Consolidation

a) The consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended on December 31, 2019 and include financial statements of Gübretaş and its subsidiaries.

b) As of December 31, 2019, there have been no changes in voting rights or proportion of effective interest on subsidiaries that are subject to consolidation with respect to the information stated in the consolidated financial statements for the year ended on December 31, 2018. The assets and liabilities of the subsidiaries in which the loss of control occurred due to the disposal of the shares in the subsequent period were reclassified as Assets / Liabilities Held for Sale.

c) The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and statement of comprehensive income for the year, respectively.

d) The non-controlling shareholders' share of the net assets and results for the period for the subsidiaries are classified separately in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.

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

2.3 Principles of Consolidation (Cont'd)

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

f) Financial asset held for sale in which the total voting rights of the Group do not have a material impact or are not material to the consolidated financial statements and whose fair values cannot be reliably determined, or not quoted in organized markets, are measured in the consolidated financial statements at cost less impairment if any.

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

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

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

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

The Group takes into account the following conditions evaluating the transfer of control of the goods or services to the customer:
a) Right of the Group to collect related to goods or services,
b) Ownership of the good or services of the customer,
c) Transfer of possession of goods or services,
d) Significant risk arising from the ownership of the customer of goods or services
and the ownership of the returns and
e) Acceptation of the goods or services by the customer.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.2 Dividend and interest income

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

2.4.3 Lease income

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

2.4.4 Leases – TFRS 16 (as a lessee)

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

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

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- The Group has the right to direct the use of an identified asset. Group has the right to direct the use of the asset throughout the period of use only if either:
  a) The Group has the right to direct how and for what purpose the asset is used throughout the period of use or
  b) Relevant decisions about how and for what purpose the asset is used are predetermined:

    i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
    ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

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

Right of use

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

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

When applying the cost model, the Group measures the right-of-use asset at cost:
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

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

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

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

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

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

Practical expedients

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.5 Inventories

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

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

2.4.6 Investment properties

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

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

2.4.7 Tangible fixed assets

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

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.7 Tangible fixed assets (Cont'd)

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

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

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

2.4.8 Intangible-fixed assets

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

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

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

2.4.9 Goodwill

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

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

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

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.10 Impairment of assets

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

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

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

Discontinued operation refers to the geographic part of the main line of business / activities planned to be disposed of or undertaken for sale within the framework of a coordinated plan. The details of the profit or loss before tax and the profit or loss of the discontinued operations that are reflected in the consolidated financial statements during the disposal of the assets or asset groups that comprise the discontinued operations are explained in the footnotes. In addition, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the relevant footnote.

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

2.4.12 Borrowing costs

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

2.4.13 Financial instruments

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

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Financial instruments (Cont'd)

Financial Assets

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

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

Financial assets at fair value through profit or loss

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

Financial assets measured at amortized cost

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

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction costs on the financial statements. However, if the fair value cannot be determined reliably, for those with a fixed maturity, the discount rate is calculated using the internal rate of return method for those who do not have a fixed maturity, they are valued using fair value pricing models or discounted cash flow techniques. Unrealized gains or losses arising from the changes in the fair value of financial assets at fair value through profit and loss is recognized in other comprehensive income are shown below Financial Assets Value Increase / Decrease Fund. In the event that the fair value differences of financial assets that are reflected in other comprehensive income are eliminated, the value in the equity accounts as a result of the fair value application is reflected to the period profit/loss.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.13 Financial instruments (Cont’d)

Recognition and derecognition of financial assets

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

Impairment of financial assets / expected credit loss

At each reporting period, each financial asset’s credit risk within the scope of impairment is assessed from the date which it is first recognized in the financial statements. Within this assessment, the change of the default risk of the financial asset is taken into consideration. The expected loss provision estimate is unbiased, weighted according to probabilities, and includes information that can be supported about past events, current conditions, and forecasts for future economic conditions.

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

In respect of equity securities, any increase in equity instruments at fair value through other comprehensive income, subsequent to an impairment loss is recognized directly in equity.

Derivative financial assets

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

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Financial instruments (Cont'd)

Financial assets available for sale

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

Trade Receivables

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

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

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

Cash and cash equivalents

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

Financial Liabilities

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

2.4.14 Impact of exchange rates

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.14 Impact of exchange rates (Cont'd)

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

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

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

- Exchange rate differences which are handled with as adjustment item to interest costs on payables that are associated with assets constructed in order to use in future and indicated in foreign currency unit and which are included in costs of such assets,
- Exchange rate differences caused by transactions made in order to provide financial protection against risks arising from foreign currency unit (accounting policies related to providing financial protection against risks are explained below),
- Exchange rate differences arising from monetary payables and receivables which compose a part of net investment in foreign operation, are accounted in conversion reserve, are associated with profit and loss in net investment sale and derive from foreign operation of which there is no payment intention or possibility.

Assets and liabilities of Group in its foreign operations are expressed in consolidated financial statements in TL by using exchange rates valid on the date of balance sheet. Income and expense items are converted by using average exchange rates during the period, in case that no substantial fluctuation has been occurred on foreign exchange rates during the period in which exchange rates valid on the date of transaction should be used (in case a substantial fluctuation occurs, exchange rates on transaction date are used). Exchange rate difference which has occurred is classified as equity and transferred to Group's conversion fund. Conversion differences in question are recorded on consolidated income statement in the period when foreign operations are sold out.

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

2.4.15 Earnings per share

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

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.16 Subsequent Events

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

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

2.4.17 Provisions, conditional assets and liabilities

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

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

In case that provision is measured by using estimated cash flow required for meeting current liability, the book value of provision in question is equal to present value of relevant cash flows.

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

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

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

Current tax

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

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

Deferred tax (Cont'd)

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.19 Benefits for employees

Severance pay

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

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

Severance incentive premium

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

Vacation Pay provision

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

2.4.20 Statement of cash flow

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

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

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

2.4.21 Capital and dividends

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.22 Critical accounting estimates and judgements

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

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

Net realizable value

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

Goodwill impairment

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

Deferred tax

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

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.22 Critical accounting estimates and judgements (Cont'd)

Fair value of properties

Fair value of the properties of the Group as of December 31, 2019 is established based on valuation performed by an independent expertise company. Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş, which is an independent valuation company authorized by the Capital Markets Board of Turkey and Banking Regulation and Supervision Authority, which is authorized and licensed by the Turkish Capital Markets Board and the Banking Supervisory Board possess the appropriate expertise and experience concerning the valuation of properties at the aforementioned locations. The valuation has been established through Market Value Approach, Cost Approach and Capitalization of Revenues Approach which are considered as appropriate methods under International Valuation Standards. Unit price determination is made following the performance of price adjustment in the framework of criteria which can affect Market value considering the similar properties which are put on sale or sold/rented recently in the Market Value Approach.

