



**2020 2nd QUARTER
OPERATING REVIEW
REPORT**

**GÜBRE FABRİKALARI TÜRK A. Ş.
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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2020 - 30.06.2020

B. COMMERCIAL TITLE

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

C. TRADE REGISTER NUMBER

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

D. CONTACT INFORMATION

HEAD OFFICE

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

E-mail Address: gubretas@gubretas.com.tr

Web Address: www.gubretas.com.tr

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

YARIMCA FACILITIES

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

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

FOÇA FACILITIES

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

Phone: +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

ANTALYA REGIONAL OFFICE

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

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

Fax : +90 (242) 311 43 93

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. Km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

İSKENDERUN REGIONAL OFFICE

Address: Sarıseki Mah. Atatrk Cad. No: 6 Sarıseki İskenderun/HATAY

Phone : +90 (326) 626 14 42 - 44 - 49

Fax : +90 (326) 626 14 50

İZMİR REGIONAL OFFICE

Address: Kırlar Mevkii Fatih Mah. Atatrk Cad. Helvacı - Alięa / İZMİR

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL OFFICE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

ŞANLIURFA REGIONAL OFFICE

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

Phone : +90 (414) 341 08 08

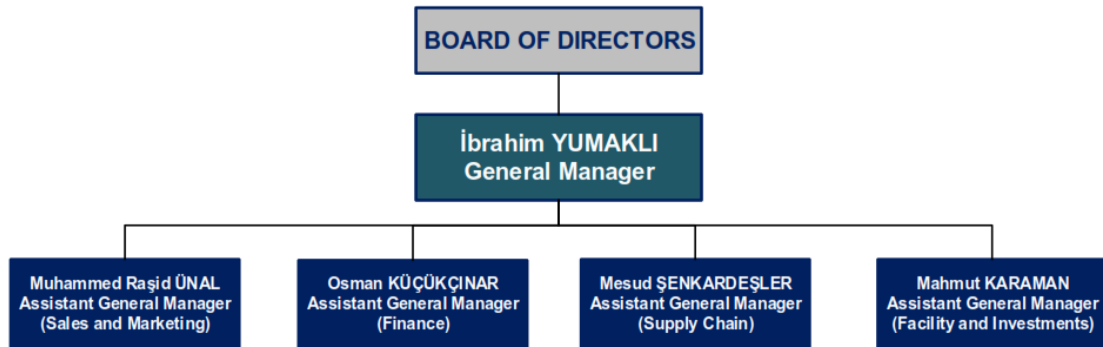
Fax : +90 (414) 381 08 10

TEKİRDAĞ REGIONAL OFFICE

Address: Hürriyet Mah. Dekanlar Sk. No: 2 Yaşam Plaza Kat:1 D:2 Süleymanpaşa/TEKİRDAĞ

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

Fax : +90 (282) 262 98 51

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

As of 30.06.2020, authorized share capital of the company is 1.000.000.000 ₺ and paid-in share capital is 334.000.000 ₺. There has not been any change in terms of share capital and shareholder's structure of Gübretas within the reporting period.

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

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

Table 1 : CAPITAL STRUCTURE

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

G. BOARD OF DIRECTORS

Title	Name	Date of Election
Chairman	Fahrettin POYRAZ	19.12.2017
Vice Chairman	Ahmet BAĞCI	03.05.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Member	Mehmet TUNÇAK	03.05.2018
Member	Selahattin KÜLCÜ	22.03.2019
Member	Mehmet Okan ATEŞ	02.05.2019
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Vahit Kirişçi	25.06.2020
Independent Member	Mehmet BULUT	30.03.2018

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

H. TOP MANAGEMENT

Title	Name	Date of Appointment
General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Facility and Investments	Dr. Mahmut KARAMAN	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Finance	Osman KÜÇÜKÇINAR	30.04.2020
Assistant GM – Sales & Marketing	Muhammed Raşid ÜNAL	15.06.2020

Top management personnel who left the company during the reporting period:

Title	Name	Date of Appointment	Date of Departure
Assistant GM - Finance	Ahmet Levent SERTTAŞ	24.09.2018	30.04.2020

I. ADMINISTRATIVE ACTIVITIES

Number of Personnel

As of 30.06.2020, the number of personnel increased by 0.7% to 572 people compared to the same date of the previous year.

Training Activities

Training activities are aimed at developing managerial, personal and professional skills of the staff. Education activities of 299 hours with participation of 27 employees were carried out in the first half of 2020.

