



**2018 1st QUARTER
OPERATING REVIEW
REPORT**

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

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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2018 - 31.03.2018

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

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 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

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

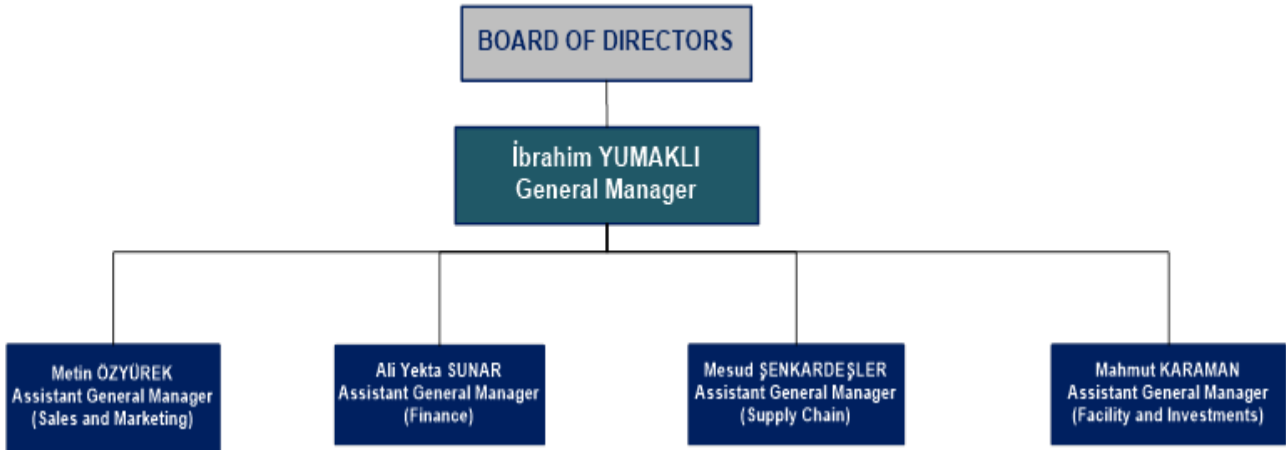
Fax : +90 (242) 311 43 93

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

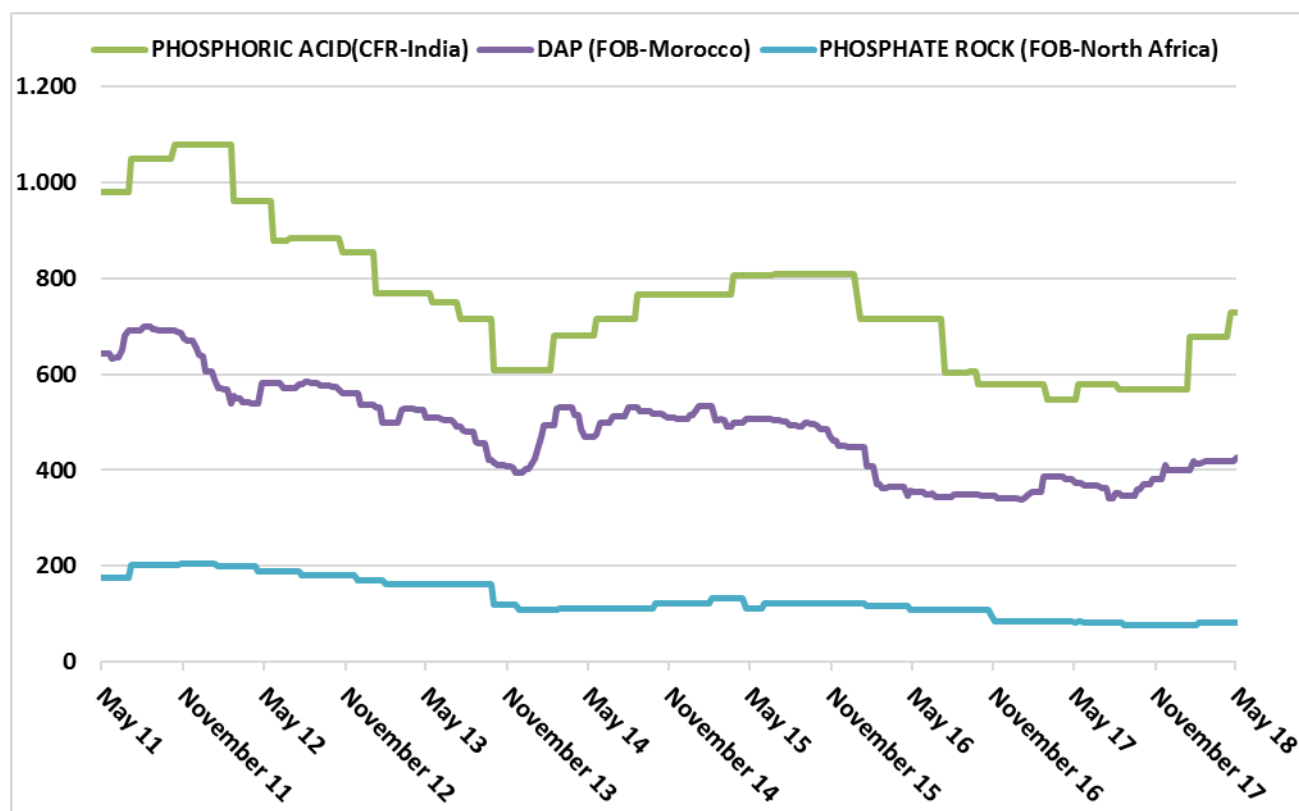
The upward trend in ammonia prices, which is the most important product for our company's foreign operations, began in the last quarter of 2017 and continued through the first quarter of 2018. CFR prices in India region were above 300 USD. This situation contributed to a more successful Iranian performance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

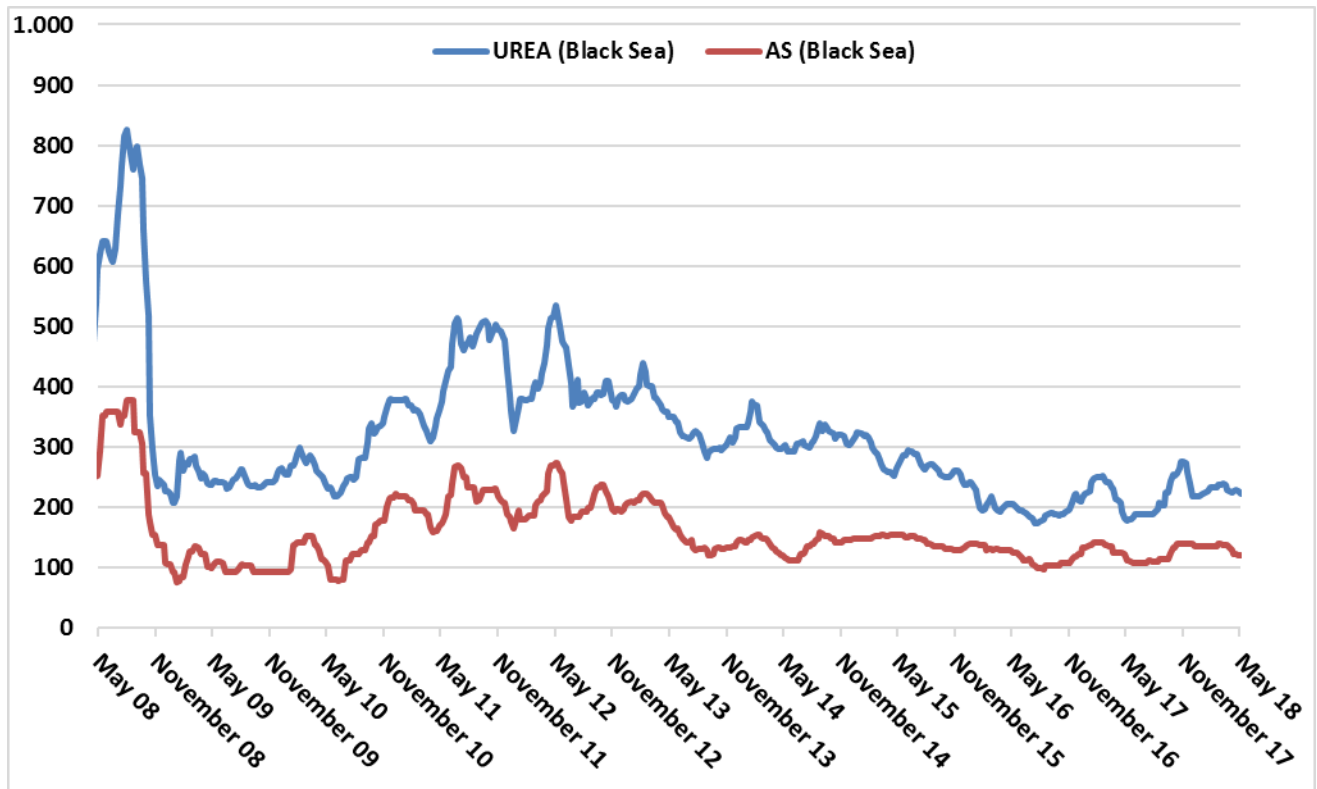
In phosphate fertilizers and fertilizer raw materials, the upward trend also began in the last quarter of previous year and still continues.

