



**2018 1st 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

I. INTRODUCTION	2
A. REPORTING PERIOD	2
B. COMMERCIAL TITLE	2
C. TRADE REGISTER NUMBER	2
D. CONTACT INFORMATION	2
E. ORGANIZATION CHART	4
F. CAPITAL STRUCTURE.....	4
G. BOARD OF DIRECTORS	5
H. TOP MANAGEMENT	6
İ. ADMINISTRATIVE ACTIVITIES	6
II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES	6
A. PRODUCTION	6
B. SALES AND PURCHASES	7
C. INVESTMENTS	8
III. AFFILIATES AND SUBSIDIARIES	8
IV. RAZİ PETROCHEMICAL CO. ACTIVITIES	8
A. PRODUCTION	8
B. SALES	9
C. INVESTMENTS	9
V. REVIEW	9
VI. FINANCIAL STRUCTURE.....	12
A. CONSOLIDATED BALANCE SHEET - ç	12
B. CONSOLIDATED INCOME STATEMENT - ç	14
VII. EVENTS AFTER BALANCE SHEET DATE	15
VIII. PERFORMANCE OF THE STOCK	15
IX. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT	16
X. CONCLUSION	17

I. INTRODUCTION

A. REPORTING PERIOD

01.01.2018 - 31.03.2018

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

Phone: +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

TEKİRDAĞ REGIONAL OFFICE

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

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

Fax : +90 (282) 262 98 51

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) 212 75 75

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

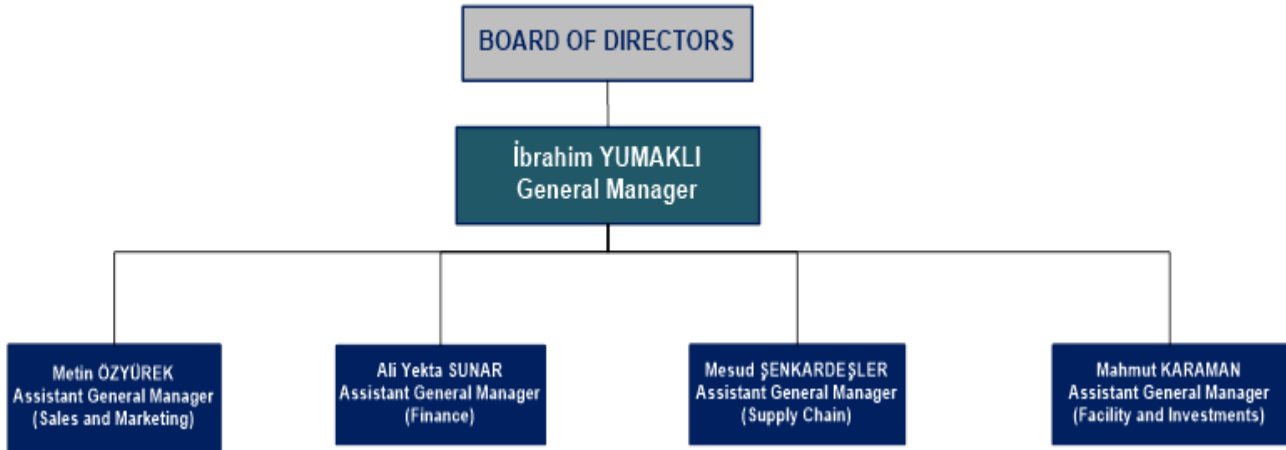
Fax : +90 (242) 311 43 93

ŞANLIURFA REGIONAL OFFICE

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

Phone : +90 (326) 626 14 44

Fax : +90 (326) 626 14 44

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

As of 31.03.2018 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 capital and shareholder structure of GÜBRETAS within the fiscal period.