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

2.5 Mergers

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

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

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

2.5 Mergers (Cont’d)

	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 – INTEREST IN OTHER ENTITIES

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

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

	Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	1 Ocak - 31 Aralık 2019	**1 Ocak - 31 Aralık 2018**
Net sales	115.199.567	100.826.721
Net profit	2.154.042	13.235.317

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

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

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

	December 31,2019	December 31,2018
Tarkim Bitki Koruma San. ve Tic. A.Ş.	19.765.952	18.904.335
Total net liabilities	**19.765.952**	**18.904.335**

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

	December 31,2019	December 31,2018
Tarkim Bitki Koruma San. ve Tic. A.Ş., net profit	861.617	5.294.127
Total	**861.617**	**5.294.127**

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

NOTE 4 - SEGMENT REPORTING

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

The Company is engaged in carrying out the production and sales of chemical fertilizer within Turkey. Razi, is engaged in carrying out the production and trading of chemical fertilizers and fertilizer raw materials.

Since the Company management evaluates the operational results and financial performance based on financial statements prepared in accordance with TFRS, TFRS consolidated financial statements are used to prepare segment reporting.

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

NOTE 4 - SEGMENT REPORTING (Cont'd)

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

	Turkey	Iran	Consolidation Adjustments	Total
	December 31,2019	December 31,2019	December 31,2019	December 31,2019
Assets				
Current assets	1.995.202.267	1.004.152.743	(201.107.746)	2.798.247.264
Non-current assets	1.427.364.482	399.772.695	(339.745.578)	1.487.391.599
Total assets	**3.422.566.749**	**1.403.925.438**	**(540.853.324)**	**4.285.638.863**
Liabilities				
Short-term liabilities	2.653.967.265	735.233.417	(195.186.497)	3.194.014.185
Long-term liabilities	133.290.109	117.425.748	--	250.715.857
-Equities	635.309.375	551.266.273	(345.666.827)	840.908.821
Total Liabilities	**3.422.566.749**	**1.403.925.438**	**(540.853.324)**	**4.285.638.863**

	Turkey	Iran	Consolidation Adjustments	Total
	December 31,2018	December 31,2018	December 31,2018	December 31,2018
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**

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

NOT 4 - SEGMENT REPORTING (Cont'd)

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

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

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

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

NOT 4 - SEGMENT REPORTING (Cont'd)

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

	January 1, - December 31, 2019	January 1, - December 31, 2018
Turkey	94.201.716	57.503.480
Iran	35.203.287	9.774.848
Total	**129.405.003**	**67.278.328**

Depreciation and amortization:

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

	January 1, - December 31, 2019	January 1, - December 31, 2018
Turkey	66.197.875	27.731.525
Iran	28.345.659	42.421.433
Total	**94.543.534**	**70.152.958**

NOTE 5 – CASH AND CASH EQUIVALENTS

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

5.1 Time Deposits (TL)

Interest rate (%)	Maturity	December 31,2019
10,75	1-3 days	56.691.692
Total		**56.691.692**

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

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

5.1 Time Deposits (TL) (Cont'd)

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

5.2 Time deposits (Foreign Currency)

				December 31,2019
Interest rate (%)	**Maturity**	**Currency**	**Foreign currency amount**	**Amount in TL**
0,30 – 0,65	1-30 days	EUR	1.470.755	9.781.402
10 - 15	1-3 days	Mil. IRR	809.488	40.640.995
2,00	1-3 days	USD	3.649.551	21.679.064
Total				**72.101.461**

				December 31,2018
Interest rate (%)	**Maturity**	**Currency**	**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 6 – FINANCIAL BORROWINGS

Short-term and Long-term borrowings	December 31, 2019	December 31, 2018
Payable within 1 year	1.521.847.115	1.550.453.070
Payable within 1 – 5 years	117.472.564	59.850.476
Total	**1.639.319.679**	**1.610.303.546**

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

Short-term borrowings	December 31, 2019	December 31, 2018
Short-term borrowings	1.458.191.882	1.350.135.187
Short-term portion of long-term borrowings	55.885.641	198.437.226
Lease liabilities	6.187.432	1.880.657
Total	**1.520.264.955**	**1.550.453.070**

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

NOTE 6 – FINANCIAL BORROWINGS (Cont'd)

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

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

December 31, 2019

Currency	Average effective annual interest rate (%)	Original amount	Amount in TL
Bank loans			
EUR	3,40	5.455.324	36.311.669
USD	3,43	10.000.000	59.402.000
TL	14,30	1.306.554.075	1.306.554.075
Other Financial Borrowings			
Mil. IRR (*)	18,00	2.227.029	111.809.779
Total			**1.514.077.523**

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.

6.2 Finance Lease Liabilities

December 31, 2019

Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
TL	%12	7.769.592	7.769.592
Total			**7.769.592**

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

NOTE 6 – FINANCIAL BORROWINGS (Cont’d)

6.2 Finance Lease Liabilities (Cont’d)

December 31, 2018

Currency	Average effective amount interest rate (%)	Original Amount	Amount in TL
TL	21	1.880.657	1.880.657
Total			**1.880.657**

6.3 Long-term Borrowings

	December 31, 2019	December 31, 2018
Long-term bank loans	102.185.456	58.261.655
Lease liabilities (Note 2.4)	15.287.108	1.588.821
Total	**117.472.564**	**59.850.476**

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

Bank Loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2024	12,30	102.185.456	102.185.456
Total				**102.185.456**

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**

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

NOTE 6 – FINANCIAL BORROWINGS (Cont’d)

Finance Lease Liabilities

December 31, 2019 Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	December 2023	12	15.287.108	15.287.108
Total				**15.287.108**

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

7.1 Short-term trade receivables:

	December 31, 2019	December 31, 2018
Trade receivables	302.628.203	488.508.390
Receivables from Iran Oil Ministry’s participations	46.161.675	64.381.842
Notes receivable	--	465.012
	348.789.878	**553.355.244**
Provision for doubtful trade receivables	(12.212.962)	(10.088.498)
Total	**336.576.916**	**543.266.746**

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

Time after maturity	December 31, 2019	December 31, 2018
More than 9 months	12.212.962	10.088.498
Total	**12.212.962**	**10.088.498**

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

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

7.1 Short-term trade receivables (Cont'd)

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

	December 31, 2019	December 31, 2018
Balance at beginning of the period	10.088.498	8.798.412
Period cost	2.124.464	1.290.086
Balance at end of the period	**12.212.962**	**10.088.498**

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

	December 31, 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**

7.2 Short-term trade payables

	December 31, 2019	December 31, 2018
Payables to NIOC	602.725.593	435.870.054
Creditors	352.131.253	337.249.522
Other trade payables	31.161.663	5.081.207
Total	**986.018.509**	**778.200.783**

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

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

8.1 Other short-term receivables:

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

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

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

8.2 Other long-term receivables

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

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

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

8.3 Other short-term payables

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

8.4 Other long-term payables

	December 31, 2019	December 31, 2018
Other payables to third parties (*)	--	349.323.760
Total	**--**	**349.323.760**

