



**2020 3rd QUARTER
OPERATING REVIEW
REPORT**

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

A. REPORTING PERIOD

01.01.2020 - 30.09.2020

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

ANTALYA REGIONAL OFFICE

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

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

Fax : +90 (242) 311 43 93

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. Km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

İSKENDERUN REGIONAL OFFICE

Address: Sariseki Mah. Atatrk Cad. No: 6 Sariseki İskenderun/HATAY

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

Fax : +90 (326) 626 14 50

İZMİR REGIONAL OFFICE

Address: Kırlar Mevkii Fatih Mah. 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

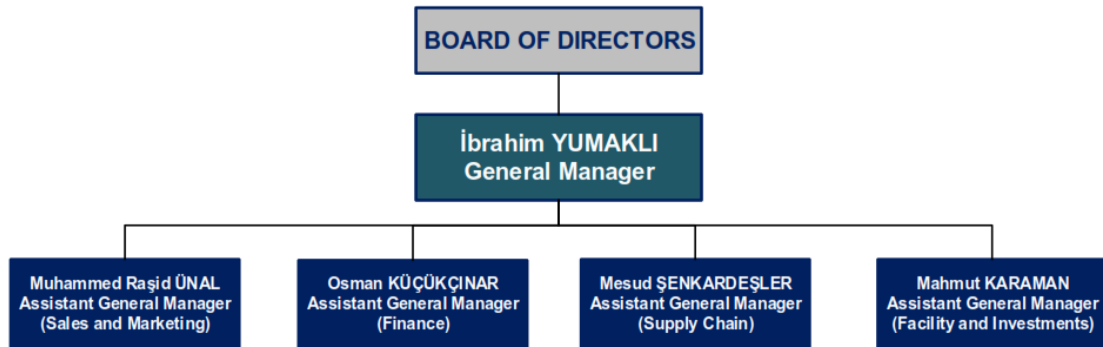
Fax : +90 (414) 381 08 10

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 30.09.2020, 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

I. ADMINISTRATIVE ACTIVITIES

Number of Personnel

As of 30.09.2020, the number of personnel increased by 1% to 577 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 365 hours were carried out in the first nine months of 2020.

II. THE COMPANY'S ACTIVITIES

A. PRODUCTION

Gübretaş produced 399,800 tons (2019/9: 365,664 tons) of compound fertilizers, 57,515 tons (2019/9: 52,800 tons) of nitrogen-based fertilizers, 49,550 tons (2019/9: 34,970 tons) of phosphate-based fertilizers, and a total of 444,865 tons (2019/9: 453,434 tons) of solid fertilizers in the first nine months of 2020. In addition, 29,896 tons (2019/9: 20,320 tons) of liquid and powder fertilizers were produced in the same period.

Solid fertilizer production decreased by 2%; liquid-powder production increased by 45% in the first nine months of 2020 compared to the same period of 2019. Total fertilizer production including solid, liquid and powder decreased by 1%.

Some of the products were used as raw material in the production process. Capacity utilization rate was 66% in the first nine months of 2020.

Table 2: PRODUCTION BY GROUP -TON

Production	2020/9	2019/9	Change
Solid Fertilizer	444,864	456,514	(2%)
Liquid - Powder Fertilizer	29,896	20,320	45%
TOTAL	474,760	476,834	(1%)

B. SALES AND PURCHASES

The Company sold 1,463,491 tons (2019/9: 1,330,000 tons) of solid, 51,309 tons (2019/9: 40,973 tons) of liquid and powder fertilizers in the first nine months of 2020.

The solid fertilizer sales increased by 10% and the liquid fertilizer sales increased by 25% in the first nine months of 2020, compared to the same period of the previous year.

The volume of purchases was 1,284,247 tons in the first nine months of 2019, and decreased by 4% to 1,232,168 tons in the first nine months of 2020. Export numbers increased by 52% to 34,882 tons in the first nine months of 2020, while it was 22,984 tons in the same period of 2019.

Table 3: PROCUREMENT AND SALES-TON

Solid Chemical Fertilizer	2020/9	2019/9	Change
Raw Material	329,391	382,196	(16%)
Commodity	902,807	902,051	1%
Total Purchases	1,232,198	1,284,247	(4%)

Table 4: SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2020/9	2019/9	Change
Compound	489,217	486,085	1%
Nitrogen-based	785,225	710,381	11%
Phosphate-based and others	189,049	133,534	42%
Total Solid Fertilizer	1,463,491	1,330,000	10%
Total Liquid - Powder Fertilizer	51,309	40,973	25%
Grand Total	1,514,800	1.370,973	10%

C. INVESTMENTS

In Turkish operations, the Company incurred 92.683.916 ₺ of capital expenditure in the first nine months of 2020, while this figure was 73,603,497 ₺ 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 September 2020.

IV. RAZI PETROCHEMICAL CO.'S ACTIVITIES

A. PRODUCTION

In the first nine months of 2020, 1,252,198 tons (2019/9: 1,183,286 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 46% (2019/9: 43%)

Table 5: RAZI PRODUCTION-TON

PRODUCT	2020/9	2019/9	Change	Capacity	2020/9 CUR
Ammonia	604,549	542,505	11%	1,336,000	60%
Urea	344,030	339,913	1%	594,000	77%
Sulphur	181,476	160,227	13%	508,000	48%
Sulphuric Acid	71,969	97,969	(27%)	627,000	15%
Phosphoric Acid	42,175	25,307	67%	126,000	45%
DAP	7,999	17,365	(54%)	450,000	2%
Total	1,252,198	1,183,286	6%	3,641,000	46%

B. SALES

In the first nine months of 2020, 1,024,500 tons (2019/6: 806,434 tons) of fertilizer were sold. The total revenue generated by Razi and its subsidiaries were ₺ (2019/9: 1,400,851,873 ₺) during the reporting period. Razi exported 781,109 tons and sold 243,391 tons in the domestic market in the first nine months of 2020. The share of exports in total sales was 76%.

Table 6: RAZI SALES-TON

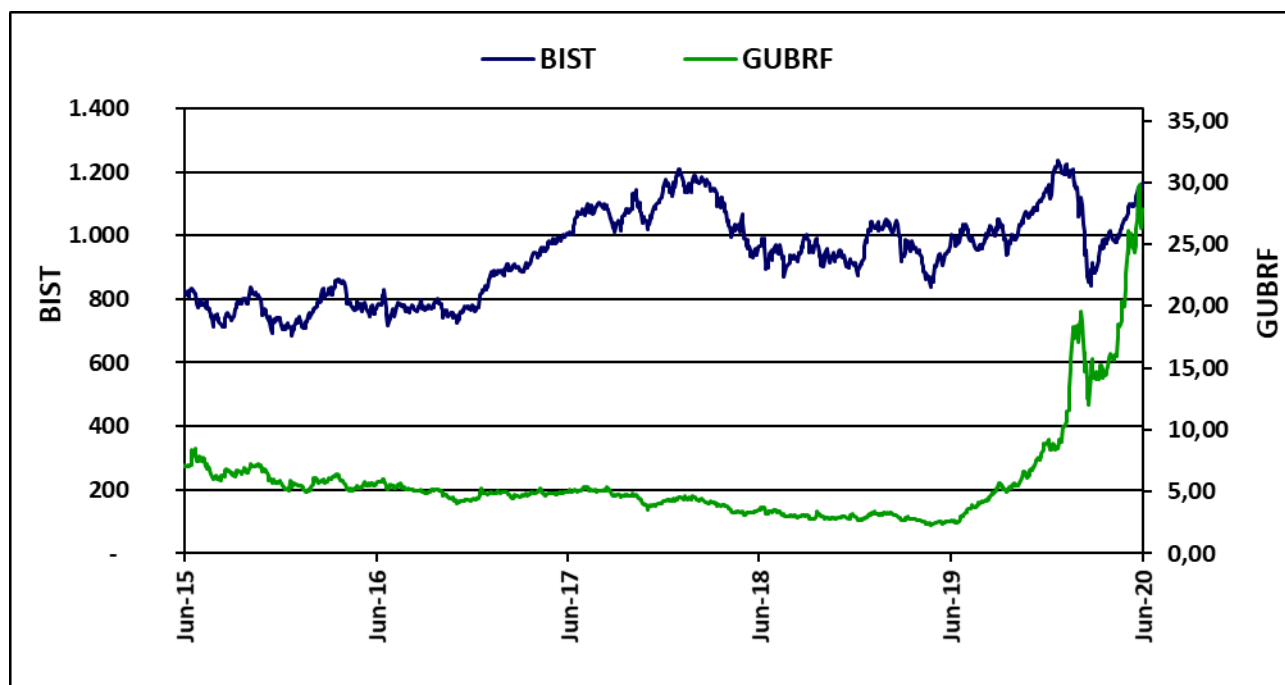
Sale Type	2020/9	2019/9	Change
Domestic	243,391	193,149	%26
DAP	34,854	1,282	2600%
Urea	153,562	159,142	(4%)
Sulphuric Acid	9,086	15,597	(42%)
Ammonia	8,774	6,489	35%
Phosphoric Acid	37,115	10,639	249%
Export	781,109	613,194	27%
Ammonia	391,026	308,407	27%
Sulphur	189,147	134,697	40%
Urea	200,436	170,065	18%
DAP	500	25	-
TOTAL	1,024,500	806,343	27%

C. INVESTMENTS

14.774.411 ₺ of capital expenditures were incurred by the Iranian operations in the first nine months of 2020, while this figure was 25.755.671 ₺ in the same period of 2019.

V. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



Date	09/30/2019	12/31/2019	03/31/2020	06/30/2020	09/30/2020
Stock Price	5.69	9.04	14.63	27.68	32.12

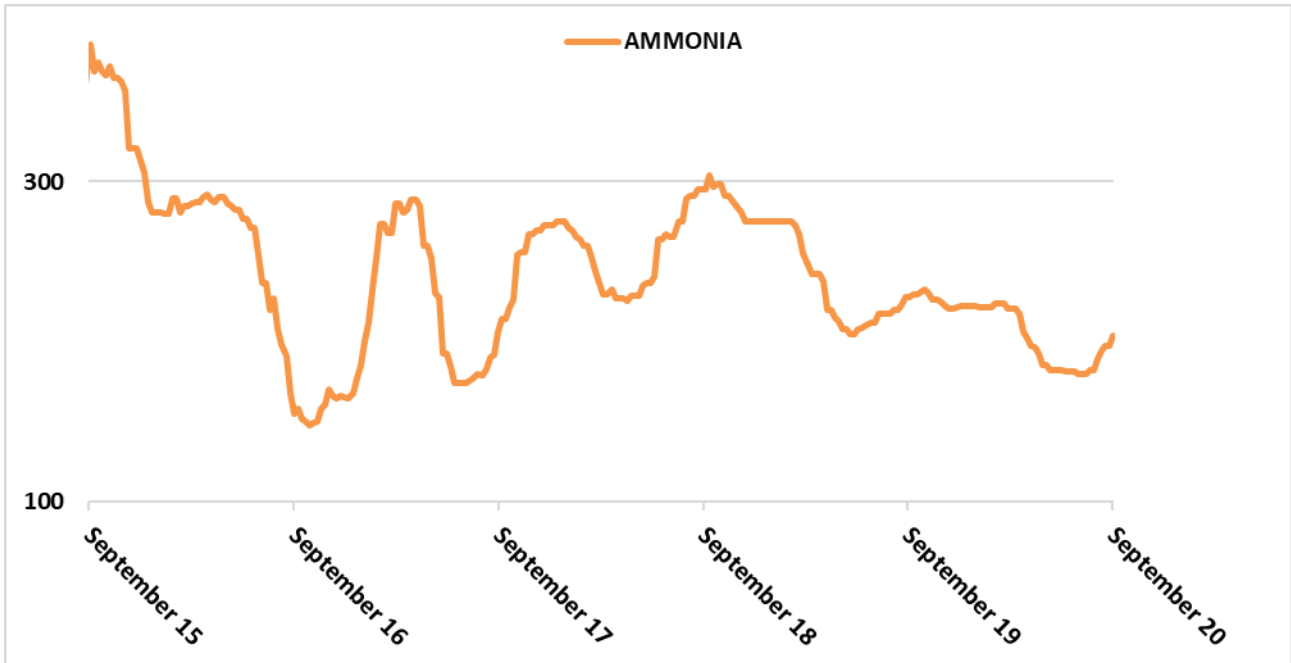
VI. REVIEW

The ammonia is the most important product for the Iranian operations. There was a downward trend in ammonia prices in the first nine months of 2020 up to 15% compared to the same period of the last year. In the nine months of the year, the average ammonia prices was around 204 USD. Ammonia prices, which showed an decrease of about 5% compared to last quarter has been observed as negative development for the Iranian operations. On the other hand, the 45% quarterly devaluation of the Iranian Riyal against the USD had a positive operational cost ratio effect on the Razi operations.

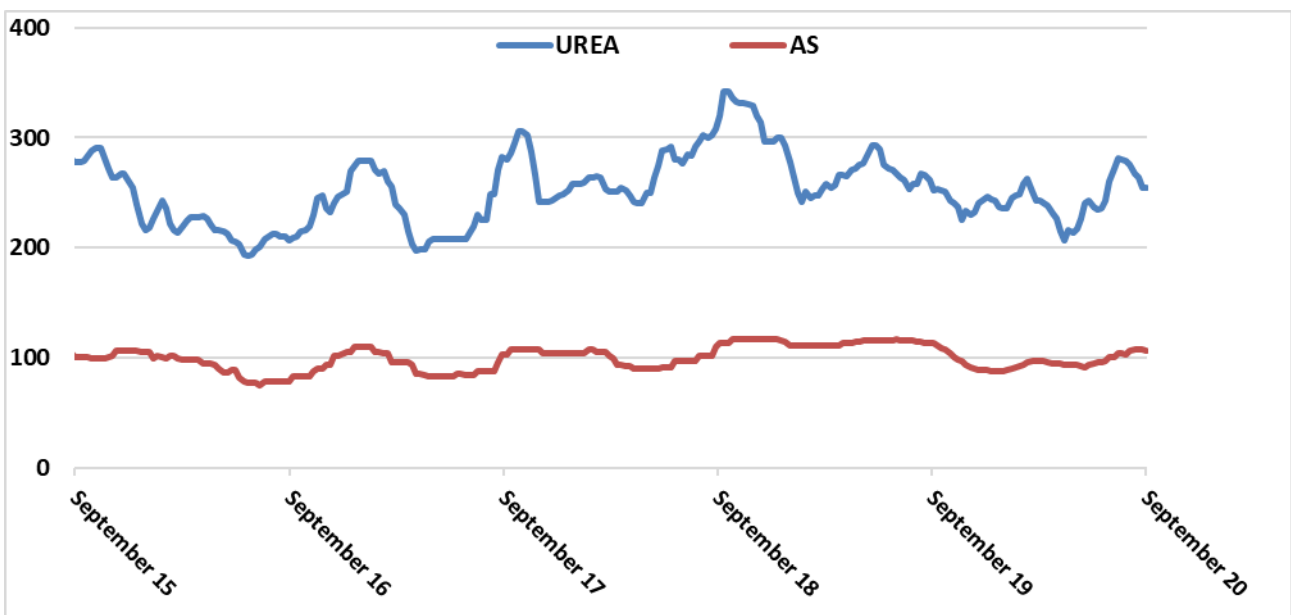
As the Ammonium Sulfat (AS) prices had a flat price trend in the last quarter, but on the nine months basis AS prices had fallen 15% compared to the same period of the last year. The Urea prices that had an upward trend on August, started to have a downward trend at the end of the reporting period. In phosphate fertilizers and fertilizer raw materials, a