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

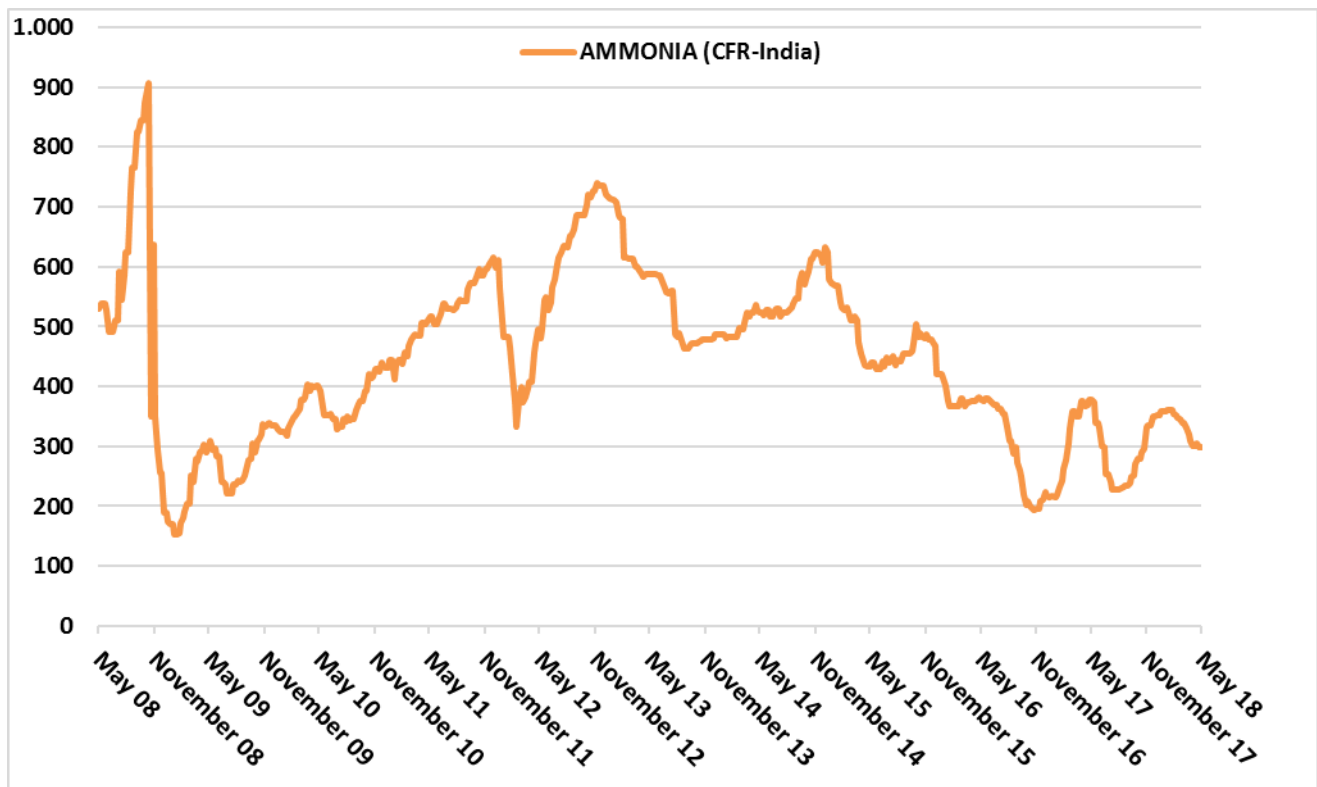
Graph 1 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON



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

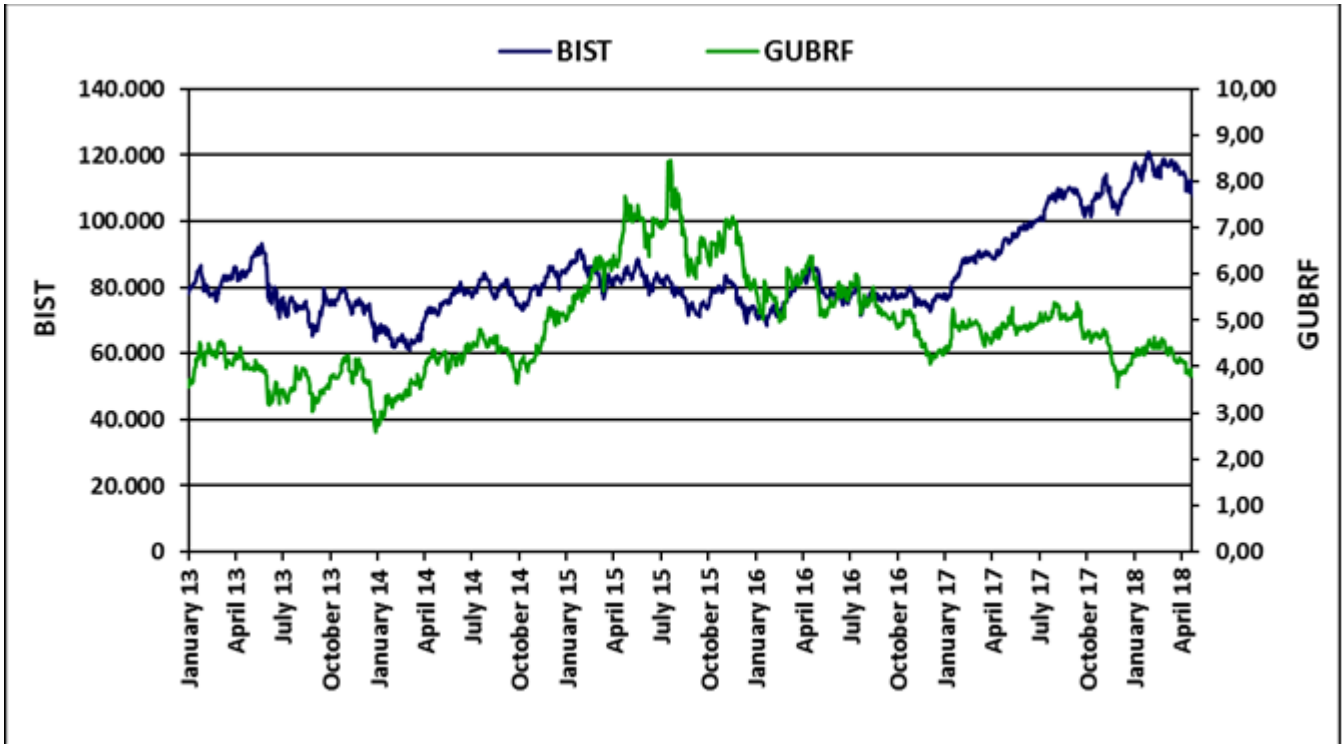
1. In accordance with the resolutions of the Board of Directors;

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

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

Gübre Fabrikaları Türk Anonim Şirketi

**Interim condensed consolidated financial statements
for the period January 1 – March 31, 2018**

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Gübre Fabrikaları Türk Anonim Şirketi

Interim consolidated statement of financial position as of 31 March 2018

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

		Unaudited	Audited
	Notes	31 March 2018	31 December 2017
ASSETS			
Current assets:			
Cash and cash equivalents	4	288.255.997	227.960.860
Financial investments		90.606.136	79.972.354
Trade receivables			
- Trade receivables from related parties	16	146.150.666	66.765.089
- Trade receivables from third parties	6	415.680.146	347.394.493
Other receivables			
- Other receivables from related parties	16	3.551.239	132.977
- Other receivables from third parties	7	261.198.216	198.708.598
Inventories	8	691.980.143	972.164.142
Prepaid expenses		29.593.389	68.232.462
Assets related to the current period taxes		8.978.669	85.916
Derivative Instruments		605.453	482.023
Other current assets		20.419.283	27.602.260
Total current assets		1.957.019.337	1.989.501.174
Non-current assets:			
Financial investments		31.994.508	42.585.948
Other receivables			
- Other receivables from related parties	16	44.413	60.276.145
- Other receivables from third parties	7	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
Property, plant and equipment	9	1.524.222.752	1.222.887.066
Intangible assets	10		
- 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 non-current assets		2.044.071.265	1.708.485.990
Total assets		4.001.090.602	3.697.987.164

The interim condensed consolidated financial statements for 1 January - 31 March 2018 have been approved by the Board of Directors on 10 May 2018.