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

NOTE 9 - INVENTORIES

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

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

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	December 31, 2019	December 31, 2018
Order advances given for stock purchase	29.416.193	13.620.570
Expenses for next month	46.024.143	14.151.494
Total	**75.440.336**	**27.772.064**

Long-term prepaid expenses	December 31, 2019	December 31, 2018
Order advances given for stock purchase	33.283.839	19.573.127
Other prepaid expenses	1.205.441	--
Total	**34.489.280**	**19.573.127**

Short term deferred income	December 31, 2019	December 31, 2018
Received advances	17.163.951	41.334.435
Total	**17.163.951**	**41.334.435**

NOTE 11 – INVESTMENT PROPERTIES

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

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

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

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

			December 31, 2019
	Gübretaş	**Razi**	**Total**
Depreciation expense	64.758.903	28.345.660	93.104.563
Amortization expense	1.438.971	--	1.438.971
Total	**66.197.874**	**28.345.660**	**94.543.534**

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

			December 31, 2018
	Gübretaş	**Razi**	**Total**
Depreciation expense	27.210.485	42.421.433	69.631.918
Amortization expense	521.040	--	521.040
Total	**27.731.525**	**42.421.433**	**70.152.958**

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

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

NOTE 12 - 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**	**341.010.265**	**828.132.342**	**575.107.962**	**31.834.492**	**--**	**1.018.158**	**45.392.380**	**2.438.155.228**
Foreign currency translation differences	(27.586.799)	--	(21.837.554)	(177.177.072)	111.794.871	(3.887.176)	--	--	(11.173.692)	(129.867.422)
Additions	1.351.714	1.310.862	2.420.786	2.389.251	204.109	2.422.888	25.778.418	99.310	86.713.302	122.690.640
Sales / disposals	--	--	(3.467)	(386.486)	(381.009)	(125.742)	--	--	(425.093)	(1.321.797)
Transfer to assets for sale	--	--	--	--	(680.578.537)	(676.421)	--	--	--	(681.254.958)
Transfer from construction in progress	--	1.063.243	51.993.304	45.878.485	814.338	1.120.945	--	--	(101.104.065)	**(233.750)**
Closing balance on December 31,2019	**460.989.962**	**130.808.686**	**373.583.334**	**698.836.520**	**6.961.735**	**30.688.986**	**25.778.418**	**1.117.468**	**19.402.832**	**1.748.167.941**
Accumulated depreciation										
Opening balance at January 1,2019	**--**	**(50.620.073)**	**(145.623.103)**	**(543.716.808)**	**(145.988.137)**	**(15.379.287)**	**--**	**(510.037)**	**--**	**(901.837.445)**
Foreign currency translation differences	--	--	11.109.121	130.638.095	(8.832.792)	2.939.784	--	--	--	135.854.208
Period cost	--	(10.723.624)	(11.894.058)	(33.215.029)	(29.818.791)	(3.710.931)	(3.571.865)	(170.265)	--	(93.104.563)
Sales	--	--	--	268.961	387.414	66.278	--	3.467	--	726.120
Transfer to assets for sale	--	--	--	--	179.801.216	676.421	--	--	--	180.477.637
Closing balance on December 31,2019	**--**	**(61.343.697)**	**(146.408.040)**	**(446.024.781)**	**(4.451.090)**	**(15.407.735)**	**(3.571.865)**	**(676.835)**	**--**	**(677.884.043)**
Net book value on December 31,2019	**460.989.962**	**69.464.989**	**227.175.294**	**252.811.739**	**2.510.645**	**15.281.251**	**22.206.553**	**440.633**	**19.402.832**	**1.070.283.898**

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

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

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

NOTE 12 - 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
Cost Value									
Opening balance at January 1,2018	**467.703.378**	**125.964.958**	**311.372.652**	**1.118.941.632**	**10.857.084**	**32.882.870**	**1.018.158**	**59.072.463**	**2.127.813.195**
Foreign currency translation differences	(47.653.693)	--	(38.406.589)	(299.311.680)	(3.191.807)	(6.131.851)	--	(12.078.762)	(406.774.382)
Valuation difference	57.697.786	1.250.663	40.118.362	--	--	--	--	--	99.066.811
Entries from subsidiaries purchase	--	--	--	3.544.582	566.856.606	449.668	--	--	570.850.856
Purchase	9.809.076	922.984	792.676	9.259.320	1.610.083	3.756.139	--	41.128.050	67.278.328
Sales	(7.357.927)	--	(4.346.039)	(6.982.934)	(1.092.466)	(300.214)	--	--	(20.079.580)
Transfer from construction in progress	7.026.427	295.976	31.479.203	2.681.422	68.463	1.177.880	--	(42.729.371)	--
Closing balance on December 31,2018	**487.225.047**	**128.434.581**	**341.010.265**	**828.132.342**	**575.107.962**	**31.834.492**	**1.018.158**	**45.392.380**	**2.438.155.228**
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	--	--	19.986.858	218.864.022	2.199.130	3.460.201	--	--	244.510.211
Valuation difference	--	4.044.062	(28.677.724)	--	--	--	--	--	(24.633.662)
Entries from subsidiaries purchase	--	--	--	--	(140.423.970)	--	--	--	(140.423.970)
Period Cost	--	(8.230.283)	(10.149.164)	(44.658.423)	(954.617)	(3.731.296)	(167.307)	--	(67.891.090)
Sales	--	--	695.265	6.638.361	209.558	319.687	--	--	7.862.871
Closing balance on December 31,2018	**--**	**(50.620.073)**	**(145.623.103)**	**(543.716.808)**	**(145.988.137)**	**(15.379.287)**	**(510.037)**	**--**	**(901.837.445)**
Net book value on December 31,2018	**487.225.047**	**77.814.508**	**195.387.162**	**284.415.533**	**429.119.825**	**16.455.205**	**508.121**	**45.392.380**	**1.536.317.781**

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

NOTE 13 – INTANGIBLE ASSETS

13.1 Rights

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

13.2 Goodwill

	December 31, 2019	December 31, 2018
Opening balance at January 1	121.614.875	181.331.891
Foreign currency translation differences	(34.570.275)	(59.717.016)
Closing balance	**87.044.600**	**121.614.875**

NOTE 14 – COMMITMENTS

14.1 Razi's share purchase

Related to Razi's purchase agreement, all shares of Razi are put in pledge by Iranian Privatization Organization until Group and other consortium members will pay all of their debts. The Group and consortium members have committed and agreed to the effect that they do not have any right to be involved in any manipulation whatsoever or effect any changes during the period the pledge continues.

As of 1 August 2016, a portion of shares held by the Group and other consortium members were released, and from 1.368.698.169 shares pertaining to the Group, 1.225.559.793 shares were physically taken delivery.