II. THE COMPANY'S ACTIVITIES

A. PRODUCTION

Gübretaş produced 168,815 tons (2019/6: 219,659 tons) of compound fertilizers, 78,030 tons (2019/6: 52,130 tons) of nitrogen-based fertilizers, 33,280 tons (2019/6: 19,370 tons) of phosphate-based fertilizers, and a total of 277,125 tons (2019/6: 291,159 tons) of solid fertilizers in the first half of 2020. In addition, 26,627 tons (2019/6: 17,326 tons) of liquid and powder fertilizers were produced in the same period.

Solid fertilizer production decreased by 4.8%; liquid-powder production increased by 63.7% in the first half of 2020 compared to the same period of 2019. Total fertilizer production including solid, liquid and powder decreased by 1.5%.

Some of the products were used as raw material in the production process. Capacity utilization rate was 65% in the first half of 2020.

Table 2: PRODUCTION BY GROUP -TON

Production	2020/6	2019/6	Change
Solid Fertilizer	277,125	291,159	(4.8%)
Liquid - Powder Fertilizer	26,627	17,326	53.7%
TOTAL	303,752	308,585	(1.5%)

B. SALES AND PURCHASES

The Company sold 1,085,285 tons (2019/6: 1,045,372 tons) of solid, 43,856 tons (2019/6: 34,764 tons) of liquid and powder fertilizers in the first half of 2020.

The solid fertilizer sales increased by 3.82% in the first half of 2020, compared to the same period of the previous year.

The volume of purchases was 899,093 tons in the first half of 2019, and decreased by 1.93% to 881.585 tons in the first half of 2020. Exports has been 27,881 tons in the half of 2020, while it was 15,926 tons in the same period of 2019.

Table 3: PROCUREMENT AND SALES-TON

Solid Chemical Fertilizer	2020/6	2019/6	Change
Raw Material	229,444	238,710	(3.9%)
Commodity	652,144	660,383	(1.3%)
Total Purchases	881,585	899,093	(2%)

Table 4: SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2020/6	2019/6	Change
Compound	286,637	326,832	(12.3%)
Nitrogen-based	735,831	664,307	10.8%
Phosphate-based and others	62,817	54,223	15.8%
Total Solid Fertilizer	1,085,285	1,045,372	3,8%
Total Liquid - Powder Fertilizer	43,856	34,764	26,2%
Grand Total	1,129,141	1,080,136	4.5%

C. INVESTMENTS

In Turkish operations, the Company incurred 45,454,498 ₺ of capital expenditure in the first half of 2020, while this figure was 47,117,958 ₺ in the same period of 2019.

III. AFFILIATES AND SUBSIDIARIES

Detailed information about affiliates and subsidiaries are given in the Note 1 of interim consolidated financial statements of 30 June 2020.

IV. RAZİ PETROCHEMICAL CO.'S ACTIVITIES

A. PRODUCTION

In the first half of 2020, 829,664 tons (2019/6: 721,581 tons) of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. ("Razi") and its subsidiary Arya Phosphoric Jonoub Co. ("Arya"). The capacity utilization rate was 45.5% (2019/6: 39.6%)

Table 5: RAZİ PRODUCTION-TON

PRODUCT	2020/6	2019/6	Change	Capacity	2020/6 CUR
Ammonia	416,604	356,060	17%	1.336.000	62.4%
Urea	240,079	233,450	2.8%	594.000	80.8%
Sulphur	121,960	101,145	20.6%	508.000	48%
Sulphuric Acid	36,424	26,337	38.3%	627.000	11.6%
Phosphoric Acid	10,201	4,566	123.4%	126.000	16.2%
DAP	2,393	-	-	450.000	1.1%
Total	829,664	721,558	14.71%	3.641.000	45.46%

B. SALES

In the first half of 2020, 835,107 tons (2019/6: 800,181 tons) of fertilizer were sold and 676,778,506 ₺ (2019/6: 589,503,168 ₺) of revenue was generated by Razi and its subsidiaries. Razi exported 656,988 tons and sold 178,122 tons in the domestic market in the first three months of 2020. The share of exports in total sales was 78.7%.

