2018

ANNUAL REPORT

GÜBRE FABRİKALARI TÜRK A. Ş.

MERDİVENKÖY MAHALLESİ, BORA SOKAK, NO:1, 34732 KADIKÖY/İSTANBUL

T: (+90 216) 468 50 50

F: (+90 216) 407 10 11

E: ir@gubretas.com.tr

I. INTRODUCTION 2
A. REPORTING PERIOD 2
B. COMMERCIAL TITLE 2
C. TRADE REGISTER NUMBER 2
D. CONTACT INFORMATION 2
E. ORGANIZATION CHART 4
F. CAPITAL STRUCTURE 4
G. VOTING RIGHTS AND MINORITY RIGHTS 5
H. MEMBERS OF THE BOARD OF DIRECTORS 5
İ. EXECUTIVE MANAGEMENT 6
J. EMPLOYEE INFORMATION 9
II. TURKEY AND GLOBAL FERTILIZER MARKET IN 2018 9
A. INFORMATION ABOUT OUR FACILITIES 12
B. PRODUCTION 14
C. SALES AND PROCUREMENT 15
D. INVESTMENTS 16
III. RESEARCH AND DEVELOPMENT ACTIVITIES 17
A. TURKEY SOIL PRODUCTIVITY MAP 17
B. QUALITY DEVELOPMENT ACTIVITIES 18
C. PRODUCT DEVELOPMENT ACTIVITIES 18
D. SUPPORT TO LOCAL PRODUCT 18
IV. SOCIAL RESPONSIBILITY PROJECTS 19
A. TURKEY SOIL PRODUCTIVITY MAP PROJECT 19
B. GÜBRETAŞ SCHOLARSHIP 19
C. CONSCIOUS AGRICULTURAL TRAINING 20
D. PRODUCER SUPPORT LINE 20
E. MOBILE ADVISORY SERVICES 20
F. MODEL AGRICULTURAL PRODUCTION 21
V. OTHER DEVELOPMENTS REGARDING COMPANY ACTIVITIES 21
A. ORDINARY AND EXTRAORDINARY GENERAL ASSEMBLIES AND DISTRIBUTION OF DIVIDENTS 21
B. DONATIONS AND AIDS 22
C. INTERNAL AUDIT ACTIVITIES 22
D. PRIVATE AND PUBLIC AUDITS 22
E. INFORMATION ABOUT RELATED PARTIES TRANSACTIONS AND BALANCES OF RELATED PARTIES ACCOUNTS 23
F. LAWSUITS BROUGHT AGAINST OUR COMPANY AND OTHER MATTERS 23
G. AFFILIATION REPORT 23
H. AFFILIATES AND SUBSIDIARIES 23
VI. ACTIVITIES OF IRAN 24
A. PRODUCTION 24
B. SALES 24
C. INVESTMENTS 25
VII. HUMAN RESOURCES POLICY AND CODE OF ETHICS 25
A. HUMAN RESOURCES POLICY 25
B. CODE OF ETHICS AND LABOR POLICY 26
VIII. RISK MANAGEMENT AND FACTORS 27
A. RISK MANAGEMENT 27
B. RISK FACTORS 27
IX. BOARD OF DIRECTORS 28
A. THE STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS 28
B. PRINCIPLES OF THE OPERATIONS OF THE BOARD OF DIRECTORS 28
C. FORMATION OF BOARD MEETINGS 28
D. NUMBERS, STRUCTURES AND INDEPENDENCIES OF THE BOARD COMMITTEES 29
E. STRATEGIC GOALS OF THE COMPANY 33
F. REMUNERATION OF THE BOARD OF DIRECTORS 34
X. EVALUATION ON FERTILIZER SECTOR AND OUR TARGETS 35
A. 2018 YEAR EVALUATION 35
B. 2019 YEAR TURKISH FERTILIZER SECTOR AND EXPECTATIONS FOR GÜBRETAŞ 36
XI. FINANCIAL STRUCTURE AND EQUITY PERFORMANCE 37
A. FINANCIAL RATIOS 37
B. DIVIDEND RIGHTS 37
C. PERFORMANCE OF THE STOCK 38
XII. EVENTS AFTER REPORTING PERIOD 39
XIII. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 40
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT 40
XIV. CONCLUSION 41
ANNEX-1 – CORPORATE GOVERNANCE COMPLIANCE REPORT 42
ANNEX-2 – CORPORATE GOVERNANCE INFORMATION FORM 50

I. INTRODUCTION

A. REPORTING PERIOD

01.01.2018 - 31.12.2018

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

C. TRADE REGISTER NUMBER

Gübre Fabrikaları T.A.Ş. is registered at Istanbul Trade Registry Office with registry number 47535.