As of the balance sheet date, the proceeding related to the delivery of the 143.138.376 remaining shares is in progress.

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

NOTE 14 – COMMITMENTS (Cont'd)

14.2 Purchasing commitments

As of December 31, 2019, the Group has USD 108.076.341 of purchase commitment for raw materials and trade goods, planned to be imported for which purchase orders were placed and related letters of credit were opened (December 31, 2018: USD 97.654.560).

NOTE 15 -GOVERNMENT GRANTS

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

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

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

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

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

16.1 Short-term provisions

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

(*) Amount represents expense accruals for system usage expenses related to the Fertilizer tracking system, which was started to be implemented at the end of 2018 and continued to be used throughout 2019. Subsequent to the balance sheet date, the related amounts were invoiced by the supplier.

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

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

16.1 Short-term provisions (Cont’d)

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

	December 31, 2019	December 31, 2018
As of January 1,	1.502.750	8.984.280
Additional provision	3.160.362	(7.481.530)
Closing Balance	**4.663.112**	**1.502.750**

A lawsuit amounting to TL 785.193 was filed by Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi against the Group for loss of profit claims. The Group management has not made any provision for this lawsuit in the accompanying consolidated financial statements considering the opinion of the legal counsel. The Group made a provision of TL 4.663.112 TL (2018: TL 1.502.750) in respect of other lawsuits.

16.2 Guarantees given

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

	December 31, 2019			December 31, 2018		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB’s given for Company’s own legal personality						
	TL	33.405.490	33.405.490	TL	18.353.334	18.353.334
	USD	10.750.000	63.857.150	--	--	--
B. CPMB’s given on behalf of fully consolidated companies	--	--	--	--	--	--
C. CPMB’s given on behalf of third parties for ordinary course of business	--	--	--	--	--	--
D. Total amount of other CPMB’s	--	--	--	--	--	--
i) Total amount of CPMB’s given on behalf of the majority shareholder	--	--	--	--	--	--
ii) Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C	--	--	--	--	--	--
iii) Total amount of CPMB’s given on behalf of third parties which are not in scope of C	--	--	--	--	--	--
Total			**97.262.640**			**18.353.334**

16.3 Contingent liabilities and Assets

Iran Comprehensive Action Plan

The Comprehensive Joint Action Plan ("KOEP", "JCPOA") signed in July 2015 between Iran, permanent members of the United Nations Security Council, Germany and the European Union includes the abolition of economic sanctions imposed to Iran as a result of its nuclear activities by the US, the European Union and the United Nations Security Council and the suspension of some of the sanctions in exchange for restricting Iran's nuclear activities.

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

16.3 Contingent Liabilities and Assets (Cont'd)

Iran Comprehensive Action Plan (Cont'd)

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

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

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

Coastal Line

Iskenderun Fiscal Directorate ("Treasury") brought a lawsuit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m^2 located in Hatay, Iskenderun, Sarıseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 99.639.315 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 m^2 of the immovable property of the Company located in Hatay, İskenderun and Sarıseki borders, the court ruled that the applicant had been denied the registration with the abandonment as a line and rejected the request concerning the surplus and rejected the case against the group. Within the legal period, the Group has applied for the appeal law, the group has accepted the appeal and the Gaziantep Regional Court of Justice has removed the decisions given by the Law Department of the 15th Law Department and the Group actions and returned the case to the local court for reconsideration. The Group Management has not recorded any provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors.

Razi Shares

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

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

16.3 Contingent Liabilities and Assets (Cont'd)

Razis' Shares (Cont'd)

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.

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

A lawsuit has been filed at the Ahwaz General and Revolutionary Court for claims amounting to TL 31.328.421 due to the alleged excessive use of gas. The title deed of Razi's land carried at TL 69.460.933 was placed as collateral in the related litigation matter. In view of the opinions of the legal counsel, the Group Management has not made any provision for this case in the accompanying consolidated financial statements at this stage due to the fact that the outcome of the court is uncertain.

VAT Receivable

Razi, the subsidiary of the Company, has value added taxes receivable amounting to TL 120.587.913 (2.473 Million IRR). Even though there is value added tax exemption over export sales in accordance with the current tax regime in Iran and the tax paid is required to be refunded in case of submitting the required documents, Razi Management's refund request was not accepted as of the date of the report. There is uncertainty regarding the timing of the recovery of this receivable recorded under short term other receivables and no provision has been made thereon in the consolidated financial statements.

Koza Gold Case

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

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

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

16.3 Contingent Liabilities and Assets (Cont'd)

Koza Altın Case

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. In accordance with the reasoned decision of the Regional Court of Justice on December 30, 2019; it has been decided to reject the appeal of Koza Altın, to accept the Group's appeal and to remove the first-instance court decision. The lawsuit to terminate of the lease contract and moving out the tenant filed by the Group has been accepted, and due to violation of contracts it has been decided to terminate the contract for the transfer of the right to operate the mines in the mining site dated July 2, 2007 and the additional contract for the calculation of royalty. The mining site will be delivered to the Group after evacuation of the tenant, and the license regarding the operating rights of the mines in the mine field named Koza Altın has been canceled. The license regarding the operating right of the mines in the mining area has been registered on behalf of the Group.

NOTE 17 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	December 31, 2019	December 31, 2018
Due to the personnel	30.330.252	30.065.223
Social security premiums payable	1.831.508	1.140.181
Total	**32.161.760**	**31.205.404**

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

NOTE 17 - EMPLOYEE BENEFITS (Cont'd)

Provision for Employee Benefits:

Short Term	**December 31, 2019**	**December 31, 2018**
Provision for allowance and employee termination benefits	7.867.564	13.523.316
Provision for premium	4.376.320	4.996.550
Provision for early retirement salary (*)	12.634.896	13.976.949
Total	**24.878.780**	**3 2.496.815**

Long Term	**December 31, 2019**	**December 31, 2018**
Allowance for retirement pay (Gübretaş)	15.817.545	12.419.151
Allowance for retirement pay (Razi)	73.355.219	54.203.094
Provision for early retirement salary (*)	24.492.600	49.663.878
Total	**113.665.364**	**116.286.123**

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

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

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

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

NOTE – 18 OTHER ASSETS AND LIABILITIES

Other current assets	December 31, 2019	December 31, 2018
Deferred VAT	13.571.350	18.705.655
Job advances	3.824.537	1.712.572
Other various current assets	314.998	954.906
Total	**17.710.885**	**21.373.133**

NOTE 19 - EQUITY

Paid-in capital

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

	%	December 31, 2019	%	December 31, 2018
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	75,95	253.684.607	75,95	253.684.607
Public	24,05	80.315.393	24,05	80.315.393
Total	**100**	**334.000.000**	**100,00**	**334.000.000**

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

Reserves on retained earnings

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

	December 31, 2019	December 31, 2018
Legal reserves	53.838.737	50.912.456
Real estate sales gain to be added to share capital	--	1.382.652
Total	**53.838.737**	**52.295.108**

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

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

NOTE 20 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Forward agreement	Maturity	Nominal value (USD)	Fair value (TL)
USD buying	February 2020	70.605.000	9.693.235
USD selling	February 2020	(5.000.000)	(230.363)
Total		**65.605.000**	**9.462.872**

As of December 31, 2018, financial instruments of the Company as below.