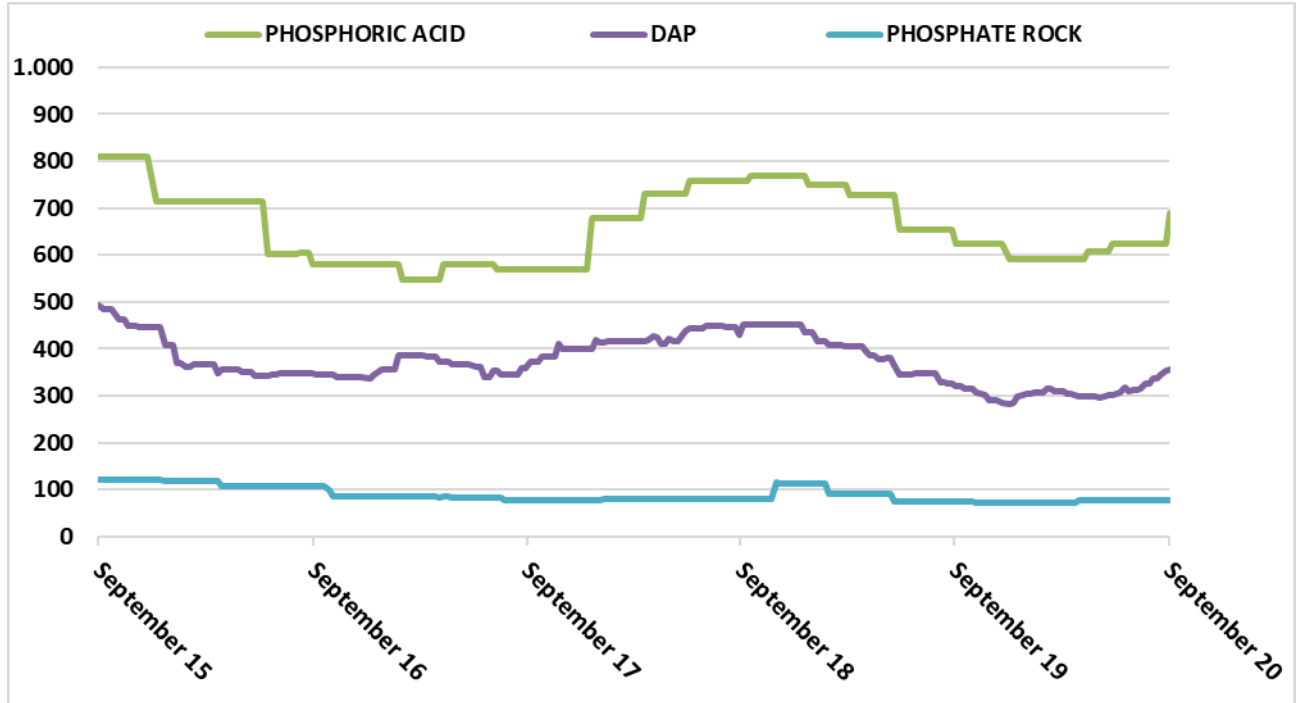
period with predominantly horizontal movement has been observed except for DAP product, which had a downward trend towards the first quarter of the year.

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. 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 nine months of 2020 covering the dates of 01.01.2020 - 30.09.2020, the following works have been realized by the Company in order to be compliant with the principles issued in the related communiqué:

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.

VIII. CONCLUSION

DEAR SHAREHOLDERS,

In the first nine months of 2020, 1,232,168 tons (2019/9: 1,284,247 tons) of fertilizers and raw materials were procured from domestic and foreign markets. In the January-September period of 2020, 474,760 tons (2019/9: 476,834 tons) of various types of solid, liquid and powder fertilizer were produced at facilities and totally 1,514,800 tons (2019/9: 1,370,973 tons) fertilizers were sold in the same period. In Turkish operations of the Company, net sale revenues realized as 2,853,126,517 ₺ (2019/9: 2,601,496,555₺).

In addition, 1,252,198 tons (2019/9: 1,183,286 tons) of fertilizer and fertilizer raw materials were produced and 997,944,560 ₺ (2019/9: 786,769,989 ₺) sale revenues were realized by the sale of 1,024,500 tons (2019/9: 806,343 tons) of fertilizer and fertilizer raw material in Razi and its subsidiaries.

The Company reached to 3,851,071,077 ₺ (2019/9: 3,388,266,544 ₺) consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 295,925,375 ₺ (2019/6: -10,033,972 ₺) profit realized before tax. 290,381,061 ₺ (2019/9: 1,475,956 ₺) consolidated profit occurred after deducting 5,544,314 ₺ (2019/9: -11,509,928 ₺) net tax expense. 153,969,653 ₺ (2019/9: -62,625,500 ₺) consolidated net period profit to shareholders has occurred after deducting 136,411,408₺ (2019/9: 64,101,456 ₺) shares of minority shareholders.

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

Best Regards,
BOARD OF DIRECTORS

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

**GÜBRE FABRİKALARI TÜRK
ANONİM ŞİRKETİ
INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
JANUARY 1-SEPTEMBER 30, 2020**

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Interim consolidated statement of financial position as of September 30, 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Audited	
	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	904.762.241	174.457.909
Financial investments		12.126.281	39.543.797
Trade receivables			
- Trade receivables from related parties	16	89.610.279	174.682.037
- Trade receivables from third parties	6	496.217.669	336.576.916
Other receivables			
- Other receivables from related parties	7-16	--	10.135.215
- Other receivables from third parties	7	83.443.208	205.513.380
Inventories	8	893.407.666	1.231.329.135
Prepaid expenses		248.078.987	75.440.336
Derivative instruments		--	9.462.872
Assets related to the current period taxes		4.860.768	3.087.261
Other current assets		28.983.270	17.710.885
Current assets		2.761.490.369	2.277.939.743
Assets held for sale		--	520.307.521
Total current assets		2.761.490.369	2.798.247.264
Non-current assets			
Financial investments		16.473.793	21.869.440
Other receivables			
- Other receivables from third parties	7	10.441.671	78.669.231
Investments valued by equity method		21.577.472	19.765.952
Investment properties		84.691.477	84.478.876
Property, plant and equipment	9	1.050.617.644	1.070.283.898
Intangible assets	10		
- Goodwill		57.917.379	87.044.600
- Other intangible assets		19.988.889	22.204.900
Prepaid expenses		12.998.141	34.489.280
Deferred tax assets		68.512.722	68.585.422
Total non-current assets		1.343.219.188	1.487.391.599
Total assets		4.104.709.557	4.285.638.863

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Interim consolidated statement of financial position as of September 30, 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		September 30, 2020	Audited December 31,2019
LIABILITIES			
Current liabilities			
Short-term borrowings	5	1.657.104.079	1.465.961.474
Short-term portion of long-term borrowings	5	12.720.649	55.885.641
Trade payables			
-Due to related parties	16	1.695.694	1.821.087
-Due to third parties	6	1.117.027.389	986.018.509
Payables due to employee benefits		33.411.175	32.161.760
Other payables			
-Due to related parties	7-16	--	25.000.000
-Due to third parties	7	42.020.205	86.375.472
Deferred income		99.650.891	17.163.951
Liabilities related to the current period taxes		4.686.354	2.641.986
Short-term provisions			
-Short-term provisions for employee benefits		20.741.061	24.878.780
-Other short-term provisions	12	112.274.370	138.046.967
Derivative instruments		--	--
Short-term liabilities		3.101.331.867	2.835.955.627
Liabilities related to assets held for sale		--	358.058.558
Total short-term liabilities		3.101.331.867	3.194.014.185
Long-term liabilities			
Long-term borrowings	5	92.071.953	117.472.564
Other payables			
-Due to third parties		--	--
Long-term provisions			
- Long-term provisions for employee benefits		97.310.055	113.665.364
Deferred tax liability		12.977.785	19.577.929
Total long-term liabilities		202.359.793	250.715.857
Total liabilities		3.303.691.660	3.444.730.042
Equities			
Share capital		334.000.000	334.000.000
Accumulated other comprehensive income/expense not to be reclassified to profit or loss			
-Impairment on property, plant and equipment		328.930.319	328.930.319
-Defined benefit plans re-measurement losses		(828.958)	(1.678.630)
Accumulated other comprehensive income/expense to be reclassified to profit or loss			
-Foreign currency translation differences		(462.255.745)	(359.020.958)
Restricted reserves from profit			
-Legal reserves		53.838.737	53.838.737
Retained earnings		160.147.657	348.259.261
Net profit / (losses) of the year		153.969.653	(149.740.564)
Shareholders' equity		567.801.663	554.588.165
Non-controlling interests		233.216.234	286.320.656
Total shareholders' equity		801.017.897	840.908.821
Total liabilities		4.104.709.557	4.285.638.863

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated statement of profit or loss and other comprehensive income as of September 30, 2020