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

Gübre Fabrikaları Türk Anonim Şirketi

Interim consolidated statement of financial position as of 31 March 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited	Audited
	Notes	31 March 2018	31 December 2017
LIABILITIES			
Current liabilities:			
Short term borrowings	5	781.684.718	912.317.544
Current portion of long-term borrowings	5	14.375.481	54.914.049
Trade payables			
- Trade payables to related parties	16	3.439.073	17.417.334
- Trade payables to third parties	6	970.644.381	814.981.212
Employee benefit obligations		45.103.473	33.663.131
Other payables			
- Other payables to third parties	7	147.423.094	221.497.832
Deferred income		25.184.524	16.541.386
Current income tax liability		14.833.982	17.143.787
Short-term provisions			
- Short-term provisions for employee benefits		27.430.238	42.251.136
- Other short term provisions		58.187.143	49.140.281
Total current liabilities		2.088.306.107	2.179.867.692
Non-current liabilities:			
Long-term borrowings	5	108.459.870	72.295.391
Other payables			
- Long-term Other payables to third parties		306.934.897	-
Long-term provisions			
- Long-term provisions for employee benefits		192.261.137	196.320.157
Deferred tax liability		38.541.764	41.992.837
Total non-current liabilities		646.197.668	310.608.385
Total liabilities		2.734.503.775	2.490.476.077
Shareholders' equity:			
Share capital		334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation gains/losses on property, plant and equipment		261.940.485	261.940.485
- Actuarial gain/(loss) arising from defined benefit plans		(1.440.127)	(1.458.551)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency translation reserve		(69.088.570)	(68.388.089)
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method		-	(28.376.207)
Restricted reserves			
-Legal reserves		52.295.108	52.295.108
Retained earnings		420.473.851	387.155.939
Net income or expense		(8.788.186)	33.317.912
Equity attributable to equity holders of the parent		989.392.561	970.486.597
Non-controlling interests		277.194.266	237.024.490
Total shareholders' equity		1.266.586.827	1.207.511.087
Total liabilities and equity		4.001.090.602	3.697.987.164

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

Gübre Fabrikaları Türk Anonim Şirketi

Interim consolidated statement of profit or loss and other comprehensive income as of 31 March 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited January 1 – March 31, 2018	Unaudited January 1 – March 31, 2017
	Notes		
Sales	13	1.257.606.490	1.115.545.565
Cost of sales (-)	13	(995.464.509)	(983.910.459)
Gross profit		262.141.981	131.635.106
General and administrative expense (-)		(38.631.001)	(30.245.314)
Marketing, selling and distribution expense (-)		(92.036.516)	(85.342.209)
Other operating income	14	53.741.896	106.509.411
Other operating expenses (-)	14	(64.663.374)	(88.521.976)
Operating profit		120.552.986	34.035.018
Income From investment activities		(6.672.840)	-
Profit / (loss) from investments accounted by equity method		1.316.119	(13.655.539)
Financial income / (expense) before operating profit		115.196.265	20.379.479
Financial income / (expense)		(104.496.869)	(3.163.673)
Profit before tax from continuing operations		10.699.396	17.215.806
- Current period tax income / (expense)		-	(1.038.953)
- Deferred tax income / (expense)		4.433.087	(3.859.899)
Total tax income / (expense)		4.433.087	(4.898.852)
Net profit		15.132.483	12.316.954
Distribution of income for the period:			
Non-controlling interests		23.920.669	1.578.560
Attributable to equity holders of the parent		(8.788.186)	10.738.394
Other Comprehensive Income:			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans		23.030	(300.340)
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss		(4.606)	60.068
Items to be reclassified to profit or loss			
Changes in currency translation differences		(1.497.376)	25.519.233
Changes in currency translation differences from investments accounted by equity method		-	(381.979)
Other comprehensive income / (expense)		(1.478.952)	24.896.982
Total comprehensive income		13.653.531	37.213.936
Distribution of total comprehensive income			
-Non-controlling interests		23.123.774	9.322.725
-Equity holders of the parent		(9.470.243)	27.891.211
Earnings per share	15	(0,0003)	0,0003

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Interim consolidated statement of changes in equity as of 31 March 2018

(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			Retained earnings				
	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 reserve	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2017	334.000.000	262.570.832	(945.335)	(25.428.512)	(62.489.158)	41.378.380	466.809.637	(68.736.970)	947.158.874	254.459.191	1.201.618.065
Transfers	-	-	-	-	-	-	(68.736.970)	68.736.970	-	-	-
Other comprehensive income	-	-	(240.272)	-	-	-	-	-	(240.272)	-	(240.272)
Total comprehensive income/ (expense)	-	-	-	(381.979)	17.534.796	-	-	10.738.394	27.891.211	9.322.725	37.213.936
31 March 2017	334.000.000	262.570.832	(1.185.607)	(25.810.491)	(44.954.362)	41.378.380	398.072.667	10.738.394	974.809.813	263.781.916	1.238.591.729
1 January 2018	334.000.000	261.940.485	(1.458.551)	(28.376.207)	(68.388.089)	52.295.108	387.155.939	33.317.912	970.486.597	237.024.490	1.207.511.087
Transfers	-	-	-	-	-	-	33.317.912	(33.317.912)	-	-	-
Acquisition and disposal of subsidiary	-	-	-	28.376.207	-	-	-	-	28.376.207	17.046.002	45.422.209
Total comprehensive income / (expense)	-	-	18.424	-	(700.481)	-	-	(8.788.186)	(9.470.243)	23.123.774	13.653.531
31 March 2018	334.000.000	261.940.485	(1.440.127)	-	(69.088.570)	52.295.108	420.473.851	(8.788.186)	989.392.561	277.194.266	1.266.586.827

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim consolidated statement of cash flows as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited	Unaudited
	Notes	1 January – 31 March 2018	1 January – 31 March 2017
Cash flows from operating activities			
Profit from continuing operations		15.132.483	12.316.954
<i>Adjustments to reconcile net profit/(loss) for the period</i>			
Adjustments related to depreciation and amortization expense	9,10	17.977.912	17.482.540
Gain / (loss) on equity investments		(1.316.119)	13.655.539
Retirement pay provision, early retirement pay liability		44.016.113	20.149.754
Adjustments related to interest expense		43.799.636	25.572.922
Impairment of inventories		511.480	-
Deferred financial income		1.807.876	-
Lawsuit provision / cancellation		-	1.380.840
Current year tax income / (expense)		(4.433.087)	4.898.852
Adjustments related to losses (gains) on sale of property, plant and equipments	9, 10	(48.070)	(459.908)
Adjustments related to fair value losses (gains) on investment property		-	1.460.217
Adjustments related to fair value losses (gains) on derivative financial instruments		(8.892.753)	(10.033.259)
Cash flows from the operating activities before changes in the assets and liabilities		108.555.471	86.424.451
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		(139.097.399)	(116.567.595)
Adjustments related to increase / (decrease) in other receivables		(39.476.972)	(20.684.245)
Adjustments related to increase / (decrease) in inventories		288.403.316	113.570.766
Adjustments related to increase / (decrease) in trade payables		(162.743.796)	148.837.822
Employee benefit obligations		11.437.595	(3.793.828)
Increase / (decrease) in deferred income		3.623.781	5.637.695
Increase / (decrease) in prepaid expenses		41.128.449	38.156.702
Increase / (decrease) in other payables		206.154.922	21.758.931
Adjustments related to other increases / (decreases) in working capital		(5.630.016)	14.920.477
Cash flows from the operations after the changes in working capital		312.355.351	288.261.176
Interest paid		(57.625.903)	(25.572.922)
Taxes refunds/(payments)		15.439.441	(794.692)
Payment termination indemnity		(19.785.203)	(19.928.191)
Cash flow regarding investment activities		250.383.686	241.965.371
Investment activities:			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9, 10	(17.742.046)	(25.136.398)
Proceeds from sales of property, plant and equipment	9, 10	3.393.368	474.101
Cash outflows from the purchases of investment property		-	(2.152.549)
Cash outflows from purchases of subsidiary share		(33.591.602)	-
Other cash inflows / (outflows)		(42.342)	-
Cash flows from investment activities		(47.982.622)	(26.814.846)
Financing activities:			
Cash inflows from financial borrowings		1.263.292.854	389.781.126
Cash outflows from financial borrowings payments		(1.398.431.625)	(512.290.278)
Cash flows from financing activities		(135.138.771)	(122.509.152)
Net change in cash and cash equivalents before effect of foreign currency translation difference		67.262.293	92.641.373
Cash and cash equivalents as of January 1		223.188.075	125.519.427
Foreign currency translation difference		(3.892.398)	2.210.046
Cash and cash equivalents as of March 31		286.557.970	215.950.754

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the consolidated financial statements as of 31 December “
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1- GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Gübre Fabrikaları T.A.Ş. and its subsidiaries (altogether referred to as “the Group”) are composed of three subsidiaries and two associates. Gübretaş, established in 1952, operates in the field of production and marketing of chemical fertilizers.

The Company performs the majority of its operations together with Türkiye Tarım Kredi Kooperatifleri Merkez Birliği. The registered head Office is in Istanbul and the information about the locations of the other production facilities and offices are summarised here below:

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

The number of employees of the Company and its subsidiaries for the year ended 31 March 2018 is 1.638 (31 December 2017 – 1.644)

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 who hold 10% and above of the Company are listed here below:

Name	31 March 2018		31 December 2017	
	Share %	Share amount	Share %	Share amount
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	%75,95	253.684.607	%75,95	253.684.607
Other	%24,05	80.315.393	%24,05	80.315.393
Total	%100,00	334.000.000	%100,00	334.000.000

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries

Gübretaş has invested in Razi Petrochemical Co., which is located in Iran and operates in the production and sales of fertilizer and fertilizer raw materials on May 24, 2008. The share of Gübretaş in the capital of Razi as of the date of balance sheet is 48,88% (December 31, 2017: 48,88). Razi is considered subsidiary because Gübretaş has the right to select and nominate three of the five member Company Board of Razi. Also, it has the controlling power in the operational management of Razi.

