



2017 3rd QUARTER
OPERATING REVIEW
REPORT

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

T: (+90 216) 468 50 50

F: (+90 216) 407 10 11

E: ir@gubretas.com.tr

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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2017 – 30.09.2017

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretas)

C. TRADE REGISTER NUMBER

Gübre Fabrikaları T.A.Ş. is registered to the İstanbul Trade Registry with the registry number 47535.

D. CONTACT INFORMATION

HEAD OFFICE

The address of our 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 Gübretas 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

Also, the contact information of production facilities and regional offices are listed below;

YARIMCA PRODUCTION FACILITIES

Address: Gübretas Yarımca Tesisleri 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR PRODUCTION FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

FOÇA PRODUCTION FACILITIES

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

Phone : +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

TEKİRDAĞ REGIONAL OFFICE

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

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

Fax : +90 (282) 262 98 51

İSKENDERUN REGIONAL OFFICE

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

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

Fax : +90 (326) 626 14 50

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 231 91 97

Fax : +90 (312) 231 92 99

İZMİR REGIONAL OFFICE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL OFFICE

Address: Gübretaş Samsun Tesisleri Organize Sanayi Bölgesi Kızılırmak Cad. No: 7
Kutlukent - SAMSUN

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

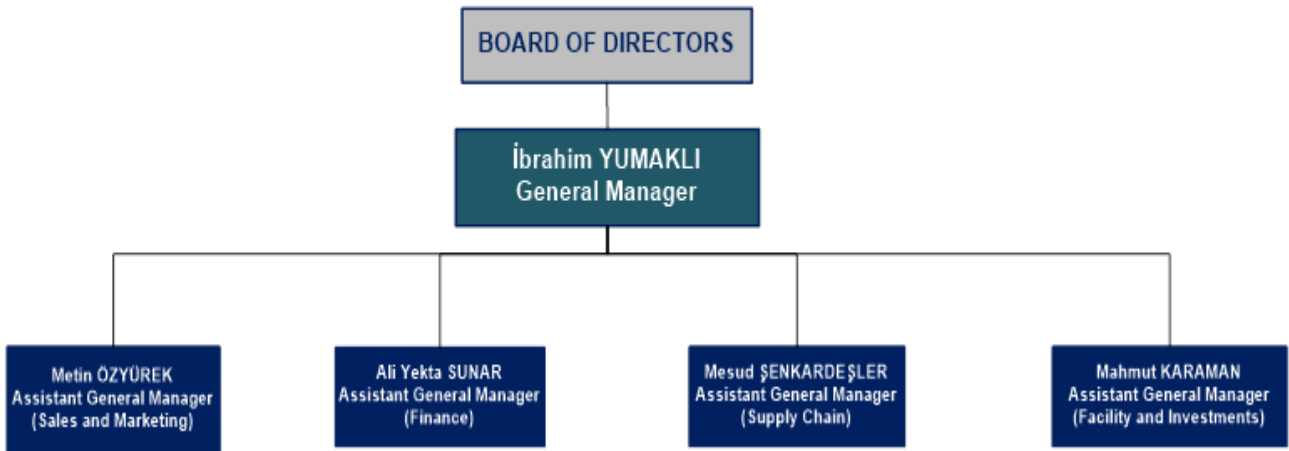
ANTALYA REGIONAL OFFICE

Address: Yeşilbahçe Mah. Portakal Çiçeği Bulvarı Kepez Mehmet Sitesi A Blok No:35 Kat:2
Daire:8 Muratpaşa/ANTALYA

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

Fax : +90 (242) 311 43 93

* As announced by our company in the Public Disclosure Platform (PDP) dated 16.10.2017, in line with the resolutions of the Board of Directors of our Company; it was decided to open our 8th regional sales office in Şanlıurfa and necessary work and operations have started.

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

As of 30.09.2017 authorized capital of the company is 1.000.000.000 ₺ and issued capital is 334.000.000 ₺. There has not been any change in terms of issued capital and shareholder structure of GÜbretas within the fiscal period.