The Company does not have any preferred 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 Election
Chairman	Fahrettin POYRAZ	19.12.2017
Vice Chairman	Ahmet BAĞCI	03.05.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Member	Ramazan BİLGİÇ	03.05.2018
Member	Halim ALTUNKAL	03.05.2018
Member	Mehmet TUNÇAK	03.05.2018
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Seyfullah ARSLANTÜRK	28.02.2018
Independent Member	Mehmet BULUT	30.03.2018

Members of the Board of Directors, which resigned during the period and after balance sheet date:

Title	Name	Date of Appointment	Date of Election
Executive Member	Mesud ŞENKARDEŞLER	07.03.2017	04.01.2018
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016	26.02.2018
Independent Member	Bahattin YILDIZ	13.04.2016	03.03.2018
Member	Ertekin ÇOLAK	24.06.2016	26.04.2018
Vice Chairman	Mahmut GÜNGÖR	27.07.2016	03.05.2018
Member	Fatih Zekeriya YERLİKAYA	04.01.2018	03.05.2018
Executive Member	Ali Yekta SUNAR	10.07.2017	03.05.2018

The members of Board of Directors have the rights which are noted in the Articles of Association and Turkish Commercial Code. In the footnotes 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 & Marketing	Metin ÖZYÜREK	10.07.2017
Assistant GM - Finance	Ali Yekta SUNAR	05.05.2017

İ. ADMINISTRATIVE ACTIVITIES

Number of Personnel

As of 31.03.2018, our number of personel increased by 9,16% to 560 people compared to the same date a year before.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. Education activities of 217 hours with participation of 165 employees were carried out in the first three months of 2018.

II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

A. PRODUCTION

Gübretaş produced 129.127 tons of compound fertilizers, 67.165 tons of nitrogen-based fertilizers, 13.730 tons of phosphate-based fertilizers, and a total of 210.022 tons in the first three months of 2018. In addition, 9.036 tons of liquid and powder fertilizers were produced.

Solid fertilizer production increased by 10,62% and liquid-powder production also increased by 3,16% in 2018 compared to 2017. Total fertilizer production including solid, liquid and powder increased by 10,29%.

Some of the products were used as raw material in the prodcuton process. Capacity utilisation rate was 88,10% in the first three months of 2018.

Table 2: PRODUCTION BY GROUP -TON

Production	2018/3	2017/3	Change
Solid Fertilizer	210.022	189.854	10,62%
Liquid - Powder Fertilizer	9.036	8.759	3,16%
GRAND TOTAL	219.058	198.613	10,29%

B. SALES AND PURCHASES

Our Company sold 739.370 tons of solid, 18.037 tons of liquid and powder fertilizers in the first three months of 2018. In the first three months of 2017, 763.528 tons of solid, 19.748 tons of liquid and powder fertilizers were sold.

The sales decreased by 3,16% in the first three months of 2018, compared to the same period of the year before.

The volume of purchases was 709.710 tons in the first three months of 2017, and it decreased by 23,25% to 544.672 tons in first three months of 2018. Export has been 583 tons in the first three months of 2018, while it was 1.696 tons in the same period of 2017.

Table 3: SALES, IMPORT AND DOMESTIC PURCHASES-TON

	2018/3	2017/3	Change
Raw Material	185.892	192.582	-3,47%
Commodity	358.780	517.128	-30,62%
Total Purchases	544.672	709.710	-23,25%
Sales (Solid Fertilizer)	739.370	762.028	-2,97%

Table 4: SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2018/3	2017/3	Change
Compound	241.472	205.835	17,31%
Nitrogen-based	454.835	513.634	-11,45%
Phosphate-based and others	43.063	44.059	-2,26%
Total Solid Fertilizer	739.370	763.528	-3,16%
Total Liquid - Powder Fertilizer	18.037	19.748	-8,66%
Grand Total	757.407	783.276	-3,30%

C. INVESTMENTS

In Turkish operations, our company spent 18.443.873 ₺ for capital expenditure in the first quarter of 2017, while this figure was 11.374.005 ₺ in the same period of 2018.