At 2010 year end, 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% share in Raintrade; therefore the Group has an indirect ownership of 48,88% in Raintrade.

In 2012, Razi Petrochemical Co. has purchased 87,5% of Arya Phosphoric Jonoob Co., which operates in the same region and has a production facility with an annual production capacity of 126.000 tons of phosphoric acid. In 2013, Razi has purchased the remaining 12,5% of the shares and fully owns Arya Phosphoric Jonoob Co. Consequently, Arya Phosphoric Jonoob Co has become the subsidiary of Razi Petrochemical Co. The Group's indirect ownership is 48,88%.

Nbulkgas Deniz İşletmeciliği Limited Şirketi which was founded on 26 December 2014 in Turkey and IGLC Anka Shipping Investment S.A. ("IGLC Anka") ve IGLC Dicle Shipping Investment S.A. ("IGLC Dicle") which was founded on 19 September 2013 in Panama carry out maritime transport activities. Since the company has control over IGLC Anka and IGLC Dicle companies, all companies are considered as subsidiaries. Indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50% and ownership ratio on Nbulkgas is 100%.

The Company and its Subsidiaries together will be referred to as "the Group".

Affiliates

Gübretaş has invested in Negmar Denizcilik Yatırım A.Ş which is in sea-ways Transport sector on 30th of June, 2008. By the date of 31.12.2017 the share of Gübretaş on Negmar Denizcilik is 40% percentage. On the 2018, 5th may Gübretaş has handed over it's share according to share agreement that has signed by the shareholders of Negmar.

Firm has also invested in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş which operates in Agricultural Pesticide sector on 13th of April, 2009. As of the balance sheet date, the share of Gübretaş on Tarkim A.Ş is 40% percentage. (December 31, 2017: 40%).

Financial assets available for sale

Group has a participation ratio of 15,78% with Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. which is the subsidiary of the controlling shareholder founded in Turkey

The approval of the financial statements:

The interim condensed consolidated financial statements have been approved by the Board of Directors and instructed to be issued on May 10, 2018. The General Assembly has the power to amend the financial statements.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Applied Financial Reporting Standards

The Company and its subsidiaries located in Turkey record and prepare their statutory books and statutory financial statements in line with the Turkish Commercial Code and accounting principles stated by the tax legislation. The associate company in Iran keeps its books and accounting entries as per the Iranian legislation in the currency of Iranian rial (IRR).

The accompanying condensed 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 13 June 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards (IFRS).

The companies are free to prepare their interim financial statements either as full set or in condensed form as per the Turkish accounting standard no: 34 - "interim financial reporting". In this regard, the Group has selected to prepare interim consolidated financial statements. Therefore, these interim condensed and consolidated financial statements should be evaluated together with the consolidated financial statements of the Group as of December 31, 2017.

The interim condensed consolidated financial statements have been prepared with historical cost principal excluding the revaluation of land and buildings presented in property plant and equipment and investment properties. In the calculation of the historical cost, the fair value of the amount paid for the assets are generally considered.

Going concern

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 subsidiary in Iran is Iranian Rial (IRR). In accordance with IAS 21 Effects of the Changes in Foreign Exchange Rates, during consolidation, the assets and liabilities of the subsidiaries of the Group in foreign countries are converted into TL using the parity as of the balance sheet date.

Income and expense items are converted into TL using the average conversion rates realized in the related period. The exchange differences occurred as a result of application of the closing and average rates are followed under the equity in the foreign currency translation reserve account. The translation differences occurred is recorded as income or expense at the end of the operation period. Currency translation differences resulted from closing and average rate usage is accounted under currency translation difference under equity. These translation differences are booked as income or loss at the period operations end.

The conversion rates used are as follows:

Currency	31 March 2018		31 December 2017	
	Period End	Period Average	Period End	Period Average
IRR / TL	0,000104626	0,000102824	0,00010458	0,000010969
USD / TL	3,9489	3,8094	-	-

2.2. Changes in Turkish Financial Reporting Standards (TFRS)

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments
- TFRS 4 Insurance Contracts (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- Annual Improvements to TFRSs - 2014-2016 Cycle

The amendments did not have a significant impact on the Group's financial position and performance except for IFRS 15 and IFRS 9. The effect of IFRS 15 and IFRS 9 is shown in Note 2.4.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

b) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed 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 16 Leases
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

c) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 - The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Basis of consolidation

a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended 31 March 2017 and include financial statements of Gübretaş and its Subsidiaries.

b) As of 31 March 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2016.

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 income for the year, respectively.

c) The Group'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.

d) Other investments in which the Group has interest below 20%, or over which the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

e) 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.

2.4 Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 31 March 2018, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 2018 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended 31 December 2017. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2017.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Company Merges

Gübretaş has Invested in Nbulkgas and bought %100 share of the company and also %50 of Dicle and Anka Companies which are subsidiary of Nbulkgas in exchange for 37.089.577 TL on 5th March of 2018. Exchange that is stated above has conducted while the share exchange process of Negmar Denizcilik. Nbulkgas, Dicle and Anka company's assets and liabilities's fair values with some of tangible and non-tangible non-current asset's values are calculated within date of acquisition.

Remaning amount of 19.587.610 TL is shown as Goodwill in consolidated financial report.

As of 31 March 2018, fair values of acquired definable assets and liabilities originated because of merge stated above temporarily calculated, and these calculations have illustrated in financial consolidated reports temporarily. the time that assign to adjusing and editing the fair values of assets, liabilities and conditional liabilities is limited to 12 months.

	Nbulkgas, IGLC Anka and IGLC Dicle 1 January 2017 Fair Value TL
Cash and Cash Equivalents	3.497.975
Trade Receivables	12.099.490
Other Receivables	50.310.364
Inventories	2.748.074
Prepaid expenses	882.565
Property, plant and equipment	309.962.177
Total Assets	379.547.260
Financial Liabilites	131.856
Trade Payables	2.587.586
Other Payables	337.103.271
Deferred income	5.019.357
Other short term liabilities	157.221
Total Liabilities	344.999.291
Net Assets as of Merger date	34.547.969
Non-controlling interests as of Merger date	17.046.002
Equity holders of the parent	17.501.967
Purchase Price	37.089.577
Goodwill	19.587.610

Gübre Fabrikaları Türk Anonim Şirketi

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NOTE 3 -SEGMENT REPORTING

Group started to implement TFRS 8 Operating Segments as of 1 January 2009, and operation departments were designated based on internal reports regularly reviewed by the competent authority of making decision on Group's activities.

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 company operates in Turkey; whereas Razi, a subsidiary, operates in Iran.

The company undertakes chemical fertilizer production sales throughout Turkey. Razi Company on the other hand, performs the production and sales of chemical fertilizer raw materials.

Since Company management evaluates operation results and performance through financial statements prepared in accordance with TAS, TAS financial statements are used to prepare reports by departments.

The distribution of segment assets and liabilities pertaining to the periods ending on 31 March 2018 and 31 December 2017 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
Assets	31 March 2018	31 March 2018	31 March 2018	31 March 2018
Current assets	1.003.687.254	953.332.083	-	1.957.019.337
Non-current assets	1.602.982.646	691.633.187	(250.544.568)	2.044.071.265
Total assets	2.606.669.900	1.644.965.270	(250.544.568)	4.001.090.602
Liabilities				
Short term liabilities	1.247.667.313	815.210.280	25.428.514	2.088.306.107
Long term liabilities	427.195.008	219.002.660	-	646.197.668
Equities	931.807.579	610.752.330	(275.973.082)	1.266.586.827
Total liabilities	2.606.669.900	1.644.965.270	(250.544.568)	4.001.090.602

	Turkey	Iran	Consolidation Adjustments	Total
Assets	31 December 2017	31 December 2017	31 December 2017	31 December 2017
Current assets	1.097.834.828	891.666.346	-	1.989.501.174
Non-current assets	1.252.246.568	706.845.545	(250.606.123)	1.708.485.990
Total assets	2.350.081.396	1.598.511.891	(250.606.123)	3.697.987.164
Liabilities				
Short term liabilities	1.350.507.560	803.931.617	25.428.515	2.179.867.692
Long term liabilities	84.226.869	226.381.516	-	310.608.385
Equities	915.346.967	568.198.758	(276.034.638)	1.207.511.087
Total liabilities	2.350.081.396	1.598.511.891	(250.606.123)	3.697.987.164

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Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (continued)