D. CONTACT INFORMATION

HEADQUARTERS

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

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

Web address: www.gubretas.com.tr

The following are the contact information for facilities and regional offices:

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 Aliağa / 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

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

ANTALYA REGIONAL OFFICE

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

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

Fax : +90 (242) 311 43 93

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

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

İZMİR REGIONAL OFFICE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL OFFICE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

ŞANLIURFA REGIONAL OFFICE

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

Phone : +90 (414) 341 08 08

Fax : +90 (414) 381 08 10

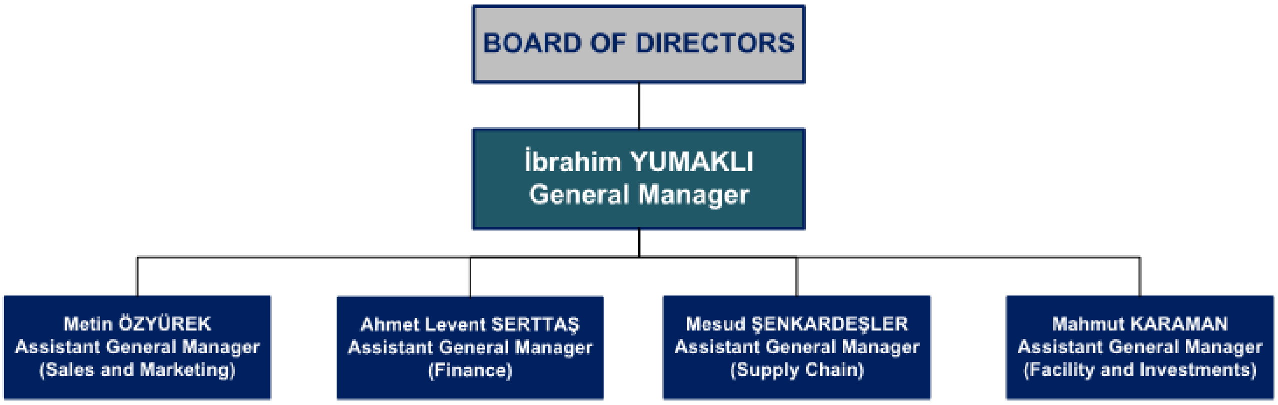
TEKİRDAĞ REGIONAL OFFICE

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

E. ORGANIZATION CHART



F. CAPITAL STRUCTURE

As of 31.12.2018 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 Gübretaş within the fiscal period.

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

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

Table 1 : CAPITAL STRUCTURE

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

G. VOTING RIGHTS AND MINORITY RIGHTS

In our company, practices that obstructs exercise of voting rights are avoided, and equal, easy and applicable voting opportunities are made possible to all shareholders. There are no privileged rights on voting because there is no preferred stock issued.

As per articles of association, minority rights can be used by shareholders having at least 5% of company capital as foreseen for listed companies within 411th article of Turkish Commercial Code. Minority shareholders are not represented in management.

H. MEMBERS OF THE BOARD OF DIRECTORS

Title	Name	Date of Appointment
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	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 resigned during the period and after balance sheet date:

Title	Name	Date of Appointment	Date of Resignation
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
Member	Halim ALTUNKAL	03.05.2018	04.03.2019

The members of Board of Directors have the rights which are described in the Articles of Association and Turkish Commercial Code. In the 30th footnote of consolidated financial statements, information about the benefits provided to the members of the Board of Directors and executive management are provided.

i. EXECUTIVE 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	Ahmet Levent SERTTAŞ	24.09.2018

Members of the executive management resigned during the period:

Title	Name	Date of Appointment	Date of Resignation
Assistant GM - Finance	Ali Yekta SUNAR	05.05.2017	13.09.2018

Company Executive management

İbrahim YUMAKLI – General Manager

Manager

He completed his bachelor’s degree in 1992 at Business Administration division of Faculty of Economics and Administrative Sciences at Uludağ University.

YUMAKLI, who began his working life in 1993 at Marshall Boya A.Ş. as import operations specialist, has worked at managerial positions in the financial groups of Marshall Boya A.Ş. and subsidiaries under Akzo Nobel Turkey organization until 2011. In 2011, he started working at Aljazeera Turkey. Between years 2012 -2015, he worked as the manager of Cine5 television channel owned by Aljazeera Turkey. Between January 2016 and October 2016, he worked as international operations director of Anadolu Agency.

İbrahim YUMAKLI started working as acting general manager and executive board member of Gübretaş at 28.10.2016 and he was appointed general manager at 05.05.2017.