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

	Notes	January 1– September 30, 2020	January 1– September 30, 2019	July 1– September 30, 2020	July 1– September 30, 2019
Sales	13	3.851.071.077	3.388.266.544	1.167.335.384	821.089.754
Cost of sales	13	(2.883.285.520)	(2.671.732.073)	(794.489.944)	(581.205.676)
Gross profit		967.785.557	716.534.471	372.845.440	239.884.078
General and administrative expense (-)		(111.560.317)	(103.542.646)	(32.785.384)	(24.901.856)
Marketing, selling and distribution expense (-)		(363.839.288)	(269.798.611)	(98.643.108)	(92.360.788)
Other operating income	14	295.901.994	336.838.314	66.891.307	182.301.954
Other operating expenses (-)	14	(633.281.336)	(409.765.565)	(292.804.406)	(191.547.925)
Operating profit		155.006.610	270.265.963	15.503.849	113.375.463
Income / (expenses) from investment activities		5.734.193	91.046	(11.094.473)	(42.593)
Profit / (loss) from investments accounted by equity method		1.811.520	1.139.140	233.703	(903.098)
Financial income / (expense) before operating profit		162.552.323	271.496.149	4.643.079	112.429.772
Financial income / (expense)		133.373.052	(281.530.121)	65.555.323	(117.139.543)
Profit before tax from continuing operations		295.925.375	(10.033.972)	70.198.402	(4.709.771)
- Current period tax (expense)		(7.355.151)	(2.472.226)	(4.932.052)	586.524
- Deferred tax (expense) / income		1.810.837	13.982.154	4.440.231	2.932.777
Total tax (expense) / income		(5.544.314)	11.509.928	(491.821)	3.519.301
Net income		290.381.061	1.475.956	69.706.581	(1.190.470)
Distribution of income for the period					
Non-controlling interests		136.411.408	64.101.456	39.177.927	44.207.728
Equity holders of the parent		153.969.653	(62.625.500)	30.528.654	(45.398.198)
Gain/ (Loss) per share (kr)	15	0,0046	(0,0019)	0,0009	(0,0014)
Other comprehensive income:					
Items not to be reclassified to profit or loss					
Actuarial gain/(loss) arising from defined benefit plans		1.062.090	671.703	586.590	(77.117)
Tax effect of other comprehensive income/expense		(212.418)	(134.341)	(117.318)	15.423
Items to be reclassified to profit or loss					
Foreign currency translation differences		(203.914.833)	(196.881.393)	(91.314.036)	7.947.302
Other comprehensive (expense)		(203.065.161)	(196.344.031)	(90.844.764)	7.885.608
Total comprehensive (expense) / income		87.315.900	(194.868.075)	(21.138.183)	6.695.138
Distribution of total comprehensive expense / (income)					
Non-controlling interests		35.731.363	(8.941.937)	(17.072.296)	47.306.860
Equity holders of the parent		51.584.537	(185.926.138)	(4.065.887)	(40.611.722)

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ
Interim consolidated statement of changes in equity as of September 30, 2020
(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		Equity holders of the parent	Non-controlling interests	Total equities
	Share capital	Revaluation reserves	Actuarial gain/(loss) arising from defined benefit plans	Changes in currency translation differences from investments accounted by equity method	Foreign Currency translation differences	Restricted reserves	Retained earnings	Net profit /(loss) of the year			
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
Adjustments related to errors	--	--	--	--	--	--	--	(19.895.560)	(19.895.560)	--	(19.895.560)
Balances after adjustments	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	--	--	--
Dividends	--	--	--	--	--	--	--	--	--	(90.132.523)	(90.132.523)
Total comprehensive income/ (expense)	--	--	537.362	--	(123.838.000)	--	--	(62.625.500)	(185.926.138)	(8.941.937)	(194.868.075)
Balances at September 30, 2019	334.000.000	328.930.319	(400.466)	--	(337.131.368)	53.838.737	348.259.261	(62.625.500)	664.870.983	287.684.865	952.555.848
Balances at January 1, 2020	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
Transfers	--	--	--	--	--	--	(149.740.564)	149.740.564	--	--	--
Acquisition and disposal of subsidiaries	--	--	--	--	--	--	(38.371.040)	--	(38.371.040)	(60.550.643)	(98.921.683)
Dividends	--	--	--	--	--	--	--	--	--	(33.893.661)	(33.893.661)
Total comprehensive Income/ (expense)	--	--	849.672	--	(103.234.787)	--	--	153.969.653	51.584.538	41.339.882	92.924.420
Balances at September 30, 2020	334.000.000	328.930.319	(828.958)	--	(462.255.745)	53.838.737	160.147.657	153.969.653	567.801.663	233.216.234	801.017.897

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of cash flows as of September 30, 2020

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

	Notes	January 1- September 30, 2020	January 1- September 30, 2019
Cash flows from operating activities			
Period income /loss		290.381.061	1.475.956
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	9-10	46.390.660	62.585.641
Adjustments related to gain from investments accounted by equity method		(1.811.520)	(1.139.140)
Adjustments related to provisions for employee benefits		52.013.837	72.114.612
Adjustments related to interest expense		111.167.871	235.933.135
Adjustments related to impairment of inventories	8	(6.781.874)	(7.319.480)
Adjustments related to impairment of receivables	7	(3.163.533)	1.537.523
Deferred financial income		1.039.437	(867.393)
Adjustments related to lawsuit provisions	12	20.915.073	2.341.711
Adjustments related to current year tax income		5.544.314	(11.509.928)
Adjustments related to losses (gains) on sale of property, plant and equipments	9-10	17.465	23.554
Adjustments related to fair value losses (gains) on derivative financial instruments		9.462.872	(3.194.116)
Other adjustments		(212.601)	111.244
Cash flows from the operating activities before changes in the assets and liabilities		524.963.062	352.093.319
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		(70.204.803)	179.127.544
Adjustments related to increase / (decrease) in other receivables		200.432.948	(27.047.193)
Adjustments related to increase / (decrease) in inventories		440.430.922	66.995.729
Adjustments related to increase / (decrease) in trade payables		128.643.391	251.922.571
Increase / (decrease) employee benefit obligations		1.249.415	(7.485.100)
Increase / (decrease) in deferred income		82.486.940	(25.383.844)
Increase / (decrease) in prepaid expenses		(151.147.512)	(32.621.908)
Adjustments related to other increases / (decreases) in other payables		(97.640.409)	(79.665.895)
Adjustments related to other increases / (decreases) in working capital		(182.265.558)	(59.659.232)
Cash flows from the operations after the changes in working capital		876.948.396	618.275.991
Interest paid		(80.610.148)	(209.995.111)
Taxes refunds/(payments)		(11.270.935)	(9.071.478)
Payments related to provision for employee benefits		(36.227.545)	(32.777.160)
Cash flow regarding investment activities		748.839.768	366.432.242
Cash flows from investment activities			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9-10	(107.458.327)	(99.359.168)
Cash inflows from the sales of property, plant and equipment and intangible assets	9-10	1.371	150.325
Diğer nakit çıkışları / girişleri		32.813.163	(21.844.284)
Cash flow from discontinued operations, net		63.327.280	--
Cash flows from investment activities		(11.316.513)	(121.053.127)
Cash flows from financing activities			
Cash inflows from financial borrowings		2.143.937.440	2.990.304.305
Cash outflows from financial borrowings payments		(2.051.918.160)	(3.257.486.109)
Cash flows from financing activities		92.019.280	(267.181.804)
Net change in cash and cash equivalents before effect of foreign currency translation differences		829.542.535	(21.802.689)
Cash and cash equivalents as of January 1		174.457.909	359.227.711
Foreign currency translation difference		(104.437.371)	(113.745.073)
Cash and cash equivalents as of September 30		899.563.073	223.679.949

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

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

(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 two subsidiaries and an associate. Gübretaş, established in 1952, operates in the field of production and marketing of chemical fertilizers.

The Company conducts the majority of its operations together with Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (“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:

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

The number of employees of the Company and its subsidiaries for the period ended September 30, 2020 is 1.584 (December 31, 2019: 1.569).

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:

<u>Name</u>	<u>September 20, 2020</u>		<u>December 31, 2019</u>	
	<u>Share (%)</u>	<u>Share amount</u>	<u>Share (%)</u>	<u>Share amount</u>
TKK	%75,95	253.684.607	%75,95	253.684.607
Other – public held	%24,05	80.315.393	%24,05	80.315.393
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, 2019: 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. In the Extraordinary General Assembly of Razi held on August 19, 2020, it was decided to liquidate Raintrade Petrokimya ve Dış Ticaret A.Ş. and the relevant liquidation process has not been realized yet as of the report date.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

1.1 Subsidiaries (Cont’d)

In 2012, Razi has purchased 87,5% of Arya Phosphoric Jonoob Co. (“Arya”), which operates in the same region and 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 on December 26, 2014, in Turkey and IGLC Anka and IGLC Dicle who were founded on 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 December 31, 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, and excluded from consolidation as of September 30, 2020.