III. AFFILIATES AND SUBSIDIARIES

Table 5: SUBSIDIARIES

Company Name	Share %
Razi Petrochemical Co.	48,88

Table 6: 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. RAZİ PETROCHEMICAL CO. ACTIVITIES

A. PRODUCTION

In the first quarter of 2018, 501.691 tons of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co., capacity utilization rate was 55,12%.

Table 7: RAZİ PETROCHEMICAL CO. PRODUCTION-TON

PRODUCT	2018/3	2017/3	Değişim	Capacity	2018/3 CUR
Ammonia	229.305	197.258	16,25%	1.336.000	68,65%
Urea	124.399	99.233	25,36%	594.000	83,77%
Sulphur	66.595	64.729	2,88%	508.000	52,44%
Sulphuric Acid	51.827	32.667	58,65%	627.000	33,06%
Phosphoric Acid	16.174	12.732	27,03%	126.000	51,35%
DAP	13.391	900	1387,89%	450.000	11,90%
Total	501.691	407.519	23,11%	3.641.000	55,12%

B. SALES

In the first three months of 2018, 397.308 tons of fertilizer were sold and 452.076.882 ₺ of revenue were achieved in Razi Petrochemical Co. and its subsidiaries. Razi Petrochemical Co. exported 311.857 tons and sold 85.751 tons in the domestic market in the first three months of 2018. Share of export in total sales was 78,43%.

Table 8: RAZİ PETROCHEMICAL CO. SALES-TON

PRODUCT (Razi & Arya)	2018/3	2017/3	Değişim
Ammonia	167.947	143.473	17,06%
Urea	113.366	98.659	14,91%
Sulphur	40.057	43.305	-7,50%
DAP	12.095	13.460	-10,14%
Phosphoric Acid	8.926	9.640	-7,40%
Sulphuric Acid	7.515	3.920	91,72%
Subtotal	349.906	312.457	11,99%
Urea	47.702	49.500	-3,63%
Ammonium Sulphate	-	75.326	-100,00%
Other Sales	47.702	124.826	-61,79%
TOTAL	397.608	437.283	-9,07%

C. INVESTMENTS

In Iran operations, our company spent 6.692.525 ₺ for capital expenditure in 2017, while this figure was 2.607.586 ₺ in 2018.