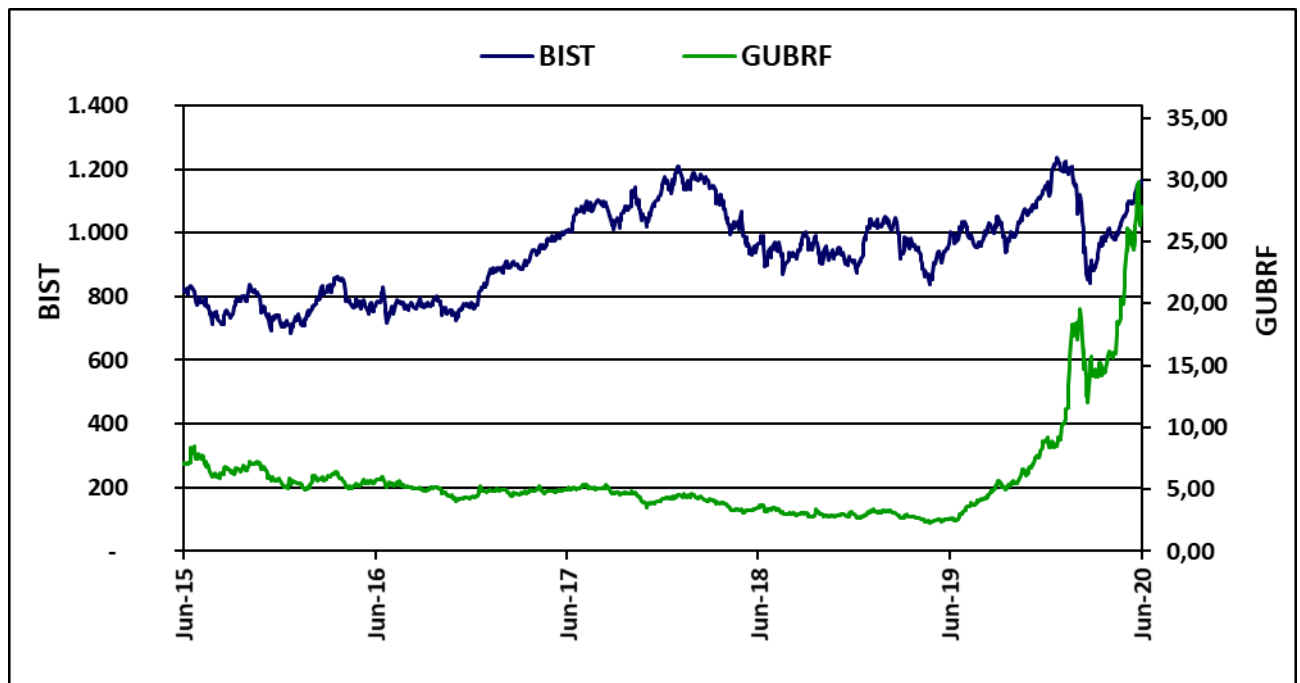
Table 6: RAZI SALES-TON

PRODUCT	2020/6	2019/6	Change
Finished Goods	703,370	572,373	22.9%
Urea	216,104	230,005	(6%)
Ammonia	283,734	190,396	49%
Sulphur	145,064	134,697	7.7%
Sulphuric Acid	5,455	11,594	(52.6%)
Phosphoric Acid	28,009	5,557	404%
DAP	25,004	221	-
Trade Goods	131,737	227,810	(%42.2)
Urea	131,737	94,951	10.7%
Ammonia	-	9,350	-
Ammonium Sulphate	-	44,000	-
TOTAL	835,107	800,181	4.4%

C. INVESTMENTS

8,133,804 ₺ of capital expenditures were incurred by the Iranian operations in the first half of 2020, while this figure was 19,169,410 ₺ in 2019.