According to the Board Decision dated January 22, 2020, it was decided to establish Gübretaş Maden Yatırımları A.Ş. with a paid in capital of TL 550.000 and 100% of the shares owned by the Group, where the incorporation procedures were completed with the trade registration effected on March 31, 2020. Gübretaş Maden was established in order to make investments in in mining fields, both domestic and abroad, which is one of the activities of the Group. After the establishment of Gübretaş Maden, the Group has purchased all information and documents, including all kinds of data / data, analysis and reports, and agreements with third parties that can be transferred, from Koza Altın A.Ş.

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 of the balance sheet date, the shares held by Gübretaş is 40% of total shares of Tarkim (December 31, 2019: 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 TTK.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

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 November 07, 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 subsidiary 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”).

Turkey Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting” in accordance businesses are free to prepare as completed or condensed set of interim financial statements. In this framework, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group as of December 31, 2019.

The Group has prepared and presented its condensed consolidated financial statements for the interim period ended September 30, 2020 in accordance with TAS 34 Interim Financial Reporting Standards with the announcement of the CMB's Communiqué Serial: XII, 14.1 and its announcements.

The accounting policies used in the preparation of the condensed consolidated financial statements for the interim period ended as of September 30, 2020, comply with those in the consolidated financial statements of the previous year, except for the effect of the new and amended TFRSs and TFRYK interpretations summarized in Note 2.2 and valid as of January 1, 2020.

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 under the going concern concept.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

(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)

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.

Functional currency

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

The functional currency of the Company's subsidiary operating in Iran is Iranian Rial (“IRR”) and the functional currency of IGLC Anka and IGLC Dicle, which the Company is consolidated in 2019, is US Dollar (“USD”). According to TAS 21 Changes in Exchange Rates, the assets and liabilities of the subsidiaries in foreign countries are converted to Turkish Lira with the parity on the balance sheet day. Income and expense items are translated into Turkish Lira with the average exchange rate in the period. Currency translation differences resulted from closing and average rate usage is accounted under currency translation difference under equity. These translation differences are recognized as income or loss at the period.

The conversion rates used are as follows:

Currency	September 30, 2020		December 31, 2019	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000033406	0,000040330	0,000050206	0,000059189
USD/TL	7,8080	6,7127	5,9402	5,6708

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

New Standard, Amendment and Comments Effective as of January 1, 2020

The accounting policies used in the preparation of the consolidated financial statements for the fiscal period ending on September 30, 2020 have been applied consistently with those used in the previous year, except for the new and amended TFRS standards and TFRYK comments as of January 1, 2020, summarized below.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

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

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

The amendment has no impact on the consolidated financial position and performance of the Group.

Changes in TFRS 3 - Business Definition

The standard will be effective for 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. This change has no impact on the consolidated financial position and performance of the Group.

Changes on TFRS 9, TMS 39 and TFRS 7

The standard 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. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group. These changes have no impact on the consolidated financial position and performance of the Group.

Standards and Amendments Issued but not yet Effective

Standards, interpretations and amendments to existing standards that are issued but there are 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.

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.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

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

Standards and Amendments Issued but not yet Effective (Cont’d)

TAS 1 - Presentation of Financial Statements

The standard will be effective for annual periods beginning on or after January 1, 2022. This amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendments to TAS 1 mainly handles the issues stated below:

- i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period
- ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- iii) clarify how the settlement conditions of the Company will affect the related classification
- iv) clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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 interim condensed consolidated financial statements for the period ended September 30, 2020 have been prepared in accordance with principles stated for the consolidated financial statements for the year ended on December 31, 2019 and include the financial statements of Gübretaş and those of subsidiaries.
- b) As of September 30, 2020, there have been no changes in voting rights or proportion of effective interest on subsidiaries that are subject to consolidation with respect to the information stated in the consolidated financial statements for the year ended December 31, 2019, except the subsidiaries Dicle, Anka and Nbulkgas, that were excluded from consolidation due to the disposal of the shares in the current period.
- 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.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

2.3 Principles of Consolidation (Cont’d)

- 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 assets held for sale in which the total voting rights of the Group do not have a significant impact or are not material to the consolidated financial statements and whose fair values cannot be reliably determined, or are not quoted in organized markets are stated at fair values or are measured in the consolidated financial statements at cost less impairment in the event the fair values cannot be determined reliably.

The Impacts of Covid-19

Covid - 19 outbreaks influence spreading in the world and Turkey. Covid-19 was declared as a pandemic by World Health Organization (WHO) in March 2020, and the measures taken against the pandemic, exposure to the pandemic in all countries has led to disruptions in almost all countries and has adversely affected the economic conditions both globally and locally. Based on the evaluation made by the Company Management, the economic effects of this pandemic have been evaluated as not having a significant adverse effect on the Company as of the report date.

NOTE 3 – SEGMENT REPORTING

Operating segments were determined by the Group’s competent authority of making decision using the internal reports regularly reviewed. 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.

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

NOTE 3 – SEGMENT REPORTING (Cont’d)

As of September 30, 2020, and December 31, 2019, the breakdown of consolidated balance sheets by sections is as follows:

	Turkey	Iran	Consolidation adjustments	Total
	September 30, 2020	September 30, 2020	September 30, 2020	September 30, 2020
Assets				
Current Assets	1.961.645.056	920.161.083	(120.315.770)	2.761.490.369
Non-current Assets	1.482.350.884	229.736.213	(368.867.909)	1.343.219.188
Total Assets	3.443.995.940	1.149.897.296	(489.183.679)	4.104.709.557
Liabilities				
Short-term liabilities	2.732.033.410	488.251.698	(118.953.241)	3.101.331.867
Long-term liabilities	109.084.210	93.275.583	--	202.359.793
Equities	602.878.320	568.370.015	(370.230.438)	801.017.897
Total Liabilities	3.443.995.940	1.149.897.296	(489.183.679)	4.104.709.557

	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

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NOTE 3 – SEGMENT REPORTING (Cont’d)

The distribution of statement of profit or loss for the nine-month interim periods ended September 30, 2020 and September 30, 2019 by segments are as follows:

	Turkey	Iran	Consolidation adjustments	Total
	January 1 - September 30, 2020	January 1 - September 30, 2020	January 1 - September 30, 2020	January 1 - September 30, 2020
Sales	2.853.126.517	1.440.612.969	(442.668.409)	3.851.071.077
Cost of sales	(2.460.148.786)	(857.129.017)	433.992.283	(2.883.285.520)
Gross profit	392.977.731	583.483.952	(8.676.126)	967.785.557
Marketing, selling and distribution expense	(181.958.031)	(181.881.257)	--	(363.839.288)
General and administrative expense	(31.531.695)	(80.028.622)	--	(111.560.317)
Other operating income / expense, net	(175.857.887)	(168.835.026)	7.313.571	(337.379.342)
Operating profit / (loss)	3.630.118	152.739.047	(1.362.555)	155.006.610
Income from investments, net	33.051.602	--	(27.317.409)	5.734.193
Profit from investments accounted by equity method	1.811.520	--	--	1.811.520
Operation profit before financial income / (expense)	38.493.240	152.739.047	(28.679.964)	162.552.323
Financial income, net	15.199.914	118.173.138	--	133.373.052
Profit / (loss) before tax	53.693.154	270.912.185	(28.679.964)	295.925.375
Deferred tax income / (expense)	(2.851.006)	(2.993.070)	299.762	(5.544.314)
Profit / (loss) for the period	50.842.148	267.919.115	(28.380.202)	290.381.061

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

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NOTE 3 – SEGMENT REPORTING (Cont’d)

Investment expenditures pertaining to segment assets for the periods ending September 30, 2020 and September 30, 2019 are as follows:

	January 1- September 30, 2020	January 1- September 30, 2019
Turkey	92.683.916	73.603.497
Iran	14.774.411	25.755.671
Total	107.458.327	99.359.168

Depreciation / Amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending September 30, 2020 and September 30, 2019 are as follows:

	January 1- September 30, 2020	January 1- September 30, 2019
Turkey	31.618.862	42.016.256
Iran	14.771.798	20.569.385
Total	46.390.660	62.585.641

NOTE 4 – CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019
Cash on hand	42.566	251.583
Bank	901.187.296	173.995.566
- Demand deposits	32.307.522	45.202.413
- Time deposits	868.879.774	128.793.153
Other cash equivalents	3.532.379	210.760
Total	904.762.241	174.457.909
Blocked deposits	(5.199.168)	--
Cash and cash equivalents at the statement of cash flow	899.563.073	174.457.909