Mahmut KARAMAN, PhD. – Assistant General Manager

Ph.D. Mechanical Engineer, MBA - Manager

He was born in 1969 in İstanbul. In 1990, he graduated from Mechanical Engineering division of Yıldız Technical University. He completed his master's degree and doctorate in control systems field in USA, 1997. He completed his master's degree in Business Administration at Colorado University Boulder, Leeds School of Business in 2007. Between years 1998-2008, he worked on controlling systems, research-development and design topics at Seagate technology company, which is the world leading hard disc producer. During the same period, he also gave "Control" lessons at the level of post-graduate in the University of Denver and the University of Colorado at Denver. Between years 2008-2013, he worked as the president of revenue management at Turkish Airlines and Qatar Airlines, respectively. Between the years 2013-2015, he worked as general manager at Technology Development region of Yıldız Technical University and afterwards, starting from the date of 4th of February, 2015, he was appointed as assistant general manager responsible from facilities and investments at Gübretaş. Besides, he continues to work as vice chairman of the Board of Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş.

Metin ÖZYÜREK – Assistant General Manager

Geophysics Engineer-Manager

Mr. ÖZYÜREK, who was born in 1969, graduated from Geophysics Engineering division at Istanbul University in 1991 and from Banking and Insurance division of Anadolu University in 2008.

Between years 1993-2003, he worked as the regional manager of Marmara and Central Anatolia regions and then general coordinator at HDI Insurance and afterwards, in 2003 he started working as general manager at Özyürek Insurance. Then between years 2010-2012, he continued his working life at Nessen International Trade Company as project engineer and executive committee member and between years 2012-2016, he worked as manager of Marmara region at İstanbullines. He wrote articles about insurance sector in Dünya newspaper, Türkiye newspaper and local newspapers.

Metin ÖZYÜREK has been working as assistant general manager responsible from sales and marketing at Gübretaş.

Mesud ŞENKARDEŞLER – Assistant General Manager

Manager

He was born in 1981 in Sakarya. In 2003, he graduated from International Relations division of Bilkent University. In the same year, he began his career as export specialist at Petlas A.Ş. He specialized in main functions like sales, marketing, product management, field sales coordination and import-export operations. Between years 2005-2006, he worked as product specialist responsible from Marmara Region at Tyco Sağlık A.Ş. and between years 2007-2011, he worked as process-business development and network management consultant at Ototronik Otomotiv ve Enerji A.Ş. Afterwards between years 2011-2015, he worked as automotive, energy and finance sector manager at GFK Turkey and he was assigned as senior consultant around one year. Between years 2015-2016, he worked as senior manager in Borem Research.

Mesud ŞENKARDEŞLER, who began working as foreign trade manager at Gübretaş in 2016, was assigned as assistant general manager responsible for supply chain at the date of 30.09.2016 as proxy and starting from the date of 28.10.2016 principally.

Ahmet Levent SERTTAŞ - Assistant General Manager

Manager

Ahmet Levent SERTTAŞ graduated from business administration department of Boğaziçi University and has the master's degree in the field of finance from London Business School. SERTTAŞ is a freelance accountant. He started his career at Arthur Andersen Audit Department in 1996 and has worked in the fields of financial auditing and financial reporting at Arthur Andersen and Ernst & Young offices in Istanbul, Johannesburg, London and Abu Dhabi. Then he worked as the General Manager consultant in IPIC in Abu Dhabi, and as the founding CFO in International Islamic Liquid Management in Kuala Lumpur and in Tosyalı Toyo Çelik A.Ş. in Istanbul. He started his career in Gübretaş as assistant general manager responsible from Finance in 2018.

J. EMPLOYEE INFORMATION

Changes in employee as of 31.12.2018 are shown below in Table 2:

Table 2 : EMPLOYEE STATUS

EMPLOYEE	31/12/2018	31/12/2017	Change
Headquarters	107	106	0,94%
Yarımca Facilities	330	332	(0,60%)
Other Facilities and Reg. Off.	131	126	3,97%
TOTAL	**568**	**564**	**0,71%**

Collective Bargaining Agreement

In 2018, relations between Gübretaş and Petrol-İş Trade Union continued in a constructive manner. The duration of the collective bargaining agreement between Gübretaş and Petrol-İş Union ended on 31.12.2018. The parties have started negotiations on 06.02.2019 for a new collective bargaining agreement including the years of 2019 and 2020.

Training Activities

Training activities were held with the aim to develop managerial, personal and professional capabilities of the staff. Training activities of 5.777 hours with participation of 433 employees were carried out in 2018.