Forward agreement	Maturity	Nominal value (USD)	Fair value (TL)
USD buying	March 2019	56.485.000	(4.703.497)
Total		**56.485.000**	**(4.703.497)**

NOTE 21 - REVENUE

Sales	January 1 – December 31, 2019	January December 31, 2018
Domestic sales	3.244.140.252	2.780.154.361
Foreign sales	1.088.417.662	1.810.235.184
Service sales	78.261.518	89.574.101
Sales returns (-)	(6.065.160)	(56.664.436)
Sales discounts (-)	(45.175.361)	(61.541.338)
Other discounts from sales (-)	(15.082.542)	(2.671.204)
Total	**4.344.496.369**	**4.559.086.668**

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

NOTE 21 – REVENUE (Cont'd)

Cost of sales (-)	January 1 – December 31, 2019	January December 31, 2018
Cost of goods produced	**1.926.099.129**	**1.845.386.215**
Change in the finished goods	(51.280.958)	(69.481.398)
-Finished goods at the beginning of the period	259.492.688	190.011.290
-Finished goods at the end of the period	(310.773.646)	(259.492.688)
Cost of finished goods sold	1.874.818.171	1.775.904.817
-Trade goods at the beginning of the period	465.740.737	407.533.261
-Purchases	1.710.828.651	1.490.490.001
-Trade goods at the end of the period	(642.840.114)	(465.740.737)
Cost of trade goods sold	1.533.729.274	1.432.282.525
Cost of other sales	76.148.476	66.564.920
Cost of services sold	9.825.205	4.557.020
Total	**3.494.521.126**	**3.279.309.282**

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES

	January 1- December 31, 2019	January 1- December 31, 2018
General administrative expenses	146.751.465	151.894.048
Marketing and selling expenses	392.069.013	350.838.860
Total	**538.820.478**	**502.732.908**

General administrative expenses	January 1- December 31, 2019	January 1- December 31, 2018
Personnel expenses	101.790.533	104.553.501
Outsourced services (*)	4.303.050	3.687.431
Depreciation and amortization expenses	3.335.669	2.955.276
Taxes and duties	2.536.775	2.924.520
Other expenses	34.785.438	37.773.320
Total	**146.751.465**	**151.894.048**

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

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

Marketing and selling expenses	January 1- December 31, 2019	January 1- December 31, 2018
Outsourced services (*)	305.777.463	316.338.288
Fertilizer tracking system expenses (**)	43.051.051	--
Personnel expenses	20.204.702	16.247.098
Depreciation and amortization expenses	1.352.487	1.166.280
Taxes and duties	720.398	199.603
Other expenses	20.962.912	16.887.591
Total	**392.069.013**	**350.838.860**

(*) The benefits and services providing from the outside are formed mainly by the transportation costs, maintenance-repair expenses, energy, fuel, water and communication costs.

(**) System usage expenses related to the fertilizer tracking system which started to be implemented at the end of 2018 and was used throughout 2019.

NOTE 23 – EXPENSES BY NATURE

	January 1- December 31, 2019	January 1- December 31, 2018
Cost of goods sold	1.784.043.389	1.709.873.415
Cost of trade goods sold	1.533.729.274	1.432.282.525
Outsourced services	310.080.513	320.025.719
Personnel expenses	121.995.235	120.800.599
Depreciation and amortization expenses	94.543.534	70.152.958
Tax and duties	3.257.173	3.124.123
Cost of other sales	76.148.476	66.564.920
Cost of service sold	9.825.205	4.557.020
Other expenses	99.718.805	54.660.911
Total	**4.033.341.604**	**3.782.042.190**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

24.1 Other operating income

	January 1- December 31, 2019	January 1- December 31, 2018
Foreign exchange income related to trade transactions	258.078.701	694.173.315
Interest income	10.284.689	4.788.368
Other revenues	35.874.481	21.956.832
Total	**304.237.871**	**720.918.514**

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

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

24.2 Other operating expense (Cont'd)

	January 1-December 31, 2019	January 1-December 31, 2018
Foreign exchange expenses related to trade transactions	385.247.421	956.125.981
Provision expenses	12.979.358	4.863.908
Other expenses	35.075.479	152.523.021
Total	**433.302.258**	**1.113.512.910**

NOTE 25 – INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

	January 1-December 31, 2019	January 1-December 31, 2018
Increase/(decrease) in the value of investment property	4.333.373	(5.829.174)
Dividend income	2.275.012	--
Loss on sales of associates	--	(4.753.298)
Loss on sales of property plant and equipment	340.386	(652.179)
Other income	537.079	--
Total	**7.485.850**	**(11.234.651)**

NOTE 26- FINANCIAL INCOME AND EXPENSES

	January 1-December 31, 2019	January 1-December 31, 2018
Interest expenses on bank loans	328.957.115	163.565.525
Total interest expenses, net	**328.957.115**	**163.565.525**
Net foreign exchange (gain)/losses	25.085.342	(18.320.282)
Income from derivative instruments	(9.462.872)	4.703.497
Other financial (income)/expenses	(36.818.333)	88.313.920
Total financial expenses, net	**307.761.252**	**238.262.659**

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

NOTE 27- ASSETS HELD FOR SALE

The Group sold all of its shares in Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. in accordance with the share transfer agreement dated February 5, 2020, who made a bid amounting to USD 75.120.000 (including related debts) in the tender held on January 8, 2020. As of 31 December 2019, due to the existence of a disposal plan that resulted in the loss of control of the subsidiary Nbulkgas, IGLC Dicle and IGLC Anka, all the assets and liabilities of subsidiaries were classified as Assets / Liabilities Held for Sale.

	December 31,2019
Cash and cash equivalents	7.936.987
Trade and other receivables	33.202
Property plant and equipment	500.777.321
Other current assets	7.052.405
Other non-current assets	4.507.606
Assets held for sale	**520.307.521**
Trade payables	1.934.942
Other payables	354.821.930
Other short-term liabilities	1.295.756
Other long-term liabilities	5.930
Liabilities related to assets held for sale	**358.058.558**

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

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years. Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax. As of December 31, 2019, and 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020. Corporate tax rate in Iran is 25% (December 31, 2018: 25%).