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NOTE 4 – CASH AND CASH EQUIVALENTS (Cont’d)

4.1 Time deposits (TL)

Interest rate (%)	Maturity	September 30, 2020
12 – 12,95	1-3 days	123.441.454
Total		123.441.454

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

4.2 Time deposits (Foreign currency):

Interest rate (%)	Maturity	Currency	September 30, 2020	
			Foreign currency amount	Amount in TL
0,30 - 0,65	1-3 days	EUR	422.583	3.857.380
10 – 15	1-3 days	Mil. IRR	1.623.335	54.228.686
1,85 - 3,15	1-30 days	USD	88.031.795	687.352.254
Total				745.438.320

Interest rate (%)	Maturity	Currency	December 31, 2019	
			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

NOTE 5 – FINANCIAL BORROWINGS

Short-term and long-term borrowings	September 30, 2020	December 31, 2019
Payable within 1 year	1.669.824.728	1.521.847.115
Payable within 1 – 5 years	92.071.953	117.472.564
Total	1.761.896.681	1.639.319.679

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

As of September 30,2020, and December 31, 2019, details of short-term and long-term borrowings are as follows:

	September 30, 2020	December 31, 2019
Short-term borrowings		
Short-term borrowings	1.651.457.331	1.458.191.882
Short-term portion of long-term borrowings	12.720.649	55.885.641
Short-term financial lease liabilities	5.646.748	7.769.592
Toplam	1.669.824.728	1.521.847.115

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

The details of short-term borrowings and short-term portion of long-term borrowings as of September 30, 2020 and December 31, 2019 are as follows:

September 30, 2020

Currency	Average effective annual interest rate (%)	Original amount	Amount in TL
Bank loans			
TL	7,20 – 11,55	1.551.191.243	1.551.191.243
Other financial borrowings			
Mil. IRR (*)	18,00	3.382.256	112.986.737
Total			1.664.177.980

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

(*) The amounts included in the short-term and long-term other financial borrowings represent the financial payables to the Institution that was the owner of Razi prior to the privatization.

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NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

5.2 Financial lease liabilities

September 30, 2020 Currency	Average effective annual interest rate (%)	Original Amount	Amount in TL
TL	12	5.646.748	5.646.748
Total			5.646.748

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

5.3 Long-term borrowings

	September 30, 2020	December 31, 2019
Long-term loans	80.870.000	102.185.456
Long-term financial lease liabilities	11.201.953	15.287.108
Total	92.071.953	117.472.564

As of September 30,2020, details of long-term borrowings are as follows:

Bank Loans:

Cuurrency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2024	10,55 – 11,55	80.870.000	80.870.000
Total				80.870.000

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

Bank Loans:

Cuurrency	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

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NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

Financial lease liabilities

September 30, 2020		Average effective annual interest rate (%)	Original Amount	Amount in TL
Currency				
TL	December 2023	12	11.201.953	11.201.953
Total				11.201.953

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

6.1 Short-term trade receivables

	September 30, 2020	December 31, 2019
Trade receivables	474.570.605	302.628.203
Receivables from Iran Oil Ministry’s participations (*)	30.696.494	46.161.675
Notes receivable	--	--
	505.267.099	348.789.878
Provision for doubtful trade receivables	(9.049.430)	(12.212.962)
Total	496.217.669	336.576.916

(*) As of September 30, 2020, the related amounts have not been collected for a long time. As the negotiations for the collection of the unsecured trade receivables are ongoing and the commercial business relations between both sides continues, no impairment provision has been made for related amount.

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

Time after maturity	September 30, 2020	December 31, 2019
More than 9 months	9.049.430	12.212.962
Total	9.049.430	12.212.962

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

The movements of the doubtful trade receivables provision for the nine-month interim period ended on September 30, 2020 and September 30, 2019 are as follows:

	September 30, 2020,	September 30, 2019
Balance at beginning of the period	12.212.963	10.088.498
Period cost	(3.163.533)	1.537.523
Balance at end of the period	9.049.430	11.626.021

As of September 30, 2020, and December 31, 2019, the guarantees regarding the overdue receivables are as follows:

	September 30, 2020	December 31, 2019
Guarantee letters	185.372.424	222.142.247
Collateral cheques and notes	170.308.081	2.790.001
Total	355.680.505	224.932.248

6.2 Short-term trade payables

	September 30, 2020	December 31, 2019
Liabilities to the Iranian gas supplier	171.909.571	352.131.253
Creditors	928.390.670	602.725.593
Other trade payables	16.727.148	31.161.663
Total	1.117.027.389	986.018.509

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

7.1 Short-term other receivables

	September 30, 2020	December 31, 2019
VAT receivables - Razi (**)	--	120.587.913
VAT receivables - Gübretaş	17.096.657	18.666.711
Due from personnel	5.795.691	5.698.894
Receivables from Tabosan (*)	33.273.552	33.273.552
Receivables from other government agencies – Razi	19.581.939	11.661.904
Other receivables from related parties	--	10.135.215
Other various receivables	7.695.369	15.624.406
Total	83.443.208	215.648.595

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

7.1 Short-term other receivables (Cont’d)

(*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TL 33.273.552 as of report date. The Group management requested from the Bankruptcy Administration to affect 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.

(**) The Group's subsidiary Razi has value added tax receivable amounting to TL 101.049.733 (3.024 Million IRR) related to its export sales. The return request of Razi administration for this receivable, which has not been collected for a long time, has not been accepted as of the report date. There is uncertainty about the collection date of this receivable and the Group Management decided to make a provision in the current period for this receivable, which could not be collected for a long time.

7.2 Long-term other receivables

	September 30, 2020	December 31, 2019
Deposits and guarantees given	5.859.139	63.115.925
Due from personnel	1.165.052	1.820.900
Other long-term receivables	3.417.480	13.732.406
Total	10.441.671	78.669.231

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

7.3 Short-term other payables

	September 30, 2020	December 31, 2019
Dividend payables to non-controlling interests	14.429.072	46.049.817
Other payables to related parties	--	25.000.000
Other payables and liabilities	27.591.133	40.325.655
Toplam	42.020.205	111.375.472

7.4 Long-term other payables

None (December 31, 2019: None).

NOTE 8 - INVENTORIES

	September 30, 2020	December 31, 2019
Raw materials and supplies	182.175.964	200.437.149
Finished goods	165.435.879	310.773.646
Trade goods	414.396.019	642.840.114
Other inventories	143.431.409	96.091.705
	905.439.271	1.250.142.614
Provision of impairment on inventories (-)	(12.031.605)	(18.813.479)
Total	893.407.666	1.231.329.135

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

The details of depreciation and amortization expenses of the Group as of September 30, 2020 and September 30, 2019 are given below:

	September 30, 2020		
	Gübretaş	Razi	Total
Depreciation expense	29.435.117	14.771.798	44.206.915
Amortization expense	2.183.745	--	2.183.745
Toplam	31.618.862	14.771.798	46.390.660

During the period ended September 30, 2020, depreciation and amortization expense amounting to TL 46.390.660; TL 41.540.018 is included in general production expenses, TL 1.921.175 in sales and marketing expenses, TL 2.929.467 in general administrative expenses.

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

During the period ended September 30, 2019, depreciation and amortization expense amounting to TL 62.585.641; TL 59.151.388 is included in general production expenses, TL 1.024.089 in sales and marketing expenses, TL 2.410.164 in general administrative expenses.