The distribution of income statements by segments for the periods ending on 31 March 2018 and 31 March 2017 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	1 January 2018 31 March 2018	1 January 2018 31 March 2018	1 January 2018 31 March 2018	1 January 2018 31 March 2018
Operating income				
Sales (Net)	894.547.297	452.076.882	(89.017.689)	1.257.606.490
Cost of sales (-)	(805.835.279)	(278.646.919)	89.017.689	(995.464.509)
Gross profit	88.712.018	173.429.963	-	262.141.981
Marketing, selling and distribution expense (-)	(45.552.625)	(46.483.891)	-	(92.036.516)
General and administrative expense (-)	(12.159.351)	(26.471.650)	-	(38.631.001)
Other operating income / expense (-)(net)	(5.358.910)	(5.562.568)	-	(10.921.478)
Operating profit	25.641.132	94.911.854	-	120.552.986
Income / (expense) from investments	(6.672.840)	-	-	(6.672.840)
Profit / (loss) from investments accounted by equity method	1.316.119	-	-	1.316.119
Operation profit before financial income / (expense)	20.284.411	94.911.854	-	115.196.265
Financial income / (expense)	(46.990.473)	(57.506.396)	-	(104.496.869)
Profit before tax	(26.706.062)	37.405.458	-	10.699.396
Deferred tax income / (expense)	(2.255.483)	6.688.570	-	4.433.087
Profit / (loss) for the period	(28.961.545)	44.094.028	-	15.132.483

	Turkey	Iran	Consolidation Adjustments	Total
	1 January 2017 31 March 2017	1 January 2017 31 March 2017	1 January 2017 31 March 2017	1 January 2017 31 March 2017
Operating income				
Sales	838.910.394	390.833.478	(114.198.307)	1.115.545.565
Cost of sales (-)	(752.747.540)	(345.361.226)	114.198.307	(983.910.459)
Gross profit	86.162.854	45.472.252	-	131.635.106
Marketing, selling and distribution expense (-)	(40.062.484)	(45.279.725)	-	(85.342.209)
General and administrative expense (-)	(5.243.174)	(25.002.140)	-	(30.245.314)
Other operating income / expense (-)	10.719.860	7.267.575	-	17.987.435
Operating profit	51.577.056	(17.542.038)	-	34.035.018
Income / (expense) from investments	-	-	-	-
Profit / (loss) from investments accounted by equity method	(13.655.539)	-	-	(13.655.539)
Operation profit before financial income / (expense)	37.921.517	(17.542.038)	-	20.379.479
Financial income / (expense)	(25.543.379)	22.379.706	-	(3.163.673)
Profit before tax	12.378.138	4.837.668	-	17.215.806
Tax expense	-	(1.038.953)	-	(1.038.953)
Deferred tax income / (expense)	(3.154.252)	(705.647)	-	(3.859.899)
Profit / (loss) for the period	9.223.886	3.093.068	-	12.316.954

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Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (continued)

Investment expenditures:

Investment expenditures pertaining to segment assets for the periods ending on 31 March 2018 and 31 March 2017 are as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Gübre Fabrikaları T.A.Ş.	11.374.005	18.443.873
Razi Petrochemical Co. and its subsidiary	2.607.586	6.692.525
Total	13.981.591	25.136.398

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on 31 March 2018 and 31 March 2017 are as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Gübre Fabrikaları T.A.Ş.	6.838.934	4.386.975
Razi Petrochemical Co. and its subsidiary	10.735.110	13.095.565
Total	17.574.044	17.482.540

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash on hands	496.926	455.770
Bank	264.980.239	223.009.623
- demand deposits	24.585.746	32.835.443
- time deposits	240.394.493	190.174.180
Other cash equivalents(**)	22.778.832	4.495.467
Total	288.255.997	227.960.860
Pledge cash and cash equivalents (*)	(1.698.027)	(4.772.785)
Cash and cash equivalents at the statement of cash flow	286.557.970	223.188.075

(*) As of 31 March 2018, pledge cash and cash equivalents include TL, which is related with the letters of credit opened by Raintrade.

(**) As of 31 March 2018 and 31 December 2017, other cash equivalents consist of Gübretaş's receivables from the sales by credit card.

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NOTE 4 - CASH AND CASH EQUIVALENTS (continued)

Time Deposits

As of March 31, 2018 and December 31, 2017 the maturity of time deposits are less than 3 months and values with effective interest method are as below:

Time Deposits (Local Currency):

Interest Rate (%)	Maturity	31 March 2018
10,00	April 2018	4.195.000
Total		4.195.000
Interest Rate (%)	Maturity	31 December 2017
10,00	January 2018	2.000.000
Total		2.000.000

Time Deposits (Foreign Currency):

Interest Rate (%)	Maturity	Currency	Foreign currency amount	31 March 2018 Amount in TL
2,80-4%	April 2018	USD	13.443.098	53.085.450
10-22	April 2018	Mil. IRR	482.945	50.528.615
Libor+0,5	April 2018	EUR	27.240.036	132.585.428
Total				236.199.493
Interest Rate (%)	Maturity	Currency	Foreign currency amount	31 December 2017 Amount in TL
Libor+0,5	January 2018	EUR	3.034	13.701
10 - 20	January 2018	Mil. IRR	741.837	77.588.037
2,26 - 2,49	January 2018	USD	29.314.786	110.572.442
Total				188.174.180

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NOTE 5 – FINANCIAL BORROWINGS

As of March 31, 2018 and December 31, 2017, details of short and long term borrowings are as follows:

	31 March 2018	31 December 2017
Short term borrowings	780.076.046	910.740.757
Short term portion of long term borrowings	14.375.481	54.914.049
Short term Leasing	1.608.672	1.576.787
Total	796.060.199	967.231.593

Short and long term borrowings	31 March 2018	31 December 2017
Payable within 1 year	796.060.199	967.231.593
Payable within 1 – 5 years	105.333.439	72.295.391
Total	901.393.638	1.039.526.984

a) Short term borrowings and short term portion of long term borrowings

As of March 31, 2018 details of short term borrowings and short term portion of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	April 2018	2,85	35.272.313	171.680.928
USD	April 2018	14,52-15,61	236.585.217	236.585.217
TL	April 2018	2,09-4,55	35.991.112	142.125.304
Total				550.391.449

Other Financial Borrowings (*):

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	April 2018	Libor+0,5	50.142.806	244.060.078
Total				244.060.078

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NOTE 5 – FINANCIAL BORROWINGS (continued)

As of December 31, 2017 details of short term borrowings and short term portion of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	April 2018	2,65-3,40	54.858.790	247.714.866
USD	January 2018	3,25	19.147.289	72.221.661
TL	March 2018	13-15,75	481.361.899	481.361.899
Total				801.298.426

Other Finansal Borrowings (*):

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2018	Libor+0,5	36.398.268	164.356.380
Total				164.356.380

Short term Leasing:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
TL	December 2018	19	1.576.787	1.576.787
Total				1.576.787

- (*) Other financial payable amounts that take place within the short and long-term financial borrowings show the payable amount which was taken from NPC as the previous owner of Razi Petrochemical Co. prior to privatization.

b) Long term borrowings

	31 March 2018	31 December 2017
Long term bank loans (Gübretaş)	105.333.439	68.741.400
Long term Leasing	3.126.431	3.553.991
Total	108.459.870	72.295.391

As of March 31, 2018 details of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2020	3,40	21.641.041	105.333.439
Total				105.333.439

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NOTE 5 – FINANCIAL BORROWINGS (continued)

As of December 31, 2017 details of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2020	3,40	15.223.430	68.741.400
Total				68.741.400

Long term leasing:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
TL	September 2020	19	3.553.991	3.553.991
Toplam				3.553.991

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:

	31 March 2018	31 December 2017
Trade receivables	324.366.269	256.058.016
Notes receivables	2.154.464	1.951.173
Receivables from National Petrochemical Company ("NPC") (Razi)	98.469.305	98.183.716
Trade receivables from third parties (gross)	424.990.038	356.192.905
Allowance for doubtful receivables (-)	(9.309.892)	(8.798.412)
Trade receivables from third parties (net)	415.680.146	347.394.493

Group allocates provisions for doubtful receivables in case the receivables which are considered to be doubtful being without security and having a risk of collection.

The details of the Group's regarding the doubtful receivables and allowances allocated regarding these receivables are as follows:

Overdue following the maturity	31 March 2018	31 March 2017
More than 9 months	9.309.892	4.365.809
Total	9.309.892	4.365.809

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (continued)

The movement of allowance for doubtful trade receivables is as follows:

	2018	2017
Balance at January 1	8.798.412	4.365.809
Period cost	511.480	-
Balance at March 31	9.309.892	4.365.809

As of March 31, 2018 and December 31, 2017 guarantees related to not overdue receivables are as follows:

	31 March 2018	31 December 2017
Guarantee Letters	268.519.609	268.519.609
Collateral cheques and notes	60.787.401	60.787.401
Total	329.307.010	329.307.010

Short term trade payables:

	31 March 2018	31 December 2017
Trade payables (Gübretaş)	660.427.612	494.382.879
Trade payables (Razi)	45.147.385	43.944.978
Payables to NPC (Razi)	204.213.048	249.958.136
Other trade payables	60.856.336	26.695.219
Total	970.644.381	814.981.212

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
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NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:

	31 March 2018	31 December 2017
VAT receivables (Razi)	115.306.980	110.967.323
Other various receivables (Tabosan) (*)	26.479.257	25.078.121
Due from personnel	8.584.912	9.244.740
Other various receivables (**)	110.827.067	53.418.414
Other short term receivables	261.198.216	198.708.598

- (*) The total amount of capital receivables sourcing from payments made as co-guarantor and accrued interest receivable as of the report date of the Group is 26.479.257 TL. The Group management have requested from the Bankruptcy Administration as of report date to realize share transfer of Razi shares owned by Tabosan at a rate of 1,31% corresponding to payments at an amount of 5.439.402 EURO made as co-guarantor. Since the aforementioned request was not accepted by the Bankruptcy Administration, the Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. The share transfer file brought to the court by the Group has been rejected and appealed by the Group but the decision of the court is approved by the Supreme Court. Therefore the Group has made a request of revision of the decision. The Group shall apply to record the receivable subject to the aforementioned case in the Bankruptcy estate if the case with a share transfer request which was brought to court by the Group to the Bankruptcy Administration is resulted in a negative manner.