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Tax assets and liabilities

Corporate tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

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

Corporate tax (Cont'd)

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2019 and 2018, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Tax provision included in the balance sheet pertaining to the years ended 31 December 2019 and 2018 is as follows:

			December 31,2019
	Gübretaş	**Razi**	**Total**
Provision for current period corporate tax	--	(5.853.910)	(5.853.910)
Prepaid tax	3.087.261	6.429.623	9.516.884
Prior year's corporate tax liabilities	--	(3.350.133)	(3.350.133)
Translation differences	--	132.434	132.434
Total	**3.087.261**	**(2.641.986)**	**445.275**

			December 31,2018
	Gübretaş	**Razi**	**Total**
Provision for current period corporate tax	--	(4.833.529)	(4.833.529)
Prepaid tax	2.113.486	7.135.348	9.248.834
Prior year's corporate tax liabilities	--	(6.982.477)	(6.982.477)
Total	**2.113.486**	**(4.680.658)**	**(2.567.172)**

Deferred tax assets and liabilities

The Group recognizes deferred tax assets and liabilities on the basis of the temporary differences arising from the difference between consolidated financial statements that are prepared in accordance with TFRS and the local financial statements prepared for tax purposes. In general, the differences result from the income and expense amounts included in the local financial statements to take place in different periods in the consolidated financial statements that are prepared in accordance with TFRS.

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

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

Deferred tax assets and liabilities (Cont'd)

	December 31, 2019		December 31, 2018	
Deferred tax reflected to the income statement	**Temporary differences**	**Deferred tax, assets and liabilities**	**Temporary differences**	**Deferred tax, assets and liabilities**
Investment incentive	147.950.576	29.590.115	149.486.109	29.897.222
Losses for usable tax	463.920.856	92.784.171	295.694.859	59.138.992
Adjustments for inventories	10.776.888	2.370.915	2.680.964	589.812
Trade and other receivables	2.057.213	452.587	13.836.858	3.044.109
Property plant and equipment / Intangible assets and Investment properties	149.760.758	29.952.152	155.217.391	31.043.478
Other differences	942.235	207.292	1.009.859	222.169
Provisions for termination indemnity	21.060.688	4.317.000	17.150.385	3.464.077
Unearned financial expenses	3.795.828	835.082	3.286.039	722.929
Derivative financial instruments	--	--	4.703.497	940.699
Expense accruals	5.027.718	1.106.098	14.713.837	3.237.044
Deferred tax assets	**805.292.760**	**161.615.412**	**657.779.798**	**132.300.531**
Property plant and equipment / Intangible assets and Investment properties	356.439.942	71.287.988	351.636.981	70.327.396
Expense accruals (net)	804.194	176.923	1.972.773	361.108
Derivative financial instruments	9.462.872	2.081.832	--	--
Trade receivables	2.834.552	623.601	--	--
Unearned financial income	3.103.319	682.730	--	--
Other differences	181.769.168	18.176.916	180.907.551	18.090.755
Deferred tax liabilities	**554.414.047**	**93.029.990**	**534.517.305**	**88.779.260**
Net deferred tax asset		**68.585.422**		**43.521.271**
Razi Co. deferred tax asset / (liability) (*)		**(19.577.929)**		**(26.528.482)**
Total deferred tax asset / (liability)		**49.007.493**		**16.992.789**

(*) The liability of TL 26.528.482 arises from the deferred tax effect of the property valuation adjustment of the Razi. (December 31, 2018: TL 26.528.482).

Information related to deferred tax transaction table:

	2019	2018
Opening balance on January 1	16.992.789	13.986.000
Impact of foreign currency translation of deferred tax of Razi	7.293.192	11.064.436
Sub Total	**24.285.981**	**25.050.436**
Deferred tax income /(expense)	24.536.311	(484.151)
Tax revenue recognized in other comprehensive income	185.201	(7.573.496)
Closing balance on December 31	**49.007.493**	**16.992.789**

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

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

Reconciliation of the tax provision:	January 1-December 31, 2019	January 1-December 31, 2018
Profit / (Loss) before tax	(117.323.407)	140.977.347
Calculated tax (%22)	**--**	**(31.015.016)**
Impact of foreign subsidiaries subjected to different tax rates	(129.713)	(380.744)
Disallowable expenses	(9.385.040)	(2.415.806)
Tax effects of discount and exemptions	(2.733.438)	2.548.010
Previous period tax expense of Razi	(3.350.133)	(6.982.477)
Total discounts of investment incentives	29.590.115	29.897.222
Other differences	4.690.610	3.031.131
Tax income / expense	**18.682.401**	**(5.317.680)**

NOTE 29 - EARNINGS PER SHARE

Earnings per share stated in the consolidated income statement are calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the year. The weighted average of the shares and profit per share calculations are as follows:

	January 1-December 31, 2019	January 1-December 31, 2018
Net period (loss) on parent's shares)	(149.740.564)	(84.235.696)
Weighted average number of issued ordinary shares (1 kr each)	33.400.000.000	33.400.000.000
Earnings per share (kr) (*)	**(0,0045)**	**(0,0025)**

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 30 - RELATED PARTIES TRANSACTIONS

30.1 Balances due to / from related parties

Trade receivables	December 31, 2019	December 31, 2018
TKK	173.404.172	99.019.932
Other related parties	1.277.865	5.032.408
Total	**174.682.037**	**104.052.340**

The maturity in sales to TKK varies between 15 and 75 days.

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

NOTE 30 - RELATED PARTIES TRANSACTIONS (Cont'd)

30.1 Balances due to / from related parties (Cont'd)

Trade Payables	December 31, 2019	December 31, 2018
Tarkim	18.359	1.204.133
Tarnet	889.673	194.774
TKK	20.098	32.725
Tarım Kredi Yem	238.021	--
TK Taşımacılık	632.182	--
Bereket Sigorta	22.754	--
Total	**1.821.087**	**1.431.632**

Other Receivables	December 31, 2019	December 31, 2018
Tarım Kredi Holding A.Ş. (*)	10.135.215	--
Total	**10.135.215**	**--**

Other Payables	December 31, 2019	December 31, 2018
Tarım Kredi Yem San. ve Tic. A.Ş. (*)	25.000.000	--
Total	**25.000.000**	**--**

(*) In the current year, the Group had borrowed TL 25.000.000 from Tarım Kredi Yem San. ve Tic. A.Ş., a related party of the Group, in the line with the Group regulations, and TL 10.000.000 part of this borrowing was given to Tarım Kredi Holding A.Ş. and TL 15.000.000 part was given to Tarım Kredi Birlik Tarım Ürünleri A.Ş. in accordance with the same Group regulations. Tarım Kredi Birlik Tarım Ürünleri A.Ş. had paid its debt in the current period as cash. These borrowing transactions were carried out at market interest in accordance with the Group regulations.