V. REVIEW

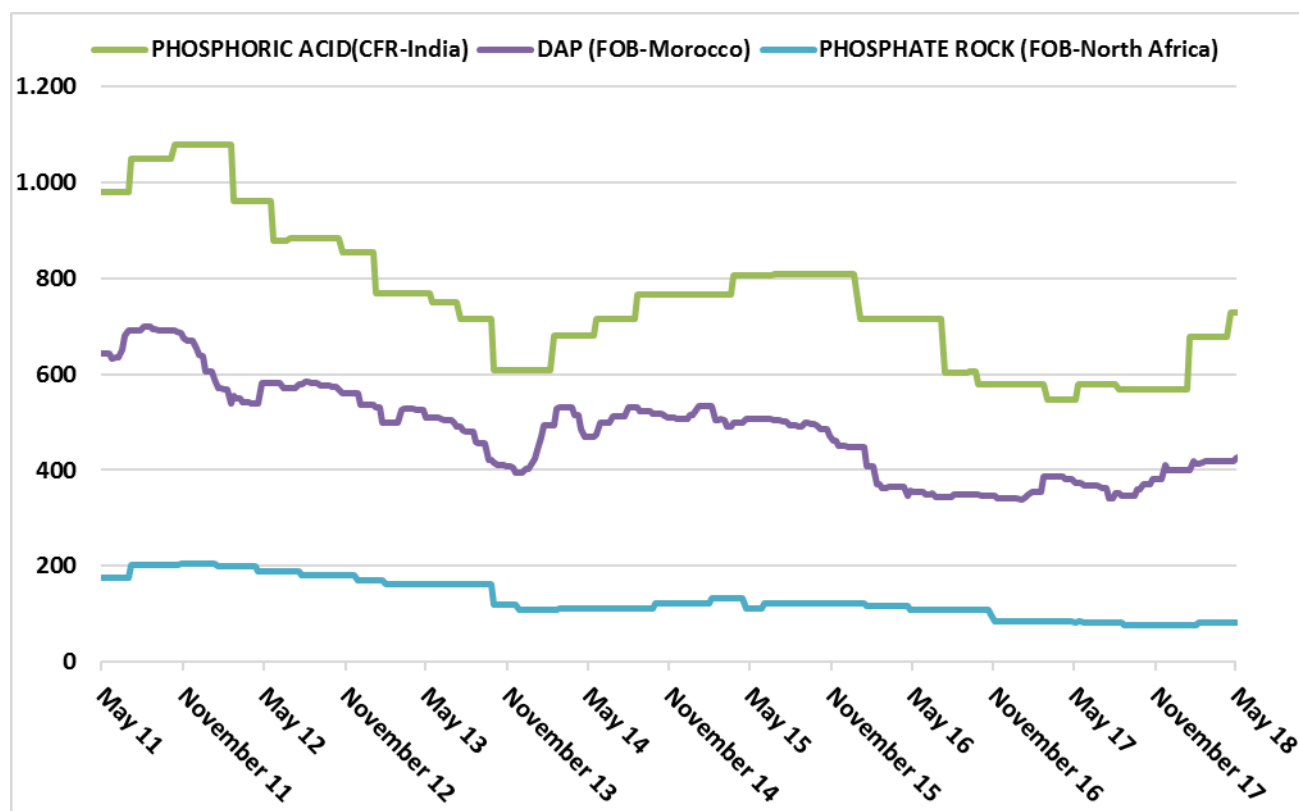
The upward trend in ammonia prices, which is the most important product for our company's foreign operations, began in the last quarter of 2017 and continued through the first quarter of 2018. CFR prices in India region were above 300 USD. This situation contributed to a more successful Iranian performance in the first quarter compared to the same period of previous year.

For the nitrogen fertilizers, it was observed that Urea and AS prices in terms of FOB in the Black Sea basin generally display a horizontal trend in the first quarter.

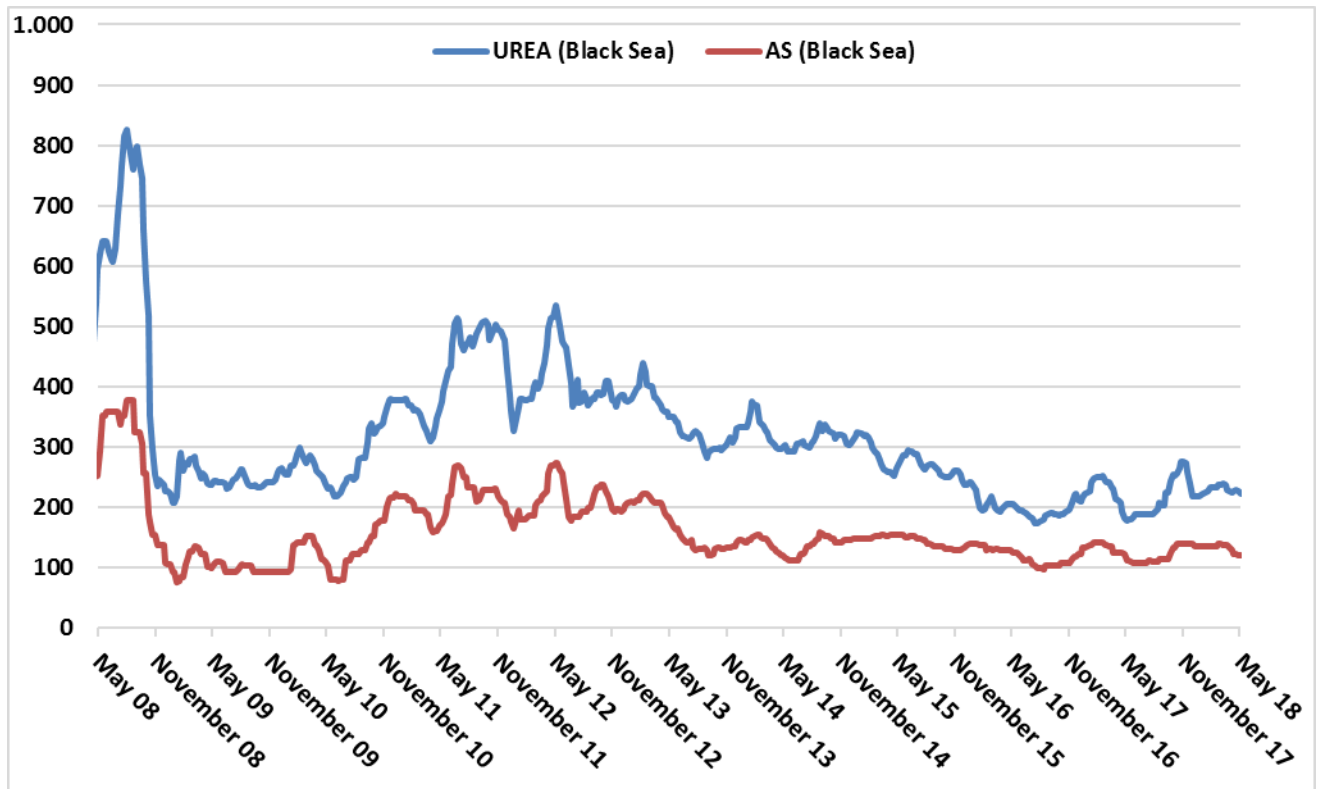
In phosphate fertilizers and fertilizer raw materials, the upward trend also began in the last quarter of previous year and still continues.