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

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles	Furnitures and fixtures	Right of use assets	Special costs	Construction in progress	Total
Cost value										
Opening balance at January 1, 2020	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
Foreign currency translation differences	(23.243.285)	--	(19.050.643)	(159.140.397)	(1.892.367)	(3.698.215)	--	--	(3.820.356)	(210.845.263)
Additions	--	209.046	809.222	2.010.817	527.360	4.121.229	--	62.076	95.170.099	102.909.849
Sales / cancellation	--	--	--	(40.905)	(9.988)	(182.722)	--	--	--	(233.615)
Transfer from construction in progress	--	1.350.739	676.752	1.662.866	532.487	249.798	--	--	(4.472.642)	--
Closing balance at September 30, 2020	437.746.677	132.368.471	356.018.665	543.328.901	6.119.227	31.179.076	25.778.418	1.179.544	106.279.933	1.639.998.912
Accumulated depreciation										
Opening balance at January 1, 2020	--	(61.343.697)	(146.408.040)	(446.024.781)	(4.451.090)	(15.407.735)	(3.571.865)	(676.835)	--	(677.884.043)
Foreign currency translation differences	--	--	9.987.840	118.443.269	1.250.317	2.879.714	--	--	--	132.561.140
Period cost	--	(8.115.896)	(8.474.159)	(20.508.065)	(505.908)	(2.295.296)	(4.184.396)	(123.195)	--	(44.206.915)
Sales / cancellation	--	--	--	40.905	9.988	97.657	--	--	--	148.550
Closing balance at September 30, 2020	--	(69.459.593)	(144.894.359)	(348.048.672)	(3.696.693)	(14.725.660)	(7.756.261)	(800.030)	--	(589.381.268)
Net book value on September 30, 2020	437.746.677	62.908.878	211.124.306	195.280.229	2.422.534	16.453.416	18.022.157	379.514	106.279.933	1.050.617.644

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

	Lands	Land improvements	Buildings	Machinery, equipment and installations	Vehicles	Furnitures and fixtures	Right of use assets	Special costs	Construction in progress	Total
Cost Value										
Opening balance at January 1, 2019	487.225.047	128.434.581	357.345.942	828.132.342	575.107.963	31.834.492	--	1.018.158	45.392.380	2.454.490.905
Foreign currency translation differences	(24.632.819)	--	(19.499.200)	(158.564.724)	71.339.183	(3.449.544)	--	--	(8.486.955)	(143.294.059)
Additions	1.309.214	532.815	1.604.984	1.064.409	201.900	1.666.207	17.308.182	--	69.683.082	93.370.793
Sales / cancellation	--	--	--	(386.486)	(47.730)	(94.668)	--	--	--	(528.884)
Transfer from construction in progress	--	228.836	50.593.529	16.896.178	--	285.127	--	--	(68.003.670)	--
Closing balance at September 30, 2019	463.901.442	129.196.232	390.045.255	687.141.719	646.601.316	30.241.614	17.308.182	1.018.158	38.584.837	2.404.038.755
Accumulated depreciation										
Opening balance at January 1, 2019	--	(50.620.073)	(145.623.103)	(543.716.808)	(145.988.138)	(15.379.288)	--	(510.037)	--	(901.837.447)
Foreign currency translation differences	--	--	9.779.492	118.131.974	(10.313.166)	2.519.783	--	--	--	120.118.083
Period cost	--	(8.015.052)	(8.939.134)	(23.977.266)	(15.492.944)	(2.669.869)	(2.670.645)	(128.947)	--	(61.893.857)
Sales / cancellation	--	--	--	268.961	47.730	34.848	--	3.467	--	355.006
Closing balance at September 30, 2019	--	(58.635.125)	(144.782.745)	(449.293.139)	(171.746.518)	(15.494.526)	(2.670.645)	(635.517)	--	(843.258.215)
Net book value on September 30, 2019	463.901.442	70.561.107	245.262.510	237.848.580	474.854.798	14.747.088	14.637.537	382.641	38.584.837	1.560.780.540

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GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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NOTE 10 – INTANGIBLE ASSETS

10.1 Rights

	September 30, 2020	September 30, 2019
Cost		
Opening balance at January 1	27.348.692	25.644.968
Purchases	4.548.478	3.529.224
Foreign currency translation differences (net)	(4.580.744)	(4.926.222)
Sales / cancellation	--	--
Closing balance	27.316.426	24.247.970
Accumulated Amortization		
Opening balance at January 1	(5.143.792)	(4.950.084)
Current period amortization expense	(2.183.745)	(605.176)
Foreign currency translation differences (net)	--	--
Sales / cancellation	--	--
Closing balance	(7.327.537)	(5.555.260)
Net book value	19.988.889	18.692.710

10.2 Goodwill:

	September 30, 2020	September 30, 2019
Opening balance at January 1	87.044.600	121.614.875
Foreign currency translation differences	(29.127.221)	(34.135.148)
Closing balance	57.917.379	87.479.727

NOTE 11 – COMMITMENTS

11.1 Razi’s share purchase

Related to Razi’s purchase agreement, all shares of Razi were 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 August 1, 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, all shares have been received and there is no pledge on the shares.

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NOTE 11 – COMMITMENTS (Cont’d)

11.2 Purchasing commitments

As of September 30, 2020, the Group has a commitment to purchase raw materials and commercial goods that are planned to be imported (with relevant letters of credit) amounting to USD 61.894.080 and EUR 2.662.128 (December 31, 2019: 47.605.550 USD and 182.333 EUR).

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

12.1 Short-term provisions

	September 30, 2020	December 31, 2019
Provisions for cost expenses	69.896.149	80.618.320
Fertilizer tracking system expense provision (*)	12.683.187	46.454.760
Provisions for pending claims and lawsuits (**)	25.578.185	4.663.112
Other short-term debt provisions	4.116.849	6.310.775
Total	112.274.370	138.046.967

(*) 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.

(**) There is a lawsuit filed against Razi in the local court amounting to TL 20.845.177 (IRR 624 Billion) due to the allegation of excessive use of gas. Due to this lawsuit, the title deed of Razi's land amounting to TL 46.216.830 (IRR 1.383 Billion) has been shown as guarantee. The Group Management has made a provision for the relevant lawsuit in the current period.

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

	September 30, 2020	September 30, 2019
As of January 1,	4.663.112	1.502.750
Additional provision	20.915.073	868.813
Closing Balance	25.578.185	2.371.563

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 4.859.631 (September 30, 2019: TL 3.844.461) in respect of other lawsuits.

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

12.2 Guarantees given

As of September 30, 2020, and December 31, 2019, the tables related to the Group’s tables related to Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position are as follows:

	September 30 , 2020			December 31, 2019		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB’s given						
CPMB given by the company	TL	9.434.575	9.434.575	TL	33.405.490	33.405.490
	USD	700.000	5.465.600	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 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			14.900.175			97.262.640

12.3 Contingent liabilities and Assets

Iran Comprehensive Action Plan

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

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

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

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

12.3 Contingent liabilities and Assets (Cont’d)

Receivables from Tabosan

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

For the payments made on behalf of Tabosan, the Group filed a lawsuit for the transfer of 1.31% of the shares of Tabosan in Razi Petrochemical Company in Iran. On April 28, 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 July 15, 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.

Coastal Line

Iskenderun Fiscal Directorate (“Treasury”) brought a lawsuit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m² located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is TL 99.415.344 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 favor of Treasury. In March of 2018, Iskenderun 3. Civil Court partially accepted the case opened by the Property Directorate and decided to cancel the title deed registration of 78.674,76 m² of the immovable property of the Company located in Hatay, Iskenderun and Sariseki borders, the court ruled that the applicant had been denied the registration with the abandonment as a line and rejected the request concerning the surplus and rejected the case against the group.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

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

12.3 Contingent liabilities and Assets (Cont’d)

Coastal Line (Cont’d)

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.

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. 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.

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NOTE 13 – REVENUE

13.1 Revenue	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30 2020	July 1- September 30 2019
Domestic sales	2.965.727.375	2.601.120.354	835.454.203	547.017.551
Foreign sales	925.277.714	784.986.677	343.857.484	272.395.982
Service sales	2.841.727	56.350.553	1.014.377	23.273.616
Sales returns (-)	(729.811)	(5.488.843)	(162.069)	(1.306.270)
Sales discounts (-)	(40.482.508)	(36.114.530)	(12.743.083)	(10.306.467)
Other discounts from sales (-)	(1.563.420)	(12.587.667)	(85.528)	(9.984.658)
Total	3.851.071.077	3.388.266.544	1.167.335.384	821.089.754
13.2 Cost of sales	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Cost of goods produced	1.267.435.978	1.435.186.644	357.324.375	494.792.377
Change in the finished goods <i>-Finished goods at the beginning of the period</i>	145.337.767	(13.681.107)	25.588.201	(125.167.580)
<i>-Finished goods at the end of the period</i>	310.773.646	259.492.688	191.024.080	148.006.215
Cost of finished goods sold	1.412.773.745	1.421.505.537	382.912.576	369.624.797
<i>-Trade goods at the beginning of the period</i>	642.840.114	465.740.737	352.094.996	360.300.493
<i>-Purchases</i>	1.231.193.539	1.184.969.814	469.620.658	294.498.144
<i>-Trade goods at the end of the period</i>	(414.396.019)	(481.952.230)	(414.396.019)	(481.952.230)
Cost of trade goods sold	1.459.637.634	1.168.758.321	407.319.635	172.846.407
Cost of other sales	9.023.506	71.654.505	3.713.534	30.841.368
Cost of services sold	1.850.635	9.813.710	544.199	7.893.104
Total	2.883.285.520	2.671.732.073	794.489.944	581.205.676

NOTE 14 - OTHER OPERATING INCOME AND EXPENSES

14.1 Other operating income

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Foreign exchange gains related to trade transactions	204.646.397	302.028.044	(560.068)	165.904.310
Interest income	4.419.844	8.145.152	736.103	1.606.979
Other revenues	86.835.753	26.665.118	66.715.272	14.790.665
Total	295.901.994	336.838.314	66.891.307	182.301.954

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

14.2 Other Operating Expense

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Foreign exchange losses related to trade transactions	487.241.810	376.260.748	167.441.131	182.467.527
Provision expenses	21.312.904	5.462.911	20.887.059	1.481.499
Razi VAT receivables (Note 7)	101.049.733	--	101.049.733	--
Other expenses	23.676.889	28.041.906	3.426.483	7.598.899
Total	633.281.336	409.765.565	292.804.406	191.547.925

NOTE 15 - EARNING 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 period.