V. PERFORMANCE OF THE STOCK

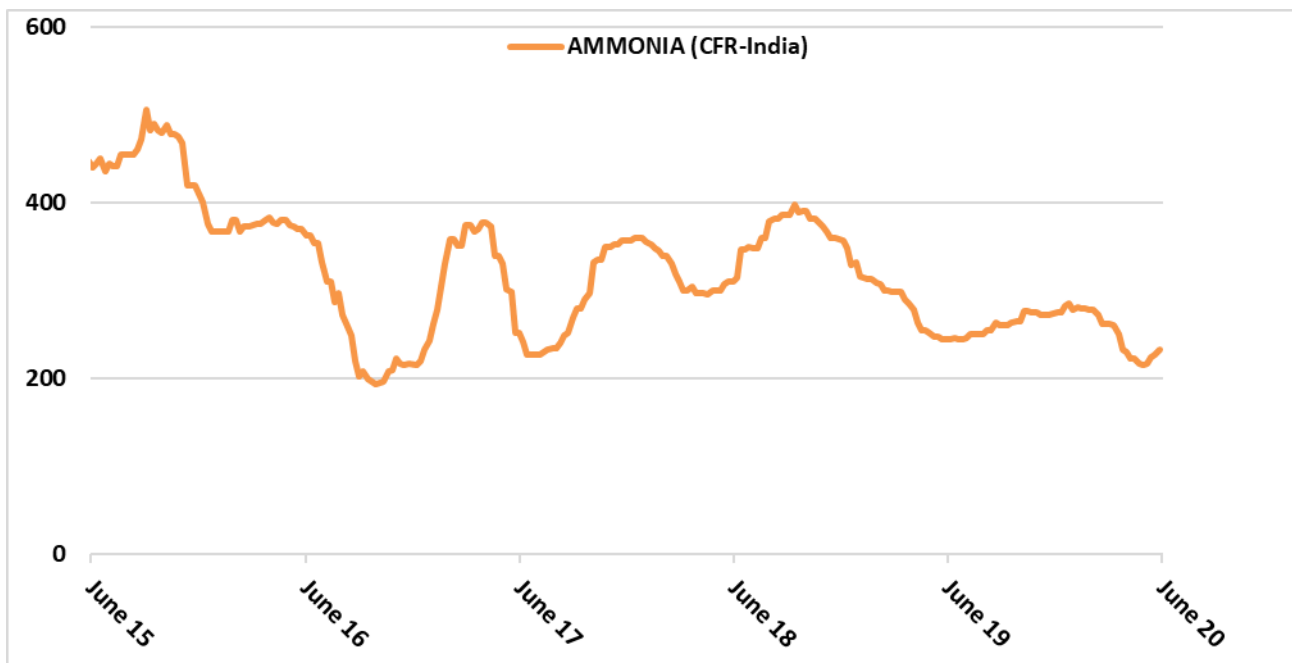
Graph 1 : PERFORMANCE OF THE STOCK


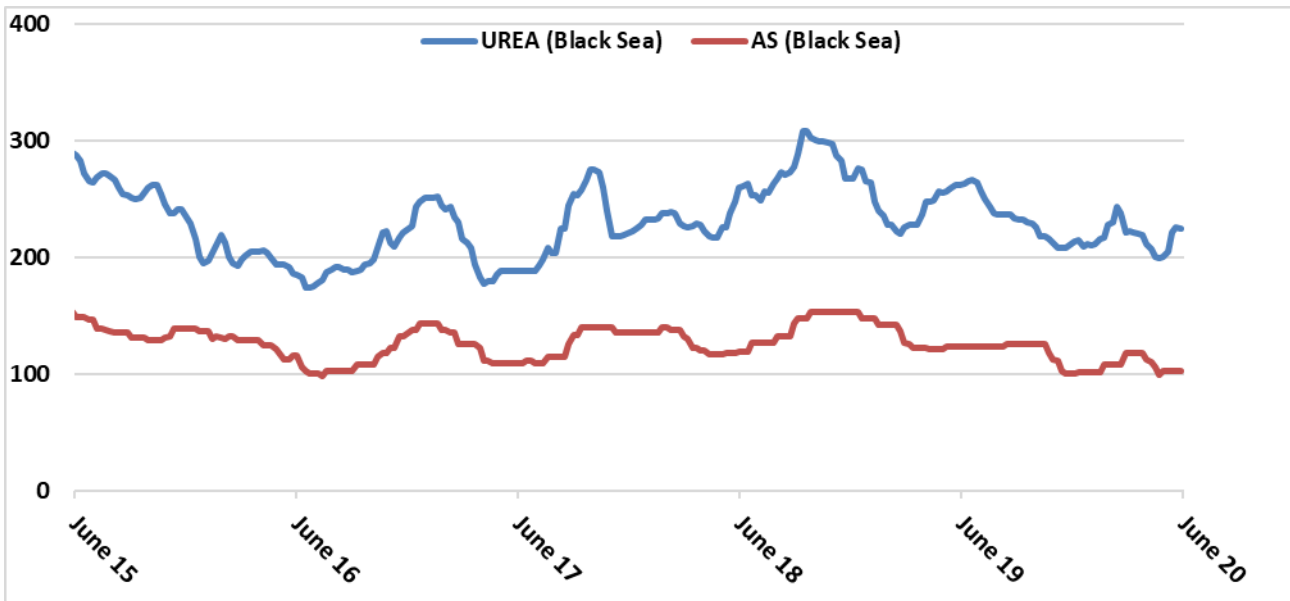
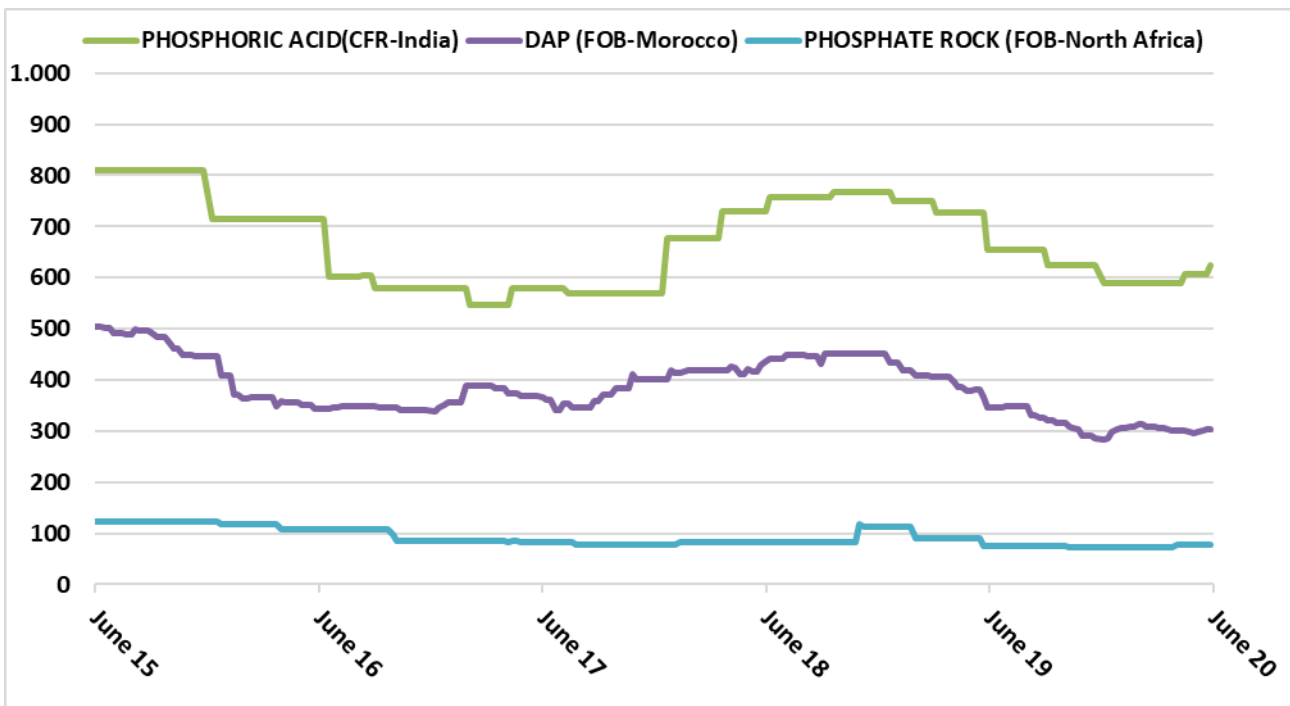
VI. REVIEW

The ammonia is the most important product for the Iranian operations. There was a downward trend in ammonia prices in the first half of 2020 up to 10% compared to the same period of the last year. In the first half of the year, the average CFR prices in India region was around 254 USD. Ammonia prices, which showed an increase of about 10% compared to last quarter has been observed as positive development for the Iranian operations. On the other hand, the 20% devaluation of the Iranian Riyal against the USD had a positive operational cost ratio effect on the Razi operations.

As the AS prices in the Black Sea basin had a downward price trend in the first half of the year, the Urea prices that have the same trend had a slight recovery at the end of the reporting period. In phosphate fertilizers and fertilizer raw materials, a period with predominantly horizontal movement has been observed except for DAP product, which had a downward trend towards the first half.