The Company does not have any privileged shares or has not acquired any of its shares.

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

Tablo 1 : CAPITAL STRUCTURE

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

G. BOARD OF DIRECTORS

Title	Name	Date of appointment
Chairman	Ayhan KARAYAMA	13.04.2016
Vice Chairman	Mahmut GÜNGÖR	27.07.2016
Member	Ertekin ÇOLAK	24.06.2016
Executive Member	İbrahim YUMAKLI	28.10.2016
Executive Member	Mesud ŞENKARDEŞLER	07.03.2017
Executive Member	Ali Yekta SUNAR	10.07.2017
Independent Member	Bahattin YILDIZ	13.04.2016
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016
Independent Member	Murat YAŞA	11.05.2017

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

Title	Name	Date of Appointment	Date of Resignation
Member	Kazım AYDIN	17.06.2016	07.03.2017
Independent Member	Ali Yekta SUNAR	13.04.2016	05.05.2017
Executive Member	Tahir OKUTAN	13.04.2016	10.07.2017

The members of Board of Directors have the rights which are noted in the Articles of Association and Turkish Commercial Code. In the footnote numbered 16 of financial tables, informations about the benefits provided to the Board of Directors and top management are provided.

H. TOP MANAGEMENT

Title	Name	Date of Appointment
General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Facility and Investments	Dr. Mahmut KARAMAN	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Sales and Marketing	Metin ÖZYÜREK*	18.10.2016
Assistant GM - Finance	Ali Yekta SUNAR	05.05.2017

**After the organizational change in our company, having worked as the Assistant General Manager in charge of Logistics and Support Services between 18.10.2016 and 10.07.2017, Metin Özyürek has been appointed as the Assistant General Manager in charge of Sales and Marketing as of 10.07.2017.*

Members of top managers, which resigned during the period:

Title	Name	Date of Appointment	Date of Resignation
Assistant GM - Finance	İbrahim YUMAKLI	28.10.2016	05.05.2017
Assistant GM - Sales and Marketing	Tahir OKUTAN	20.01.2006	10.07.2017

İ. ADMINISTRATIVE ACTIVITIES

Number of Personnel

As of 30th of September 2017, our number of personel increased by 4% to 536 persons, compared to the same date of the year before.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. A total of 4.330 hours of educational activities with the participation of 261 employees were carried out in the first nine months of 2017.

II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

A. PRODUCTION

In the first nine months of 2017, Gübretaş produced a total of 478.095 tons of solid fertilizers as 424.002 tons of compound, 54.015 tons of TSP and 78 tons of nitrogen-based. In addition 16.561 tons of liquid and powder fertilizers were produced.

Solid fertilizer production increased by 20,2% and liquid-powder production also increased by 124,0 % in 2017 compared to 2016. Total fertilizer production including solid, liquid and powder increased by 22,1 %.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 71,54 % in the first nine months of 2017.

Table 5 : PRODUCTION BY GROUP -TON

PRODUCT	2017/9	2016/9	Change
Solid Fertilizer	478.095	397.752	20,2%
Liquid - Powder Fertilizer	16.561	7.393	124,0%
GRAND TOTAL	494.656	405.145	22,1%

B. SALES AND PURCHASES

Our Company sold 1.451.719 tons of solid, 34.695 tons of liquid and powder fertilizers in the first nine months of 2017. In the first nine months of 2016, 1.258.375 tons of solid, 21.918 tons of liquid and powder fertilizers were sold.

The sales increased by 15,36 % in the first nine months of 2017, compared to the same period of the year before.

The volume of purchases was 912.044 tons in the first nine months of 2016, and it increased by 63,70 % to 1.493.009 tons in first nine months of 2017. Export has been 1.872 tons in the first nine months of 2017, while it was 1.790 tons in the same period of 2016.