30.2 Transactions with Related Parties

Sales of goods and services	January 1- December 31, 2019	January 1- December 31, 2018
TKK	2.329.449.460	1.996.671.714
Tarım Kredi Birlik Tarım Ürünleri	7.624.372	--
Tarkim	1.198.961	1.566.014
Tarnet	76.554	256.125
Bereket Sigorta	23.002	--
TK Sera	19.539	--
Total	**2.338.391.888**	**1.998.493.853**

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

NOTE 30 - RELATED PARTIES TRANSACTIONS (Cont’d)

30.2 Transactions with Related Parties (Cont’d)

Purchases of goods and services	January 1-December 31, 2019	January 1-December 31, 2018
TKK	20.684.435	25.285.851
Tarnet	3.984.144	3.419.872
Tarım Kredi Birlik	890.863	--
Tarkim	18.767	3.719.801
Tarım Kredi Yem	114.037	--
TK Taşımacılık	3.218.781	--
Total	**28.911.027**	**32.425.524**

Interest income	January 1-December 31, 2019	January 1-December 31, 2018
Tarım Kredi Holding	114.589	--
Tarım Kredi Birlik Tarım Ürünleri	62.568	--
Total	**177.157**	**--**

Interest expenses	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Tarım Kredi Yem	2.677.363	--
Total	**2.677.363**	**--**

30.3 Renumeration of board of directions and executive management

The total benefits provided by the Group to its board of directors and executive management during the years ended December 31, 2019 and 2018 are as follows:

	December 31,2019		December 31,2018	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits	3.790.511	5.692.686	2.577.102	6.145.198
Total	**3.790.511**	**5.692.686**	**2.577.102**	**6.145.198**

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

NOTE 31 – FINANCIAL INSTRUMENTS

Short-term financial investments	Maturity	Int.rates (%)	December 31,2019
Private sector bonds and bills	March 2020	15-20	39.543.797
Total			**39.543.797**

Short-term financial investments	Maturity	Int.rates (%)	December31,2018
Private sector bonds and bills	March 2019	15	35.397.720
Total			**35.397.720**

Long-term financial investments	Maturity	Int.rates (%)	December 31,2019
Public sector bonds and bills	2021	24,5	19.131.925
Total			**19.131.925**

Long-term financial investments	Maturity	Int.rates (%)	December 31,2018
Public sector bonds and bills	2020	24,5	3.925.372
Total			**3.925.372**

		December 31, 2019		December 31, 2018	
Title	**Subject of activities**	**% Share**	**Amount of participant**	**% Pay**	**Amount of participant**
Tarnet	Internet Service Provider etc.	15,78	2.537.515	15,78	2.537.515
Tareksav	Agricultural Credit Cooperative Education Foundation	24,10	200.000	24,10	200.000
Total			**2.737.515**		**2.737.515**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Capital risk management

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

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

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

Capital risk management (Cont'd)

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

Net financial debt/total equity ratio as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Total debt	3.444.730.042	3.097.711.168
Cash and cash equivalents (-)	(174.457.909)	(368.851.076)
Net debt	**3.270.272.133**	**2.728.860.092**
Total equity	840.908.821	1.237.556.446
Net debt / total equity	**%389**	**%221**

Hedging activities and derivative instruments

Liquidity risk

The Group Management manages the liquidity risk by managing the balance sheet and its cash flows in compliance. Accordingly, the Group Management ensures that the maturities of receivables and payables are in compliance; net working capital management targets are set to protect the short-term liquidity; liquidity opportunities are kept available in the financial institutions to meet the possible liquidity problems and balance sheet rations are trying to be kept in acceptable level.

In medium- and long-term liquidity management, the Group's cash flow estimates are based on financial markets and industry dynamics, the cash flow cycle is monitored and tested according to various scenarios.

December 31, 2019	Book value	Total of contractual cash outflows ı	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivative financial liabilities					
Financial borrowings	1.639.319.679	1.733.844.051	920.014.314	678.816.50	135.013.387
Trade payables	987.839.596	987.839.596	987.839.596	--	--
Other payables	111.375.472	111.375.472	111.375.472	--	--
Total	**2.738.534.747**	**2.833.059.119**	**2.019.229.382**	**678.816.50**	**135.013.387**

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

NOT 32 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Liquidity risk (Cont'd)

December 31, 2018	Book value	Total of contractual cash outflows	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivative financial liabilities					
Financial borrowings	1.610.303.546	1.733.862.059	1.613.258.162	49.525.890	71.078.006
Trade payables	779.632.415	779.632.415	779.632.415	--	--
Other payables	34.850.876	34.850.876	34.850.876	--	--
Total	**2.424.786.837**	**2.548.345.350**	**2.427.741.453**	**49.525.890**	**71.078.006**

Interest rates risk

The Group is exposed to significant interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed-floating interest mainly.

	December 31, 2019	December 31, 2018
Fixed interest financial instruments		
Financial assets		
-Time deposits	128.793.153	262.357.357
-Financial investments	61.413.237	42.060.607
Financial borrowings	1.639.319.679	1.610.303.546
Floating rate financial instruments		
Time deposits	--	19.220

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

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

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantee (letter of guarantee, letter of credit, etc.)
- Credit insurance (Global insurance policy, Eximbank and factoring insurance etc.)
- Mortgage

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

NOT 32 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk management

The Group is exposed to credit risk due to the trade receivables arising from the sales on account. Management minimizes the credit risk regarding its trade receivables by taking guarantees (such as bank letter of guarantee, mortgage, etc.) from customers (except for related parties). These credit risks are monitored continuously by the Group and the quality of the receivables are evaluated by considering past experiences and current economic condition. The trade receivables are presented in the consolidated balance sheet in net amount after deducting the allowance for doubtful receivables not to be collected. Approximately 54% of the Group sales were made to the main shareholder TTK.

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

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

Credit risk management (Cont'd)

The credit risks exposed by the financial instrument types as of December 31, 2019 and December 31, 2018 are as follows:

December 31, 2019	Receivables				Deposit in banks	Derivative financial instruments	Financial investments
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D)	174.682.037	336.576.916	10.135.215	284.182.611	173.995.566	9.462.872	61.413.237
-part of maximum risk secured by guarantee etc.	--	--	--	--	--	--	--
A) Net book value of financial assets which are undue or not exposed to depredation	174.682.037	336.576.916	10.135.215	284.182.611	173.995.566	9.462.872	61.413.237
B) Net book value of assets which are overdue but not exposed to depredation	--	--	--	--	--	--	--
C) Net book value of assets which are exposed to depredation	--	--	--	--	--	--	--
-Overdue (gross book value)	--	12.212.962	--	--	--	--	--
- Value decrease (-)	--	(12.212.962)	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--	--
- Value decrease (-)	--	--	--	--	--	--	--
- Part of net value secured by guarantee, etc	--	--	--	--	--	--	--
D) Off-balance sheet elements carrying credit risk	--	--	--	--	--	--	--

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

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

Credit risk management (Cont’d)

December 31, 2018	Receivables				Deposit in banks	Derivative financial instruments	Financial investments
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D)	104.052.340	543.266.746	--	276.027.481	368.517.959	--	42.060.607
-part of maximum risk secured by guarantee etc.	--	--	--	--	--	--	--
A) Net book value of financial assets which are undue or not exposed to depredation	104.052.340	543.266.746	--	276.027.481	368.517.959	--	42.060.607
B) Net book value of assets which are overdue but not exposed to depredation	--	--	--	--	--	--	--
C) Net book value of assets which are exposed to depredation	--	--	--	--	--	--	--
-Overdue (gross book value)	--	10.088.498	--	--	--	--	--
- Value decrease (-)	--	(10.088.498)	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--	--
- Value decrease (-)	--	--	--	--	--	--	--
- Part of net value secured by guarantee, etc.	--	--	--	--	--	--	--
D) Off-balance sheet elements carrying credit risk	--	--	--	--	--	--	--

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

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

Foreign currency risk

Currencies other than the current functional currencies according to the economies of the countries in which the Group operates are considered as foreign currencies.