II. TURKEY AND GLOBAL FERTILIZER MARKET IN 2018

Turkey does not have the raw material resources used in production of chemical fertilizers. Around 95% of main inputs such as natural gas, phosphate rock, potassium salts are procured from foreign markets. Due to dependence on foreign markets, international market conditions, exchange rates and fluctuations in prices of fertilizers and raw materials have major effects on our sector.

The nitrogen-based fertilizers and fertilizer raw materials are mostly procured from Black sea basin while phosphate-based ones are mostly procured from North Africa basin. Therefore, the prices in Turkish operations are usually set according to these basins' prices. Market prices are also affected by USD/TL exchange rate as well as international fertilizer prices. Market prices can increase or decrease with regards to increases and decreases of USD exchange rate.

In this context, especially in the 3rd quarter of the year, due to the decline in TL against the US dollar, product prices reached their highest level in August. According to the easing of the exchange rate towards the end of the year, prices in the markets also displayed a downward movement.

When we look at the price movements of the important products in global markets in 2018, it is observed that the prices of Ammonia Black Sea region have increased by 8% annually on average. One of the other important benchmark prices in the global markets, the Indian region, Ammonia prices, followed a downward trend in early 2018. The prices that have entered a serious upward trend since the third quarter of the year, started to relax again towards the end of the year. However, the prices were outperformed in 2018 with an annual average increase of 15%.

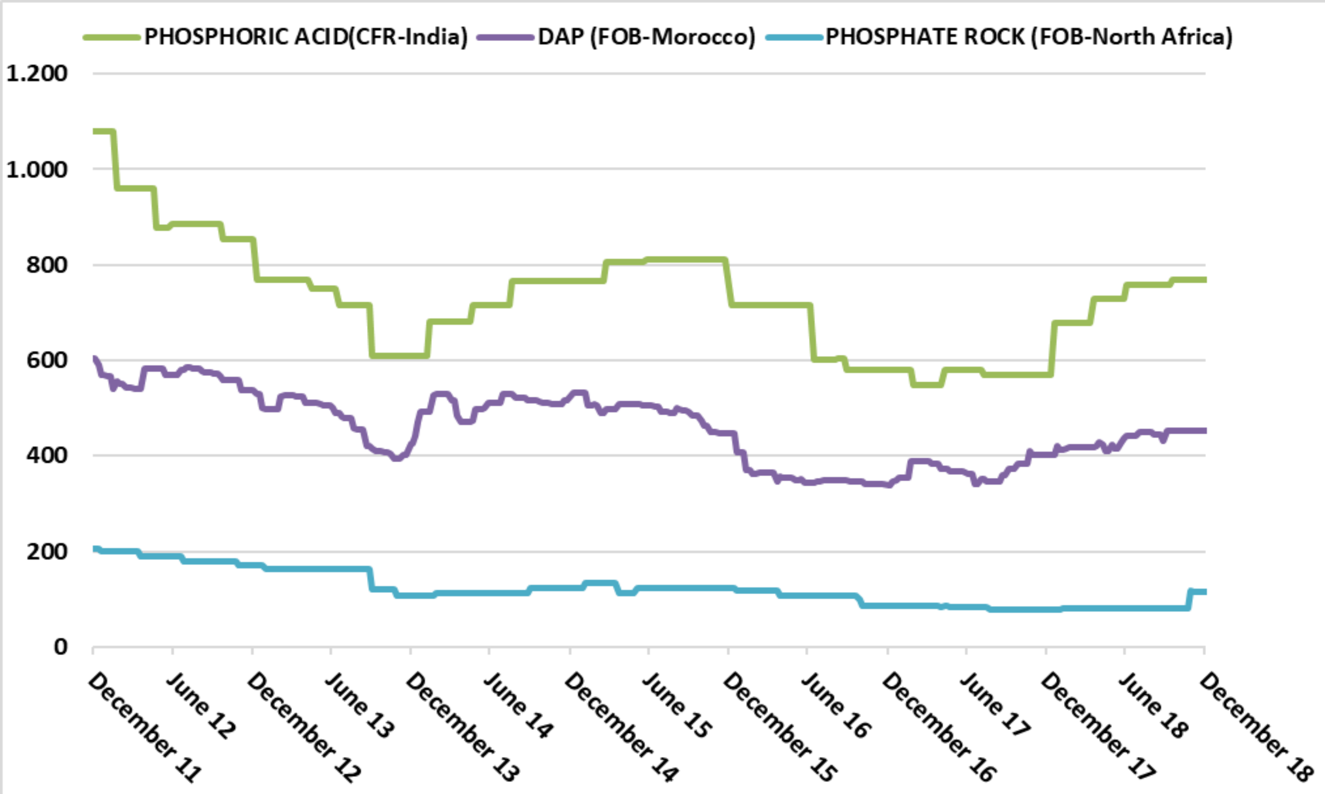
The Black Sea region prices of Urea, another important product of the group of nitrogen fertilizers, followed a bumpy course in the first half of 2018. Following an upward trend in the third quarter, Urea again fell towards the end of the year and closed the year at 270 $/ton (FOB).