Table 6: RAW MATERIAL AND COMMODITY IMPORTS-TON

	2017/9	2016/9	Change
Raw Material	425.211	321.462	32,27%
Commodity	1.067.798	590.582	80,80%
Total Purchases	1.493.009	912.044	63,70%
Sales	1.451.719	1.258.375	15,36%

Table 7: SALES BY PRODUCT GROUPS-TON

SOLID CHEMICAL FERTILIZER	2017/9	2016/9	Change
Compound	463.702	411.522	12,68%
Nitrogen-based	765.955	671.885	14,00%
Phosphate-based and others	222.062	174.968	26,92%
Total Solid Fertilizer	1.451.719	1.258.375	15,36%
Total Liquid - Powder Fertilizer	34.695	21.918	58,29%
GRAND TOTAL	1.486.414	1.280.293	16,10%

C. INVESTMENTS

In Turkish operations, our company spent 51.639.014 ₺ for capital expenditure in the first three quarters of 2017, while this figure was 89.286.738 ₺ in the same period of 2016.

III. AFFILIATES AND SUBSIDIARIES

Table 8: SUBSIDIARIES

Company Name	Share %
Razi Petrochemical Co.	48,88

Table 9: AFFILIATES

Company Name	Share %
Negmar Denizcilik Yatırım A.Ş.	40,00
Tarkim Bitki Koruma San. ve Tic. A.Ş.	40,00
Tarnet Tar. Kre.Bil .Hiz.San Tic .A.Ş.	15,78

IV. RAZI PETROCHEMICAL CO. ACTIVITIES

A. PRODUCTION

In the first three quarters of 2017, 1.288.529 tons of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co., capacity utilization rate was 47,19%.

Table 10: PRODUCTION BY PRODUCTS-TON

PRODUCT	2017/9	2016/9	Change	Capacity	2017/9 CUR
Ammonia	622.554	587.341	6,00%	1.336.000	62,13%
Urea	263.249	255.077	3,20%	594.000	59,09%
Sulphur	200.856	198.745	1,06%	508.000	52,72%
Sulphuric Acid	135.636	167.166	-18,86%	627.000	28,84%
Phosphoric Acid	38.943	51.809	-24,83%	126.000	41,21%
DAP	27.292	46.008	-40,68%	450.000	8,09%
TOTAL	1.288.529	1.306.146	-1,35%	3.641.000	47,19%

B. SALES

In the first nine months of 2017, 1.165.569 tons of fertilizer were sold and 1.036.278.964 ₺ of revenue were achieved in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co. Razi Petrochemical Co. exported 905.578 tons and sold 259.991 tons in the domestic market in the first nine months of 2017. Share of export in total sales was 77,69%.

Table 11 : SALES BY PRODUCTS-TON

PRODUCT (Razi & Arya)	2017/9	2016/9	Change
Ammonia	469.680	368.152	27,58%
Urea	250.070	241.249	3,66%
Sulphur	190.957	144.886	31,80%
DAP	39.832	37.248	6,94%
Phosphoric Acid	29.916	26.201	14,18%
Sulphuric Acid	16.290	17.595	-7,42%
Subtotal	996.745	835.331	19,32%
Urea	93.498	-	-
Ammonium Sulphate	75.326	-	-
Other Sales	168.824	-	-
GRAND TOTAL	1.165.569	835.331	39,53%

C. INVESTMENTS

In Iran operations, our company spent 27.599.481 ₺ for capital expenditure in 2017, while this figure was 17.622.630 ₺ in 2016.

V. REVIEW

The weakness in the prices of phosphate fertilizers and fertilizer raw materials continued in the third quarter of 2017. When the price movements of intermediate product phosphoric acid and raw material phosphate rock in the North African region are examined, after 2009, it can be said that the lowest price levels for the most consumed product, DAP, are observed.

Nitrogen fertilizers and fertilizer raw materials' prices have been fluctuating within the year, with an uptrend limited movement in the recent period. The second half of 2016 is the term that the lowest prices of nitrogen fertilizer and fertilizer raw materials have been observed since 2009. Prices recovered with the contribution of the demand increase as of the beginning of 2017 have weakened again with the summer months when the demand slowed down. A similar course is observed when price movements in the Middle East region of urea, which is the most consumed product, and other highly consumed products, ammonium sulphate, ammonium nitrate and ammonia, which are the inputs of these products, are observed. Ammonia is also the most important product of our subsidiary, Razi Co., based in Iran, which has a distinctive importance and is the most important factor in the performance of our subsidiary.