Additionally, since the request of the Group regarding the recording of its other receivables sourcing from payments made as a co-guarantor to the bankruptcy estate was dismissed, the Group brought a lawsuit against Bankruptcy Administration regarding the recording of its receivables to the court. Bankruptcy Administration accepted the aforementioned lawsuit and the Court decided to accept the lawsuit regarding recording of receivables following this acceptance declaration in 15 July 2016. Since the accumulated dividend receivables striking to 10,88% shares of Tabosan at Razide reverted to bankruptcy estate, the Bankruptcy Administration has made a payment to the Group at an amount of 25.278.225 TL for its capital receivable. The aforementioned registration acceptance file has been finalized. Balance receivable of the Group, which a registration acceptance decision is made, shall be paid provided that a dividend receivable of Tabosan in Razi arisen and reverted to Bankruptcy Estate. Accrued interest receivable of the Group shall be paid provided that a dividend receivable of Tabosan in Razi arisen and reverted to Bankruptcy Estate following the complete payment of capital receivables of the Bankruptcy Estate.

- (**) As of 31 March 2018, 52.106.089 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns.

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NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other long term receivables:

	31 March 2018	31 December 2017
Other long term receivables	94.491.587	10.381.720
Due from personnel (*)	3.739.334	3.738.013
Other long term receivables	98.230.921	14.119.733

(*) Due from personnel is composed of funds given to Razi employees.

Other short term payables:

	31 March 2018	31 December 2017
Dividend payables to non-controlling interests	101.368.283	97.512.149
Payables from investments accounted by equity method	-	43.642.840
Other payables	46.054.811	80.342.843
Other short term payables	147.423.094	221.497.832

NOTE 8 – INVENTORIES

	31 March 2018	31 December 2017
Raw materials and supplies	285.854.389	307.564.906
Finished goods	157.072.774	190.011.290
Trade goods	211.665.930	407.533.261
Other inventories	46.223.303	75.888.398
Total	700.816.396	980.997.855
Minus: Impairment of inventories	(8.836.253)	(8.833.713)
Toplam	691.980.143	972.164.142

Group carried out net realisable value analysis for inventories and regarding to conclusion of this analysis there is no provision for inventory losses in current period. (2017: 8.833.713).

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018
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NOTE 9 –PROPERTY, PLANT AND EQUIPMENT

The depreciation cost and amortization of the company is TL as of 31 March 2018 and 31 March 2017 details are given below;

			31 March 2018
	Gübretaş	Razi	Total
Amortization Cost	6.435.066	10.735.110	17.170.176
Depreciation Cost	403.868	-	403.868
Total	6.838.934	10.735.110	17.574.044

31 March 2018: Out of the total of 17.977.912 TL depreciation and amortization costs; 17.452.595 TL have been included in General Production Costs, 147.389 TL in Sales and Marketing Costs, 377.928 TL in General Management Costs.

			31 March 2017
	Gübretaş	Razi	Total
Amortization Cost	(4.318.039)	(13.095.565)	(17.413.604)
Depreciation Cost	(68.936)	-	(68.936)
Total	(4.386.975)	(13.095.565)	(17.482.540)

31 March 2017: Out of the total of 17.482.540 TL depreciation and amortization costs; 16.792.359 TL have been included in General Production Costs, 241.402 TL in Sales and Marketing Costs, 448.778 TL in General Management Costs.

Pledges and Mortgages on Assets

There are no pledges or mortgages on the property, plant and equipment of the company as of the dates 31 March 2018 and 31 December 2017.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2018

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance on 1 January 2018	467.703.378	125.964.958	327.708.330	1.118.941.632	10.857.084	32.882.870	1.018.158	59.072.463	2.144.148.873
Foreign currency translation differences	51.134	-	44.400	321.818	3.414	6.892	-	41.550	469.208
Additions	3.674.036	223.694	858.734	202.795	545.200	878.389	-	7.598.743	13.981.591
Subsidiary additions	-	-	-	-	395.533.868	449.668	-	-	395.983.536
Sales/Cancellations	-	-	(3.383.305)	-	(342.389)	576.153	-	-	(3.149.541)
Transfer from construction in progress	-	-	87.369	927.641	-	-	-	(1.015.010)	-
Closing Balance on 31 March 2018	471.428.548	126.188.652	325.315.528	1.120.393.886	406.597.177	34.793.972	1.018.158	65.697.746	2.551.433.667
Accrued Depreciation									
Opening balance on 1 January 2018	-	(46.433.852)	(127.478.338)	(724.560.768)	(7.018.239)	(15.427.880)	(342.730)	-	(921.261.807)
Foreign currency translation differences	-	-	(481.595)	(1.573.813)	97.934	(858.682)	-	-	(2.816.157)
Expenses of the period	-	(2.424.934)	(2.139.564)	(11.704.416)	(226.490)	(1.040.488)	(38.153)	-	(17.574.044)
Subsidiary additions	-	-	-	(86.021.359)	-	-	-	-	(86.021.359)
Sales/Cancellations	-	(1.309.643)	288.195	(55.525)	229.782	1.309.643	-	-	462.452
Closing Balance on 31 March 2018	-	-	-	-	-	-	-	-	-
Net Book Value on 31 March 2018	471.428.548	76.020.223	195.504.226	382.499.364	313.658.805	18.776.565	637.275	65.697.746	1.524.222.752

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Notes to the interim condensed consolidated financial statements as of 31 March 2018

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance on 1 January 2017	460.149.818	59.895.278	334.392.130	1.133.978.599	10.230.291	27.012.387	1.018.158	88.846.999	2.115.523.660
Foreign currency translation differences	4.877.068	-	3.718.016	29.659.761	240.899	575.705	-	866.296	39.937.745
Additions	196.300	7.056	32.546	233.965	-	300.359	-	24.336.377	25.106.603
Sales/Cancellations	-	-	-	-	(879.615)	(21.458)	-	-	(901.073)
Transfer from construction in progress	-	-	-	-	-	-	-	-	-
Closing Balance on 31 March 2017	465.223.186	59.902.334	338.142.692	1.163.872.325	9.591.575	27.866.993	1.018.158	114.049.672	2.179.666.935
Accrued Depreciation									
Opening balance on 1 January 2017	-	(49.754.294)	(119.448.834)	(706.506.946)	(6.763.208)	(12.919.553)	(225.105)	-	(895.617.940)
Foreign currency translation differences	-	-	(2.030.712)	(21.130.525)	(166.115)	(283.094)	-	-	(23.610.446)
Expenses of the period	-	(245.800)	(2.470.645)	(13.722.584)	(502.445)	(442.680)	(29.451)	-	(17.413.605)
Sales/Cancellations	-	-	-	-	529.996	44.983	-	-	574.979
Closing Balance on 31 March 2017	-	(50.000.094)	(123.950.191)	(741.360.055)	(6.901.772)	(13.600.344)	(254.556)	-	(936.067.012)
Net Book Value on 31 March 2017	465.223.186	9.902.240	214.192.501	422.512.270	2.689.803	14.266.649	763.602	114.049.672	1.243.599.923

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NOTE 10 – INTANGIBLE ASSETS

Rights:

	31 March 2018	31 March 2017
Opening balance on 1 January	30.393.260	29.129.804
Purchases	-	29.795
Foreign currency translation difference	-	1.711.187
Sales/Cancellations	(243.827)	
Closing Balance on 31 March	30.149.433	30.870.786

Accrued Depreciation:

Opening balance on 1 January	(1.442.953)	(785.165)
Amortization expenses for current period	403.868	(68.936)
Sales/Cancellations	(115.930)	
Closing Balance on 31 March	(1.155.015)	(854.101)
Net Book Value	28.994.418	30.016.685

Goodwill:

	31 March 2018	31 March 2017
Opening balance on 1 January	194.572.934	188.461.258
Foreign currency translation differences	(13.176.964)	6.111.676
Subsidiary additions	19.587.610	-
Balance as of 31 March	200.983.580	194.572.934

NOTE 11- COMMITMENTS

Razis' Share Purchase

Regarding to Razis' purchase agreement, all shares of Razi are put in pledge by Iranian Privatization Organisation until Group and other consortium members pay all of debts. Group and consortium members have agreed that they have no right to make any implement or change within period of pledge. Moreover, Group and consortium members gave right to Iran Privatization Organisation for selling or taking over companys' shares without any condition if any contrary to the agreement like abusing companys' rights and harm to collection of its receivables happens, with an unsubmitted notarised letter of attorney. Group and consortium members have no right for changing articles of association of company, transferring and selling assets unless they pay all of debts or have written permission from Iranian Privatization Organization. Group and other consortium members has disclaimed to their rights about chaging on articles of incorporation ,transferring and selling the financial assets of Razi unless having written acknowledgement from Privatization Administration. As of balance sheet date, the Group and other consortium members has paid all debts related to the purchase of shares to Iran Privatization Organisation. As of the date of the report, 1.225.559.793 shares out of purchased 1.368.698.169 shares of the Group have been delivered and the delivery of remaining shares amounting 143.138.376 is in the process.