The weighted average of the shares and profit per share calculations are as follows:

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Net period (loss) on parent's shares)	153.969.653	(62.625.500)	30.528.654	(45.398.198)
Weighted average number of issued ordinary shares (1 kr each)	33.400.000.000	33.400.000.000	33.400.000.000	33.400.000.000
Earning per share (kr) (*)	0,0046	(0,0019)	0,0009	(0,0014)

(*) 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.

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NOTE 16 - RELATED PARTY TRANSACTIONS

16.1 Balances due to / from related parties

Trade Receivables	September 30, 2020	December 31, 2019
TKK	88.977.203	173.404.172
Other related parties	633.076	1.277.865
Total	89.610.279	174.682.037

While average terms of sales of solid fertilizers made to TKK is around 15 days, it varies between 15 and 120 days for sales of other types of fertilizers.

Trade Payables	September 30, 2020	December 31, 2019
Tarkim Bitki Koruma San. ve Tic. A.Ş.	--	18.359
Tarnet Tarım Kredi		
Bilişim ve İletişim Hizmetleri San ve Tic. A.Ş.	462.307	889.673
TKK	--	20.098
Tarım Kredi Yem San. ve Tic. A.Ş.	--	238.021
TK Taşımacılık ve Lojistik A.Ş.	729.320	632.182
Bereket Sigorta A.Ş.	504.067	22.754
Total	1.695.694	1.821.087

Other receivables	September 30, 2020	December 31, 2019
Tarım Kredi Holding A.Ş. (*)	--	10.135.215
Total	--	10.135.215

Other payables	September 30, 2020	December 31, 2019
Tarım Kredi Yem San. ve Tic. A.Ş. (*)	--	25.000.000
Total	--	25.000.000

(*) As of the balance sheet date, there are no outstanding related party balances for financing purposes. The related balances were paid off in the current period.

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NOTE 16 - RELATED PARTY TRANSACTIONS (Cont’d)

16.2 Transactions with Related Parties

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Sales of goods and services				
TKK	1.875.382.499	1.860.972.077	623.268.412	507.667.949
Tarım kredi Birlik Tarım Ürün. Hayv. Ambalaj Pet. Nak. İth. İhr. San. ve Tic. A.Ş.	--	7.624.372	--	--
Tarkim Bitki Koruma San. ve Tic. A.Ş.	75.959	162.229	6.225	26.053
Tarım Tarım Kredi Bilişim ve İletişim Hizmetleri San ve Tic. A.Ş.	62.792	73.168	38.533	20.800
TK Holding	31.564	--	31.564	--
TK Taşımacılık ve Lojistik A.Ş.	26.494	--	500	--
Toplam	1.875.579.308	1.868.831.846	623.345.234	507.714.802

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Purchases of goods and services				
TKK	3.720.404	17.762.123	85.365	11.106.043
TK Taşımacılık ve Lojistik A.Ş.	6.719.395	--	1.903.570	--
Tarım Tarım Kredi Bilişim ve İletişim Hizmetleri San ve Tic. A.Ş.	3.585.953	2.337.813	1.663.436	1.146.086
Tarım kredi Birlik Tarım Ürün. Hayv. Ambalaj Pet. Nak. İth. İhr. San. ve Tic. A.Ş.	306.691	870.224	7.978	5.188
Tarkim Bitki Koruma San. ve Tic. A.Ş.	65.591	--	10.631	--
Total	14.398.034	20.970.160	3.670.980	12.257.317

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NOTE 16 - RELATED PARTY TRANSACTIONS (Cont’d)

16.2 Transactions with Related Parties (Cont’d)

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Interest income				
Tarım Kredi Holding	70.959	--	--	--
Tarım kredi Birlik Tarım Ürün. Hayv. Ambalaj Pet. Nak. İth. İhr. San. ve Tic. A.Ş.	1.478.065	--	795.873	--
Total	1.549.024	--	795.873	--

	January 1- September 30 2020	January 1- September 30 2019	July 1- September 30 2020	July 1- September 30 2019
Interest expenses				
Tarım Kredi Yem San. ve Tic. A.Ş.	171.062	--	--	--
Total	171.062	--	--	--

16.3 Remuneration of board of directions and executive management

The total benefits provided by the Group to its board of directors and executive management during the periods ended September 30, 2020 and September 30, 2019 are as follows:

	September 30, 2020		September 30, 2019	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits	3.083.578	4.018.498	2.769.563	4.226.187
Total	3.083.578	4.018.498	2.769.563	4.226.187

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NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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 September 30, 2020 are as follows:

		September 30,	
		2020	
	TL	USD	EUR
	(functional currency)		
1 Trade receivables	341.949.256	352.034	37.160.041
2 Monetary financial assets (included cash, bank accounts)	744.312.934	91.310.080	3.435.965
3 Other current assets	195.343.714	24.446.011	489.616
4 Foreign current assets (1+2+3)	1.281.605.904	116.108.125	41.085.622
5 Trade payables	(909.636.985)	(116.411.427)	(76.310)
6 Financial borrowings	(75.626.601)	--	(8.285.032)
7 Other short-term liabilities, net	(7.111.046)	(883.457)	(23.336)
8 Short term liabilities in foreign currency (5+6+7)	(992.374.632)	(117.294.884)	(8.384.678)
9 Trade payables	--	--	--
10 Financial borrowings	--	--	--
11 Long term liabilities in foreign currency (9+10)	--	--	--
12 Total liabilities in foreign currency (8+11)	(992.374.632)	(117.294.884)	(8.384.678)
13 Net foreign currency asset, liability position (4-12)	289.231.271	(1.186.759)	32.700.944
14 Monetary items net foreign currency asset / liability position (4-12)	289.231.271	(1.186.759)	32.700.944
15 Fair value of derivative instruments classified for hedging purposes	--	--	--
16 Amount of hedged portion of foreign currency liabilities	--	--	--

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NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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, 2019 are as follows:

		December 31,	
		2019	
	TL	USD	EUR
	(functional currency)		
1 Trade receivables	192.177.940	32.089.094	234.911
2 Monetary financial assets (included 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 current assets (1+2+3)	254.786.952	40.682.962	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)	(96.444.794)	(20.459.565)
14 Monetary items net foreign currency asset / liability position (4-12)	(708.969.755)	(96.444.794)	(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	--

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the consolidated financial statements as of September 30, 2020

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

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

17.1 Foreign currency risk

As of September 30, 2020, and September 30, 2019, 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:

	September 30, 2020	
	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency

Change of USD by %10 against TL

1- Assets/liability denominated in USD – net	(926.621)	926.621
2- The part hedged for USD risk (-)	--	--
3- The impact of TL net profit for the period	(926.621)	926.621

Change of EUR by %10 against TL

1- Assets/liability denominated in EUR - net	29.849.749	(29.849.749)
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	29.849.749	(29.849.749)

	September 30, 2020	
	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency

Change of USD by %10 against TL

1- Assets/liability denominated in USD – net	(61.546.646)	61.546.646
2- The part hedged for USD risk (-)	54.893.270	(54.893.270)
3- The impact of TL net profit for the period	(6.653.376)	6.653.376

Change of EUR by %10 against TL

1- Assets/liability denominated in EUR - net	(976.052)	976.052
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(976.052)	976.052

NOTE 18 – SUBSEQUENT EVENTS

None.