As the sector imports almost all of the raw material and end product needs, movements in the exchange rate (especially USD / TRY) are also important for the sector. The steady trend during the third quarter of the year led to a more limited exchange rate effect on prices in TL and to move prices upwards and downwards compared to the prices in global markets.

The drop in fertilizer prices, the removal of VAT in the fertilizer sector, and the incentives to increase fertilizer consumption are contributing to the strong demand for fertilizer. Looking at longer term, the completion of various ongoing irrigation projects and the increase in the amount of irrigated soil is another factor that will affect fertilizer consumption positively. When assessed in terms of our subsidiary, different types of sanctions that Iran is exposed to will have an impact on the future performance of the Iranian economy and indirectly Razi Co..

Our company continues its activities in line with budget targets in operational indicators such as production and sales, reinforcing its leading position in the market. In addition, it continues to invest in order to increase product diversity and production capacity and to reduce costs.

VI. FINANCIAL STRUCTURE

A. BALANCE SHEET ASSETS-₺

ASSETS	30 September 2017	31 December 2016
Current Assets	1.605.429.007	1.648.288.615
Cash and Cash Equivalents	191.183.720	136.519.570
Financial Investments	54.601.153	24.961.482
Trade Receivables	329.627.540	386.499.874
- Trade receivables from related parties	-	97.413.609
- Other trade receivables	329.627.540	289.086.265
Other Receivables	217.564.695	170.524.480
- Other receivables from related parties	1.070	2.756.403
- Other receivables	217.563.625	167.768.077
Inventories	738.176.158	814.012.500
Prepaid expenses	57.117.203	75.887.364
Derivative Instruments	1.484.880	16.743.178
Current tax assets	290.322	5.687.893
Other Current Assets	15.383.336	17.452.274
Fixed Assets	1.663.841.274	1.734.843.766
Financial Investments	42.771.537	44.152.656
Other receivables	76.596.837	117.641.163
- Other receivables from related parties	55.034.082	94.567.063
- Other receivables from third parties	21.562.755	23.074.100
Investments Valued by Equity Method	10.992.348	9.025.166
Investment Properties	57.028.000	57.028.000
Tangible Fixed Assets	1.217.730.703	1.219.905.720
Intangible Fixed Assets	209.990.802	217.591.062
- Goodwill	182.176.418	188.461.258
- Other intangible assets	27.814.384	29.129.804
Prepaid expenses	16.139.576	40.975.917
Deferred Tax Assets	32.591.471	28.524.082
TOTAL ASSETS	3.269.270.281	3.383.132.381