Our company continues its activities in line with budget targets in operational indicators and reinforces its leading position in the market.

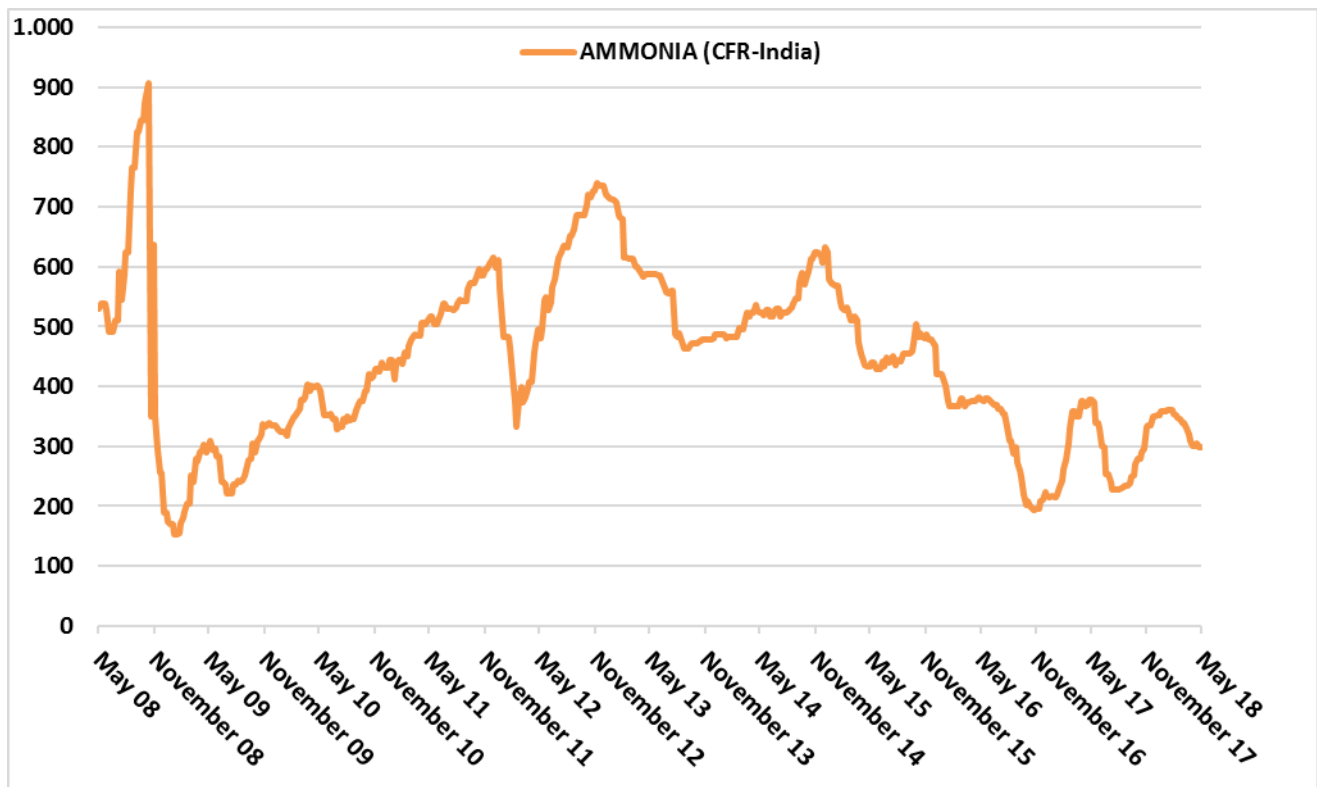
Graph 1 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON



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



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



VI. FINANCIAL STRUCTURE

A. CONSOLIDATED BALANCE SHEET -₺

ASSETS	31 March 2018	31 December 2017
Current Assets	1.957.019.337	1.989.501.174
Cash and Cash Equivalents	288.255.997	227.960.860
Financial Investments	90.606.136	79.972.354
Trade Receivables	561.830.812	414.159.582
- Trade receivables from related parties	146.150.666	66.765.089
- Other trade receivables	415.680.146	347.394.493
Other Receivables	264.749.455	198.841.575
- Other receivables from related parties	3.551.239	132.977
- Other receivables	261.198.216	198.708.598
Inventories	691.980.143	972.164.142
Prepaid expenses	29.593.389	68.232.462
Derivative Instruments	8.978.669	85.916
Current tax assets	605.453	482.023
Other Current Assets	20.419.283	27.602.260
Fixed Assets	2.044.071.265	1.708.485.990
Financial Investments	31.994.508	42.585.948
Other receivables	98.275.334	74.395.878
- Other receivables from related parties	44.413	60.276.145
- Other receivables from third parties	98.230.921	14.119.733
Investments Valued by Equity Method	14.195.879	12.879.760
Investment Properties	69.638.999	69.638.999
Tangible Fixed Assets	1.524.222.752	1.222.887.066
Intangible Fixed Assets	229.977.998	210.282.198
- Goodwill	200.983.580	181.331.891
- Other intangible assets	28.994.418	28.950.307
Prepaid expenses	18.224.963	19.837.304
Deferred Tax Assets	57.540.832	55.978.837
TOTAL ASSETS	4.001.090.602	3.697.987.164