Purchasing Commitments

As of 31 March 2018 Group has 195.833.134 USD accredited purchasing commitment. (31 December 2017: 169.008.961 USD).

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provision:

	31 March 2018	31 December 2017
Provision for cost expenses	48.849.158	39.485.509
Provisions for law suits	8.984.280	8.984.280
Other short term provisions	353.705	670.492
Other Short Term Debt Provision	58.187.143	49.140.281

Law suit Provision:

	31 March 2018	31 March 2017
As of 1 January	8.984.280	3.378.518
Addition / Cancellation	-	(217.320)
As of 31 March	8.984.280	3.161.198

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued against the Group for 785.193 TL profit loss. The Group Management has not made any provision for this lawsuit in the added consolidated financial statements according to recieved legal opinion but it has made 8.984.280 TL (2017: 8.984.280 TL) provision for other lawsuits.

As from 31 March 2018 and 31 December 2017, the tables related to the Group's tables related to Assurance- Pledge-Hypothecs position are as follows:

	31 March 2018			31 December 2017		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
APH Given by the Company						
A. Total amount of APH's given for own legal entity (Assurance)	TL	14.642.634	14.642.634	TL	19.842.647	19.842.647
B.Total Amount of APH's given for the Partnership included to full consolidation (hypethec)				-	-	-
C. APH given for guaranteeing the debts of other 3 rd parties for the performance of ordinary businesss activites				USD	27.614.532	104.159.252
D. Total amount of other APH's given				-	-	-
i. Total amount of APH's given for main partner	-			-	-	-
ii. Total amount of APH's given for other group companies not falling into the scope of articles B and C (Assurance)	-			-	-	-
iii. Total amount of APH's given for 3rd parties not falling in to the scope of article	-		-	-	-	-
			14.642.634	-	-	124.001.899

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Contingent Liabilities

The sanctions imposed by the United Nations on the Iranian Islamic Republic since 2010 are in question. The Joint Comprehensive Plan of Action (JCPOA), signed between Iran and the P5 + 1 countries (five permanent members of the United Nations Security Council and Germany) in July 2015, The abolition of economic sanctions stemming from the nuclear activities of the United Nations Security Council. After the confirmation of the International Atomic Energy Authority that Iran fulfills its obligations under the agreement, the agreement started to be implemented as of January 2016. However, in particular, the United States has violated human rights, ballistic missile tests, terrorist financing, and so on. secondary sanctions for justifying implementation may affect future operations of the Group's subsidiary in this country. The sanctions imposed since 2010 on Iran by United Nations may have an effect on the operations of the subsidiary of the Group. The economic stability of the Iran depends on the measures that will be taken by the government and the outcome of the legal, administrative and political processes. These processes are beyond the control of the companies established in the country. Consequently, the entities operating within Iran must consider risks that may not necessarily be observable in other markets. These consolidated financial statements contain the Group management's estimations on the economic and financial positions of its subsidiaries and affiliates operating in Iran. The future economic situation of Iran might differ from the Group's expectations.

Razi's financial statements the debt to the National Iranian Oil Company ("NIOC") in return for purchasing natural gas was 2.390 billion Rials (for 66.2 Million USD). In accordance with the contract between Razi and NIOC and declaration dated on 20 October 2014 by Ministry of Petroleum, the price of gas should be calculated and billed based on Rials. Despite of the aforementioned contract and declaration, NIOC declares that it will receive 79.3 Million USD from Razi as calculating and billing gas fee in USD. Razi and NIOC directors continue their negotiations for this differences. As of balance sheet date Group management did not provide a provision in its consolidated financial statements.

There is a legal claim of Rls. Million TL 65,2 set forth by Mahshahr General and Revolutionary Court, for excess of sour gas and other gas liquids consumption in previous years The outcome of the case and possible effect on the financial statements is subject to the result of the final verdict by the court. Due to uncertainty Group management did not provide any provision in the consolidated financial statement.

Razi has million Value Added Tax (VAT) receivable amounting to TL 115,3. Although in accordance with the tax law, VAT does not apply to export sales and taxes paid in this respect should be reimbursed when the relevant documents are presented, Iran Tax Organization has not yet accepted the return demand of Razi Mamanagement as of report date. There is an uncertainty regarding the collection time of this receivable which is booked in other short term receivables and the Group Management has not provided any provision in the financial statements.

VAT liability of Arya Phosphoric (the subsidiary company) for the years up to and including 2015 has been inspected by Iran Tax Organisation and million TL 13,5 (inclusive of million TL. 7,5 billion as penalty) additional VAT liability has been accrued by tax authority. The management of the Company has protested this amount and since until the result of protest the liability amount is not certain, the Group did not provide any provision in consolidated financial statement.

Long term provision for early retirement and normal retirement of employees hired before 2007 who are under NIOC Pension Fund scheme, is calculated based on employees basic salaries but no provision is made for obligations (such as monthly 3% of pension committed for early retirement until age of normal retirement, 6 - monthly pension death compensation and other benefits). Due to lack of sufficient information and "Actuarial Report", we are unable to determine the under provision in this respect and the effect of the adjustment on the financial statements; therefor, Group management could not provide any provision for this issue.

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NOTE12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Contingent Liabilities (Continued)

Salary tax declarations of Razi has been inspected by Iran Tax Organizations and for the year ended 20 March 2012 and 31 December 2016 inclusive million TL 8,9 has been accrued by tax authority. Razi has protested this amount and regarding to Group lawyer suggestion and due to uncertainty Group management did not provide any provision in the consolidated financial statement

Iskenderun Fiscal Directorate ("Treasury") brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 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 116.674.721 TL as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favour of Treasury. In March of 2017, 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. 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 made a provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors and tax experts.

Tabosan Mühendislik İmalat ve Montaj A.Ş. ("Tabosan"), one of the consortium partners of the Group at the acquisition of Razi shares have filed a petition for adjournment of bankruptcy in 2011 but the bankruptcy court rejected the petition and decided on the bankruptcy of Tabosan and formation of a trustee committee to manage the assets of Tabosan. The Group becomes a co-guarantor in the name of Tabosan to Iran Privatization Administration and banks for the finance obtained during the acquisition process of Razi shares. The Group management have not made a provision at this stage yet in the current period related to this receivable, taking hypothecs and deposits transferred to the Group by bank and its right to purchase shares owned by Tabosan at initial purchase price per share in accordance with the protocol concluded during the purchase of Razi shares with Tabosan into consideration. In addition, the Group Management has made a request to realize a share transfer of 1,31%, corresponding to a partial payment made for surety from Razi shares owned by Tabosan, to Bankruptcy Administration as of report date. Tabosan Mühendislik İmalat ve Montaj A.Ş. ("Tabosan"), one of the consortium partners of the Group at the acquisition of Razi shares have filed a petition for adjournment of bankruptcy in 2011 but the bankruptcy court rejected the petition and decided on the bankruptcy of Tabosan and formation of a trustee committee to manage the assets of Tabosan. The Group becomes a co-guarantor in the name of Tabosan to Iran Privatization Administration and banks for the finance obtained during the acquisition process of Razi shares. The amounts of 46.994.091 TL which should be paid by Tabosan to banks and Iran Privatization Administration have been paid by the Group in scope of this surety. Receivables rising as a result of these transactions have been accounted in other receivables account.

The Group management have not made a provision at this stage yet in the current period related to this receivable, taking hypothecs and deposits transferred to the Group by bank and its right to purchase shares owned by Tabosan at initial purchase price per share in accordance with the protocol concluded during the purchase of Razi shares with Tabosan into consideration. In addition, the Group Management has made a request to realize a share transfer of 1,31%, corresponding to a partial payment made for surety from Razi shares owned by Tabosan, to Bankruptcy Administration as of report date. The Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any

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savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. Additionally, since the request of the Group regarding the recording of its other receivables sourcing from payments made as a co-guarantor to the bankruptcy estate was dismissed, the Group brought a lawsuit against Bankruptcy Administration regarding the recording of its receivables to the court.