B. BALANCE SHEET LIABILITY-₺

LIABILITIES	30 September 2017	31 December 2016
Short-term Liabilities	1.729.207.607	1.855.080.961
Financial Liabilities	479.188.974	798.391.047
Short-term portion of long-term borrowings	53.312.657	42.297.246
Trade payables	741.599.393	632.250.973
- <i>Trade payables to related parties</i>	6.392.144	5.224.461
- <i>Other trade payables to third parties</i>	735.207.249	627.026.512
Payables for Employment Termination Benefits	30.574.500	35.667.368
Other Payables	180.822.465	153.941.939
- <i>Other payables to third parties</i>	180.822.465	153.941.939
Deferred Incomes	119.617.143	34.436.793
Current Tax Liabilities	32.666.185	53.959.350
Short-term provisions	91.426.290	104.136.245
- <i>Short-term provisions for employee benefits</i>	30.912.720	24.212.339
- <i>Provisions for payables</i>	60.513.570	79.923.906
Long-term Liabilities	353.763.418	326.433.355
Long-term borrowings	114.136.959	99.492.773
Provisions for employee benefits	199.492.641	185.422.202
Deferred tax liabilities	40.133.818	41.518.380
EQUITY CAPITAL	1.186.299.256	1.201.618.065
Paid-in Capital	334.000.000	334.000.000
<u>Accumulated other comprehensive income / expense not to be reclassified to profit or loss</u>		
Revaluation and actuarial gain/(loss)	261.584.825	261.625.497
- <i>Revaluation gains/losses on property, plant and equipment</i>	262.570.832	262.570.832
- <i>Actuarial gain/(loss) arising from defined benefit plans</i>	(986.007)	(945.335)
<u>Accumulated other comprehensive income / expense to be reclassified to profit or loss</u>		
- <i>Foreign currency translation reserve</i>	(70.909.006)	(62.489.158)
- <i>Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method</i>	(24.536.877)	(25.428.512)
Restricted Reserves From Profit	41.378.380	41.378.380
- <i>Legal Reserves</i>	41.378.380	41.378.380
Retained earnings	398.072.667	466.809.637
Net Period Profit / (Loss)	9.927.580	(68.736.970)
Equity attributable to equity holders of the parent	949.517.569	947.158.874
Minority Shares	236.781.687	254.459.191
TOTAL LIABILITIES	3.269.270.281	3.383.132.381

C. INCOME STATEMENT-₺

CONTINUING OPERATIONS	1 Jan 2017 30 Sep 2017	1 Jan 2016 30 Sep 2016
Sales (net)	2.547.999.866	2.131.497.340
Costs of Sales (-)	(2.204.391.362)	(1.824.073.622)
GROSS PROFIT	343.608.504	307.423.718
Administrative Expenses (-)	(117.719.619)	(93.650.704)
Marketing, Sales and Distribution Expenses (-)	(211.909.784)	(151.612.210)
Other Operating Incomes	222.715.787	131.047.860
Other Operating Expenses (-)	(212.593.193)	(118.668.292)
OPERATION PROFIT/(LOSS)	24.101.695	74.540.372
Shares in Profit/Loss of Investments Valued by Equity Method	(16.092.637)	(1.599.700)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	8.009.058	72.940.672
Finance Expenses (-)	(4.841.966)	(2.575.914)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	3.167.092	70.364.758
Total Tax Income / Expense (-)	(387.851)	(55.637.999)
- Period Tax Income / Expense (-)	(3.114.041)	(26.596.680)
- Deferred Tax Income / Expense(-)	2.726.190	(29.041.319)
PERIOD PROFIT/ (LOSS)	2.779.241	14.726.759
<u>Distribution of Period Profit / (Loss)</u>		
Minority Shares	(7.148.339)	32.784.237
Parent Company's Shares	9.927.580	(18.057.478)
Earnings / (Loss) Per Share (kr)	0,0003	(0,0005)