LIABILITIES	31 March 2018	31 December 2017
Short-term Liabilities	2.088.306.107	2.179.867.692
Financial Liabilities	781.684.718	912.317.544
Short-term portion of long-term borrowings	14.375.481	54.914.049
Trade payables	974.083.454	832.398.546
- <i>Trade payables to related parties</i>	3.439.073	17.417.334
- <i>Other trade payables to third parties</i>	970.644.381	814.981.212
Payables for Employment Termination Benefits	45.103.473	33.663.131
Other payables to third parties	147.423.094	221.497.832
Deferred Incomes	25.184.524	16.541.386
Current Tax Liabilities	14.833.982	17.143.787
Short-term provisions	85.617.381	91.391.417
- <i>Short-term provisions for employee benefits</i>	27.430.238	42.251.136
- <i>Provisions for payables</i>	58.187.143	49.140.281
Long-term Liabilities	646.197.668	310.608.385
Long-term borrowings	108.459.870	72.295.391
Long-term Other payables to third parties	306.934.897	-
Long-term provisions for employee benefits	192.261.137	196.320.157
Deferred tax liabilities	38.541.764	41.992.837
EQUITY CAPITAL	1.266.586.827	1.207.511.087
Paid-in Capital	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss	260.500.358	260.481.934
- <i>Revaluation gains/losses on property, plant and equipment</i>	261.940.485	261.940.485
- <i>Actuarial gain/(loss) arising from defined benefit plans</i>	(1.440.127)	(1.458.551)
Accumulated other comprehensive income / expense to be reclassified to profit or loss	(69.088.570)	(96.764.296)
- <i>Foreign currency translation reserve</i>	(69.088.570)	(68.388.089)
- <i>Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method</i>	-	(28.376.207)
Restricted Reserves From Profit	52.295.108	52.295.108
Retained earnings	420.473.851	387.155.939
Net Period Profit / (Loss)	(8.788.186)	33.317.912
Equity attributable to equity holders of the parent	989.392.561	970.486.597
Minority Shares	277.194.266	237.024.490
TOTAL LIABILITIES	4.001.090.602	3.697.987.164

B. CONSOLIDATED INCOME STATEMENT-₺

CONTINUING OPERATIONS	1 Jan - 31 March 2018	1 Jan - 31 March 2017
Sales (net)	1.257.606.490	1.115.545.565
Costs of Sales (-)	(995.464.509)	(983.910.459)
GROSS PROFIT	262.141.981	131.635.106
Administrative Expenses (-)	(38.631.001)	(30.245.314)
Marketing, Sales and Distribution Expenses (-)	(92.036.516)	(85.342.209)
Other Operating Incomes	53.741.896	106.509.411
Other Operating Expenses (-)	(64.663.374)	(88.521.976)
OPERATION PROFIT/(LOSS)	120.552.986	34.035.018
Income From Investment Activities	(6.672.840)	-
Shares in Profit/Loss of Investments Valued by Equity Method	1.316.119	(13.655.539)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	115.196.265	20.379.479
Finance Expenses (-)	(104.496.869)	(3.163.673)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	10.699.396	17.215.806
Total Tax Income / Expense (-)	4.433.087	(4.898.852)
- Period Tax Income / Expense (-)	-	(1.038.953)
- Deferred Tax Income / Expense(-)	4.433.087	(3.859.899)
PERIOD PROFIT/ (LOSS)	15.132.483	12.316.954
PERIOD PROFIT/ (LOSS)	15.132.483	12.316.954
Distribution of Period Profit / (Loss)		
Minority Shares	23.920.669	1.578.560
Parent Company's Shares	(8.788.186)	10.738.394
Earnings / (Loss) Per Share (kr)	(0,0003)	0,0003