Bankruptcy Administration accepted the aforementioned lawsuit and the Court decided to accept the lawsuit regarding recording of receivables following this acceptance declaration in 15 July 2015. Since the accumulated dividend receivables striking to 10,88% shares of Tabosan at Razide reverted to bankruptcy estate, the Bankruptcy administration paid its capital receivable at an amount of 25.278.225 TL on 8 July 2016 and 5.548.880 TL on 4 August 2016. The aforementioned registration acceptance file has been finalized. Accrued interest receivable of the Group shall be paid provided that a dividend receivable of Tabosan in Razi arisen and reverted to Bankruptcy Estate following the complete payment of capital receivables of the Bankruptcy Estate. Taking into account the protocol made during the acquisition of Razi shares from tabaosan and also taking into consideration the right to receive the shares of Tabosan from the initial purchased unit shares and the pledges and mortgages of Tabosan transferred by the bank to the Company, Group management did not provide any provision.

NOTE 13 – REVENUE AND COST OF SALES

Sales	1 January- 31 March 2018	1 January- 31 March 2017
Domestic Sales	999.917.493	948.192.781
Foreign Sales	334.051.778	189.139.258
Service Sales	-	524.472
Sales Returns(-)	(50.755.315)	(437.966)
Sales Discounts(-)	(24.437.309)	(21.627.397)
Other Discounts from Sales(-)	(1.170.157)	(245.583)
Total	1.257.606.490	1.115.545.565
Cost of Sales (-)	1 January- 31 March 2018	1 January- 31 March 2017
Cost of Good Produced	466.668.699	407.637.700
Change in the Good Inventory	42.774.239	44.666.552
-Goods at the beginning of the Period	199.847.013	142.129.647
-Goods at the end of the Period	(157.072.774)	(97.463.095)
Cost of Good Sold	509.442.938	452.304.251
-Merchandise Inventory at the beginning of the Period	407.233.500	408.573.898
-Purchases	288.078.663	407.906.289
-Merchandise Inventory at the end of the Period	(211.665.930)	(285.881.988)
Cost of merchandise Sold	483.646.232	530.598.198
Cost of Other Sales	2.192.329	730.979
Cost of Services Sold	183.010	277.031
Total	995.464.509	983.910.459

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NOTE 14 – OTHER OPERATING INCOME AND EXPENSES

Other Operating Income:	1 January- 31 March 2018	1 January- 31 March 2018
Foreign exchange gain from trade receivables	38.153.226	94.341.127
Credit finance gains from trade receivables	11.802.406	8.675.281
Interest Income	794.161	366.586
Other income	2.992.103	3.126.417
Total	53.741.896	106.509.411

Other Operating Expenses:	1 January- 31 March 2018	1 January- 31 March 2017
Foreign exchange loss from trade payables	52.182.552	72.276.083
Credit finance loss from trade receivables	350.833	4.782.239
Interest expenses	2.613.598	1.242.684
Other expenses	9.516.391	10.220.970
Total	64.663.374	88.521.976

NOTE 15 - EARNINGS PER SHARE

Earnings per share stated in the income statement are calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the year.

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

The weighted average of the shares and profit per share calculations of the company as of 31 March 2018 and 31 March 2017 are as follows.

	1 January- 31 March 2018	1 January- 31 March 2017
Net profit for the period	(9.989.105)	10.738.395
Weighted average number of ordinary shares outstanding during the year (each 1 kr)	33.400.000.000	33.400.000.000
Earnings per share (kr) (*)	(0,0003)	0,0003

(*) 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 PARTIES TRANSACTIONS

(i) Balances due from related parties

(a) Trade and other receivables

	31 March 2018	31 December 2017
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	146.150.666	66.765.089
Total	146.150.666	66.765.089
Affiliates and other related parties (Short Term)		
Negmar Denizcilik A.Ş.	-	132.977
Tarkim Bitki Koruma San. ve Tic. A.Ş.	3.124.466	
Etis Lojistik A.Ş.	-	-
Tarnet A.Ş.	276.480	-
Other related parties	150.293	-
Total	3.551.239	132.977
Affiliates and other related parties (Long Term)		
Negmar Denizcilik A.Ş.	-	60.276.145
Other related parties	44.413	-
Total	44.413	60.276.145

(b) Trade payables:

	31 March 2018	31 December 2017
Affiliates and other related parties		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	-	16.770.652
Negmar Denizcilik A.Ş.	-	253.706
Tarnet A.Ş.	-	354.966
Other related parties	3.439.073	38.010
Total	3.439.073	17.417.334

Average maturity of sales to Central Union of Turkish Agricultural Credit Cooperatives are 15 days. Hence there aren't any delays in collection of revenues, there aren't interest rate implemented. Receivables from affiliates and other related parties include deposits and guarantees which is given by the Group for the transportation of Razi's productions.

Sales of Goods and Services:

	1 January- 31 March 2018	1 January- 31 March 2017
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	656.661.792	543.297.654
Affiliates		
Negmar Denizcilik A.Ş.	-	398.241
Tarkim Bitki Koruma San. ve Tic. A.Ş.	191.598	305.767
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	46.816.715	111.825
Tarnet A.Ş.	50.564	630
Total	703.720.669	544.114.117

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NOTE 16 - RELATED PARTIES TRANSACTIONS (continued)

(ii) Transactions with Related Parties

Purchase of Goods and Services:

	1 January- 31 March 2018	1 January- 31 March 2017
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	4.407.756	115.236
Affiliates		
Raintrade Petrokimya ve Dış Ticaret A.Ş.	89.017.689	114.086.482
Negmar Denizcilik A.Ş. (*)	-	46.589.429
Tarkim Bitki Koruma San. ve Tic. A.Ş.	823.959	21.388.152
Tarnet A.Ş.	811.558	243.262
Total	95.060.962	182.422.561

(*) Group gets service for logistics and handling from Negmar Denizcilik A.Ş. and its subsidiaries.

Remuneration of board of directors and executive management:

The total benefits the company has provided to its board of directors and executive management as of 31 March 2017 shown below table:

	31 March 2018		31 March 2017	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	638.055		404.286	783.564
Total	638.055		404.286	783.564

(*)The amount consists of attendance fee paid to Board of Directors.

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NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of 31 March 2018 is as follows;

	31 March 2018		
	TL (functional currency)	USD	EURO
1 Trade receivables	135.781.071	27.389.107	5.675.473
2 Monetary financial assets (cash and bank accounts included)	151.375.597	9.544.003	23.357.361
3 Other current assets	12.097.602	1.493.536	1.273.761
4 Current assets (1+2+3)	299.254.270	38.426.645	30.306.595
5 Trade payables	663.317.391	167.522.656	367.180
6 Financial liabilities	557.866.310	35.991.112	85.415.119
7 Other short term liabilities, net	59.015	14.945	-
8 Short term liabilities (5+6+7)	1.221.242.716	203.528.713	85.782.298
9 Trade payables	-	-	-
10 Financial liabilities	105.333.439	-	21.641.041
11 Long term liabilities (9+10)	105.333.439	-	21.641.041
12 Total liabilities (8+11)	1.326.576.155	203.528.713	107.423.339
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(1.027.321.885)	(165.102.068)	(77.116.744)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(1.027.321.885)	(165.102.068)	(77.116.744)

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NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of 31 December 2017 is as follows;

	31 December 2017		
	TL (functional currency)	USD	EURO
1 Trade receivables	81.635.739	14.850.039	5.674.428
2 Monetary financial assets (cash and bank accounts included)	117.790.197	31.031.043	164.811
3 Other current assets	59.432.903	14.179.453	1.317.557
4 Current assets (1+2+3)	258.858.839	60.060.535	7.156.796
5 Trade payables	458.778.694	120.949.500	568.991
6 Financial liabilities	484.292.907	19.147.289	91.257.058
7 Other short term liabilities, net	56.369	14.945	-
8 Short term liabilities (5+6+7)	943.127.970	140.111.734	91.826.049
9 Trade payables	-	-	-
10 Financial liabilities	68.741.400	-	15.223.430
11 Long term liabilities (9+10)	68.741.400	-	15.223.430
12 Total liabilities (8+11)	1.011.869.370	140.111.734	107.049.479
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(753.010.531)	(80.051.199)	(99.892.683)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(753.010.531)	(80.051.199)	(99.892.683)

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NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

In the years ending on 31 March 2018 and 31 March 2017, in case there is a (+) / (-) 10% change in foreign exchange rates when the other variables are kept fixed according to the net foreign exchange position on the balance sheet of the company, the change on the pre-tax profit is as follows:

	31 March 2018	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(65.197.156)	65.197.156
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(65.197.156)	65.197.156
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(37.535.033)	37.535.033
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit fort the period	(37.535.033)	37.535.033

As explained in Note 2, the Group management has used the rates published by the Foreign Exchange Center ("Center") monitored by Central Bank of Iran Islam Republic. Had the Group used Turkish Lira /Iran Riyal market rate based on expected American Dollar/Iran Riyal market rate and the current Turkish Lira/ American Dollar rate net income would decrease by approximately KTL160, and the foreign currency adjustments would decrease by 90 Million TL.

	31 March 2017	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(46.631.229)	46.631.229
2- The part hedged for USD risk (-)	(46.631.229)	46.631.229
3- The impact of TL net profit for the period		
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(29.016.753)	29.016.753
2- The part hedged for EUR risk (-)	(29.016.753)	29.016.753
3- The impact of TL net profit for the period		

NOTE 18 - SUBSEQUENT EVENTS

None.