VII. EVENTS AFTER BALANCE SHEET DATE

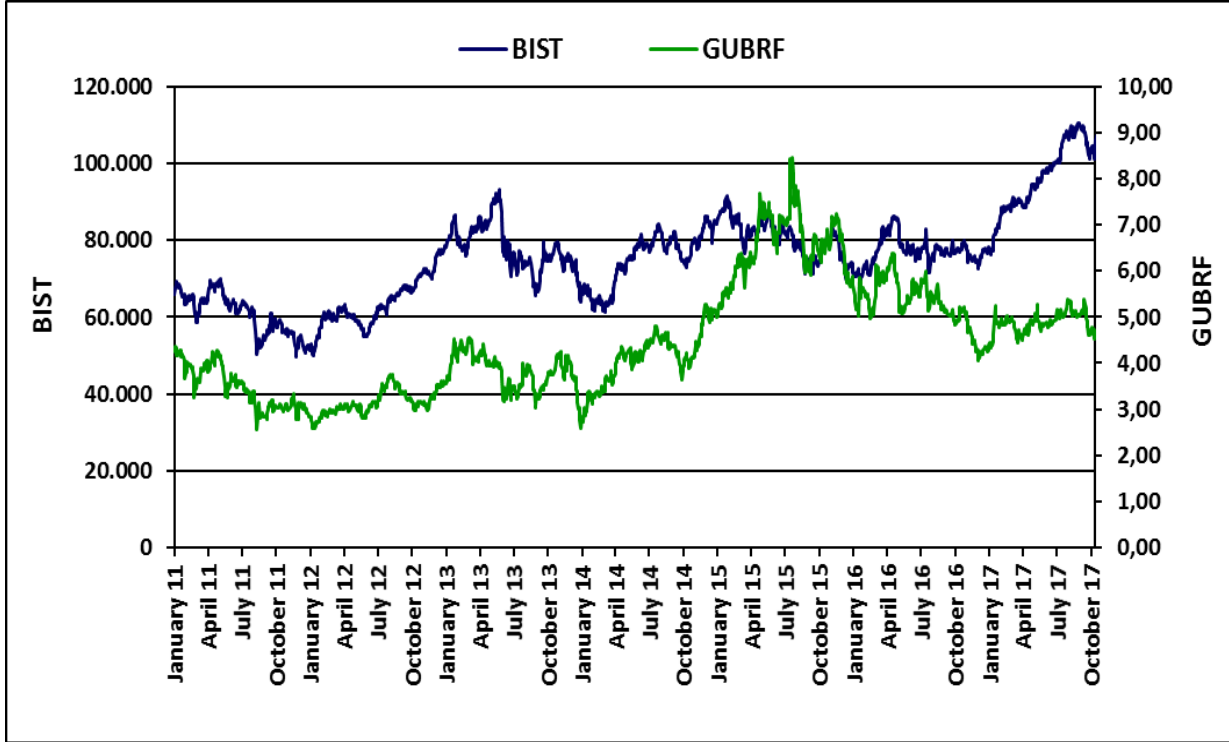
1. Iskenderun Fiscal Directorate (“Treasury”) brought a case (“principal case”) in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m2 located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land, and our company brought a suit (“counter claim”) for the compensation of the property right in view of the likelihood that this case will result in favor of the Treasury,

On 14/03/2017, our company announced that with the paritally acceptance of the "principal case", Iskenderun 3rd Civil Rights Court decided to the cancellation of the deed registration of 78.674,76 m2 of the immovable property belonging to our company located in the borders of Hatay, Iskenderun and Sariseki, and to the exclusion from registration as shore edge line. The court rejected the petition concerning the surplus as the coastal border line and rejected the "counterclaim" filed by our company. After that, on 25/04/2017, it was announced that our company appealed against the case in its legal period.

The Request of appeal of our company has been accepted. The Gaziantep District Court of Justice 15th Law Office removed the "original case" and "counterclaim" rulings and extradite the file to the local court for review.

VIII. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



IX. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 3.1.2014, within the dates of 1.7.2017 - 30.9.2017, the following works have been realized by the Company in order to be compliant with the principles issued in the related communiqué:

- Regarding to the article 2.1.3 of Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communiqué, our 2nd quarter financial statements excluding footnotes have been announced in the Public Disclosure Platform both in Turkish and English.

X. CONCLUSION

DEAR SHAREHOLDERS,

In the first nine months of 2017, 1.493.009 tons of fertilizers and raw materials were procured from domestic and foreign markets and 478.095 tons of various types of chemical solid fertilizer were produced at our facilities. On the other hand, 1.486.414 tons of solid, liquid and powder fertilizers were sold in the first nine months of 2017. Net sale revenues realized as 1.665.673.617 ₺.

Also 1.288.529 tons of fertilizer and fertilizer raw materials were produced 1.036.278.964 ₺ sale revenues were realized by the sale of 1.165.569 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co and its subsidiaries.

Our company reached to 2.547.999.866 ₺ consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 3.167.092 ₺ profit realized before tax. 2.779.241 ₺ consolidated profit occurred after deducting 387.851 ₺ net tax expense. 9.927.580 ₺ profit to shareholders has occurred after deducting 7.148.339 ₺ shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first nine months of 2017 activities.

Best Regards,
BOARD OF DIRECTORS