Assets and liabilities denominated in foreign currency held by the Group in terms of original and Turkish Lira currency units as of December 31, 2019 are as follows:

				December 31,2019
		TL (functional currency)	**USD**	**EUR**
1	Trade receivables	192.177.940	32.089.094	234.911
2	Monetary financial assets (including cash, bank accounts)	58.372.049	8.088.493	1.552.459
3	Other current assets	4.236.963	505.375	185.687
4	**Foreign currency assets (1 + 2 + 3)**	**254.786.951**	**40.682.963**	**1.973.057**
5	Trade payables	(756.495.509)	(127.112.820)	(213.505)
6	Financial borrowings	(207.172.465)	(10.000.000)	(22.219.118)
7	Other short-term liabilities, net	(88.733)	(14.938)	--
8	**Short term liabilities in foreign currency (5 + 6 + 7)**	**(963.756.707)**	**(137.127.758)**	**(22.432.623)**
9	Trade payables	**--**	**--**	**--**
10	Financial borrowings	**--**	**--**	**--**
11	Long term liabilities in foreign currency (9 + 10)	--	--	--
12	**Total liabilities in foreign currency (8 + 11)**	**(963.756.707)**	**(137.127.758)**	**(22.432.623)**
13	**Net foreign currency asset, liability position (4-12)**	**(708.969.755)**	**(96.444.795)**	**(20.459.565)**
14	**Monetary items net foreign currency asset / liability position (4-12)**	**(708.969.755)**	**(96.444.795)**	**(20.459.565)**
15	**Fair value of derivative instruments classified for hedging purposes**	**9.462.872**	**--**	**--**
16	**Amount of hedged portion of foreign currency liabilities**	**389.706.821**	**65.605.000**	**--**

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

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

Foreign currency risk (Cont'd)

Assets and liabilities denominated in foreign currency held by the Group in terms of original and Turkish Lira currency units as of December 31, 2018 are 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 (including cash, bank accounts)	159.982.999	11.091.566	16.859.884
3	Other current assets	11.645.169	227.058	1.733.683
4	**Foreign currency 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 borrowings	(350.205.991)	(51.736.524)	(12.943.814)
7	Other short-term liabilities, net	(88.624)	(60)	(14.650)
8	**Short term liabilities in foreign currency (5 + 6 + 7)**	**(778.566.738)**	**(52.204.457)**	**(83.597.265)**
9	Trade payables	**--**	**--**	**--**
10	Financial borrowings	**--**	**--**	**--**
11	Long term liabilities in foreign currency (9 + 10)	**--**	**--**	**--**
12	**Total liabilities in foreign currency (8 + 11)**	**(778.566.738)**	**(52.204.457)**	**(83.597.265)**
13	**Net foreign currency asset, liability position (4-12)**	**(233.088.181)**	**28.209.856**	**(63.287.561)**
14	**Monetary items net foreign currency asset / liability position (4-12)**	**(233.088.181)**	**28.209.856**	**(63.287.561)**
15	**Fair value of derivative instruments classified for hedging purposes**	**(4.703.497)**	**--**	**--**
16	**Amount of hedged portion of foreign currency liabilities**	**297.161.937**	**56.485.000**	**--**

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

Foreign currency risk (Cont'd)

As of December 31, 2019, and December 31, 2018, if related currencies had appreciated/depreciated by 10% against Turkish Lira with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is as follows:

		December 31, 2019
		Profit/(loss)
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change of USD by %10 against TL		
1- Assets/liability denominated in USD – net	(57.290.137)	57.290.137
2- The part hedged for USD risk (-)	38.970.682	(38.970.682)
3- The impact of TL net profit for the period	(18.319.455)	18.319.455
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(13.606.838)	13.606.838
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(13.606.838)	13.606.838

		December 31, 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	14.840.924	(14.840.924)
2- The part hedged for USD risk (-)	29.716.194	(29.716.194)
3- The impact of TL net profit for the period	44.557.118	(44.557.118)
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(38.149.742)	38.149.742
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(38.149.742)	38.149.742

NOTE 33- FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING)

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying values of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.
The fair value of financial assets and liabilities are determined as follows:

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

- Second level: Financial assets and liabilities are valued over the inputs used to find out observable price of relevant asset or liability directly or indirectly in the market other than its stock exchange price specified in first level.

- Third level: Financial assets and liabilities are valued over the inputs not based on an observable data in the market, which is used to find out fair value of asset and liability.

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

NOTE 33- FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING) (Cont'd)

Fair value hierarchy table as of December 31, 2019 and December 31, 2018 is as follows:

December 31,2019	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets / (liabilities)	--	9.462.872	--

December 31,2018	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets / (liabilities)	--	(4.703.497)	--

NOTE 34 - SUBSEQUENT EVENTS

The Group had sold all of its shares of Nbulkgas Deniz İşletmeciliği Ltd. Şti. to Pasco Investment Holding Co. in accordance with the share transfer agreement dated February 5, 2020, which made a bid amounting to USD 75.120.000 (including related debts) in the tender held on January 8, 2020. As of 31 December 2019, due to the existence of a disposal plan that resulted in the loss of control of the subsidiary Nbulkgas, IGLC Dicle and IGLC Anka, all assets and liabilities of subsidiaries were classified as Assets / Liabilities Held for Sale.

According to the Board Decision dated January 22, 2020, it was decided to establish Gübretaş Maden Yatırımları A.Ş. with a paid in capital of TL 550.000 and 100% of the share owned by the Group, in order to make investments in mines in national and international areas, which is one of the activities of the Group, and to authorize the administration to carry out all establishment work and operations of the new company.

According to the Board Decision dated 30 July 2019, the relevant legislation of the CMB and the authority given by the Article 15 of the Articles of Incorporation of the Company, and also with the approval of the CMB dated January 2, 2020; it has been decided to sign an agreement between the Group and Halk Varlık Kiralama A.Ş. for the purpose to issue lease certificates, where the Group will be "Fund User/Resource Entity" and in this context to issue lease certificates up to TL 500.000.000 to be sold to dedicated and/or qualified investors.