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



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

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


VII. FINANCIAL STRUCTURE

A. CONSOLIDATED BALANCE SHEET

ASSETS	30 June 2020	31 December 2019
Current Assets	2,398,646,244	2,277,939,743
Non-current Assets	1,422,036,504	1,487,391,599
TOTAL ASSETS	3,820,682,748	4,285,638,863
LIABILITIES	30 June 2020	31 December 2019
Short-term Liabilities	2,781,279,637	3,194,014,185
Long-term Liabilities	222,855,550	250,715,857
Total Liabilities	3,004,135,187	3,444,730,042
Equity	816,547,561	840,908,821
TOTAL LIABILITIES AND EQUITY	3,820,682,748	4,285,638,863

B. CONSOLIDATED INCOME STATEMENT

CONTINUING OPERATIONS	1 Jan - 30 June 2020	1 Jan - 30 June 2019
Sales (net)	2,683,735,693	2,567,176,790
Costs of Sales	(2,088,795,576)	(2,090,526,397)
GROSS PROFIT	594,940,117	476,650,393
Operating Expenses	(455,437,356)	(319,759,893)
OPERATION PROFIT/(LOSS)	139,502,761	156,890,500
Financial Income/(Expense)	67,817,729	(164,390,578)
Other Income/(Expense)	18,406,483	2,175,877
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	225,726,973	(5,324,201)
Total Tax Income / (Expense)	(5,052,493)	7,990,627
PERIOD PROFIT/ (LOSS)	220,674,480	2,666,426
Distribution of Period Profit / (Loss)		
Minority Shares	97,233,481	19,893,728
Parent Company's Shares	123,440,999	(17,227,302)
Earnings / (Loss) Per Share (kr)	0.0037	(0.0005)

VIII. EVENTS AFTER BALANCE SHEET DATE

- According to our Company's material disclosure statement dated 06.05.2020, our Company's Board of Directors had granted an authorization to our Company's management to execute negotiations with the Koza Gold Inc. about the related companies plots and all know-how data in the Sogut mining field. According to the negotiations by using this authorization, our Company has reached an agreement with the Koza Gold Inc. to sign an agreement buy all the know-how data about the Sogut mining field by paying 33,040,000 ₺ (ThirtythreemillionfortythousandTurkishlira) including VAT. The agreement was signed at 7/25/2020.

IX. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 03.01.2014, within the first half of 2020 covering the dates of 01.01.2020 - 30.06.2020, the following works have been realized by the Company in order to be compliant with the principles issued in the related communique:

1. About the fertilizer sales which will be realized by the Company, Gübre Fabrikaları T.A.Ş, within the year of 2019 to the related party, Central Union of Turkish Agriculture Credit Cooperatives, the conclusion part of the Board of Directors' report which was prepared due to the Article 10 under the heading of Common and Continuous Transactions of Communiqué on Corporate Governance numbered II-17.1 was submitted for public information on January 22, 2020.
2. Regarding to the article 11/1 of Corporate Governance Communiqué, Investor Relations Department prepared "Investor Relations 2020 1H Operating Report" related to activities within the first 6 months of 2020, and submitted it for the Board's information.
3. Regarding to the article 2.1.3, under the title of "Public Disclosure and Transparency", in Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communiqué, our disclosure of 2020 1Q financial statements excluding footnotes was announced in the Public Disclosure Platform both in Turkish and English.

X. CONCLUSION

DEAR SHAREHOLDERS,

In the first half of 2020, 881,585 tons (2019/6: 899,093 tons) of fertilizers and raw materials were procured from domestic and foreign markets. In the January-June period of 2020, 303,752 tons (2019/6: 308,485 tons) of various types of solid, liquid and powder fertilizer were produced at facilities and totally 1,129,141 tons (2019/6: 1,080,136 tons) fertilizers were sold in the same period. In Turkish operations of the Company, net sale revenues realized as 2,006,957,187 ₺ (2019/6: 1,977,673,622₺).

In addition, 829,664 tons (2019/6: 721,558 tons) of fertilizer and fertilizer raw materials were produced and 676,778,506 ₺ (2019/6: 589,503,168 ₺) sale revenues were realized by the sale of 835,107 tons (2019/6: 800,181 tons) of fertilizer and fertilizer raw material in Razi and its subsidiaries.

The Company reached to 2,683,735,693 ₺ (2019/6: 2,567,176,790 ₺) consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 225,726,973 ₺ (2019/6: -5,324,201 ₺) profit realized before tax. 220,674,480 ₺ (2019/6: 2,666,426 ₺) consolidated profit occurred after deducting 5.052,493 ₺ (2019/6: -7,990,627 ₺) net tax expense. 69,655,789 ₺ (2019/3: -5,810,921 ₺) consolidated net period profit to shareholders has occurred after deducting 123,440,999 ₺ (2019/6: -17,227,302 ₺) shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding the first half of 2020 activities.

Best Regards,

BOARD OF DIRECTORS