VII. EVENTS AFTER BALANCE SHEET DATE

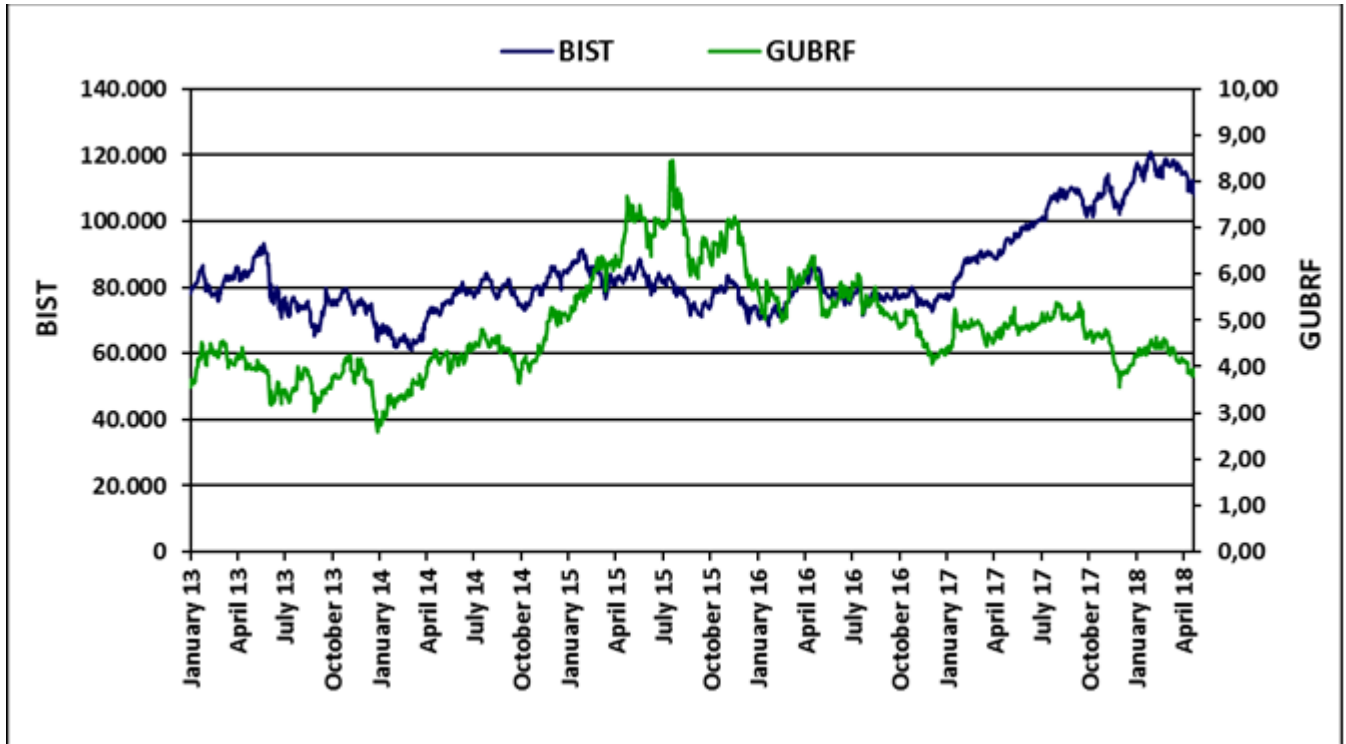
1. In accordance with the resolutions of the Board of Directors;

The Board elected Mr. Mehmet BULUT to the duty of independent membership of the Board after the resignation of Mr. Bahattin YILDIZ in accordance with 363th article of Turkish Commercial Code.

2. Ertekin ÇOLAK, who was in charge of the Board of Directors of our Company, resigned from this position.

VIII. PERFORMANCE OF THE STOCK

Graph 4 : 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 first three months of 2018 covering the dates of 1.1.2018 - 31.3.2018, 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 our Company, Gübre Fabrikaları T.A.Ş., within the year of 2018 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 31, 2018.
2. Regarding to the article 11/1 of Corporate Governance Communiqué, Investor Relations Department prepared "Investor Relations 2017 Operating Report" related to activities within the year of 2017, and submitted it for the Board's information.

X. CONCLUSION

DEAR SHAREHOLDERS,

In the first three months of 2018, 544.672 tons of fertilizers and raw materials were procured from domestic and foreign markets and 210.022 tons of various types of chemical solid fertilizer were produced at our facilities. On the other hand, 757.407 tons of solid, liquid and powder fertilizers were sold in the first three months of 2018. Net sale revenues realized as 894.547.297 ₺.

Also 501.691 tons of fertilizer and fertilizer raw materials were produced 452.076.882 ₺ sale revenues were realized by the sale of 397.308 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co and its subsidiaries.

Our company reached to 1.257.606.490 ₺ consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 10.699.396 ₺ profit realized before tax. 15.132.483 ₺ consolidated profit occurred after adding 4.433.087 ₺ net tax income. 8.788.186 ₺ loss to shareholders has occurred after deducting 23.920.669 ₺ shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first three months of 2018 activities.

Best Regards,
BOARD OF DIRECTORS