The DAP product, which is one of the important product groups for the global markets, entered the 2018 with an increase trend and continued this movement throughout the year.

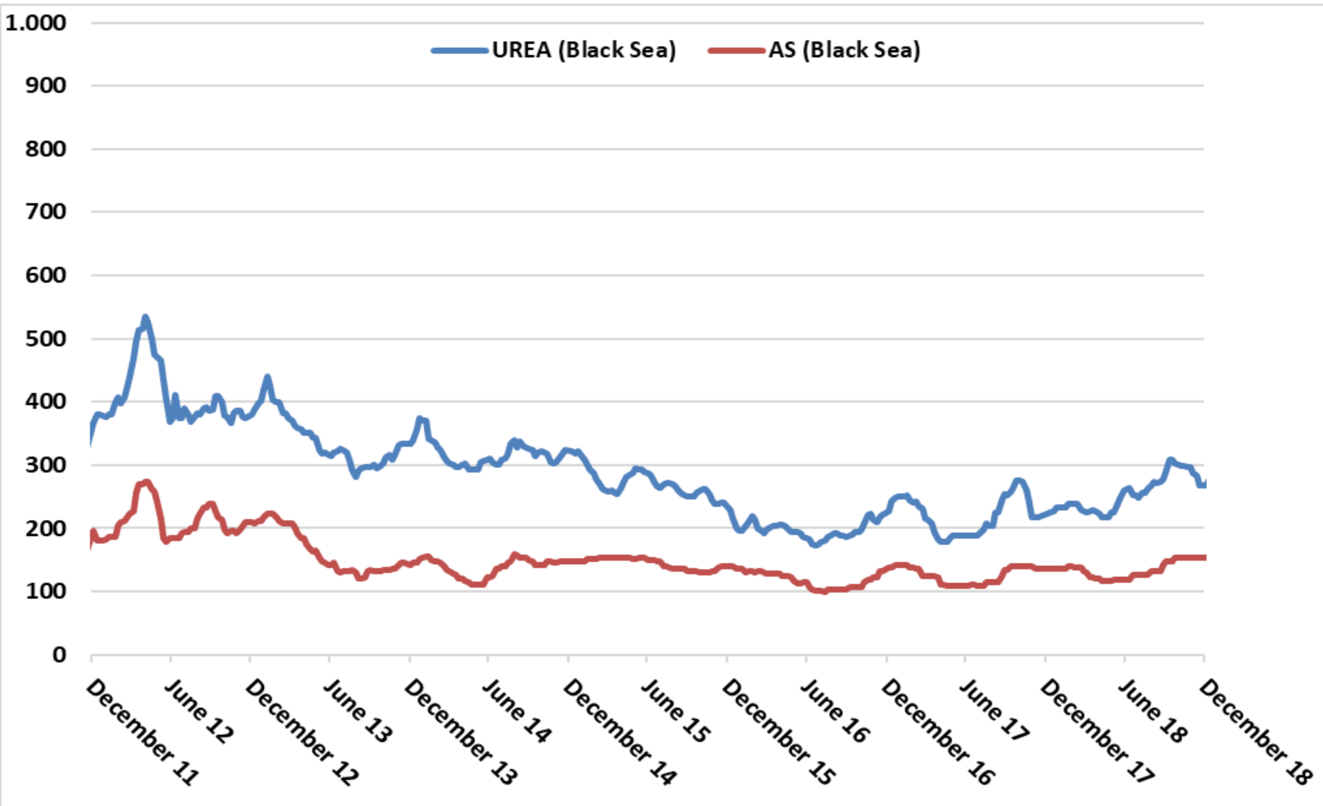
The main reason for the increase in DAP prices is that the increase in phosphoric acid, sulfur and ammonia prices push up the production costs. In the first quarter of 2019, it is foreseen that the prices of phosphoric acid, sulfur and ammonia will be loosened and the prices of DAP will loosen up in the medium term.

When the price movements of the product groups were examined for 2018, it is seen that the price levels increased by USD 30 compared to the previous year, especially as a result of the contract negotiations in China and India. As the prices were fixed by contract, the price loosening seen in other products was not reflected in the Potassium group significantly. In 2019, prices are expected to remain stable.

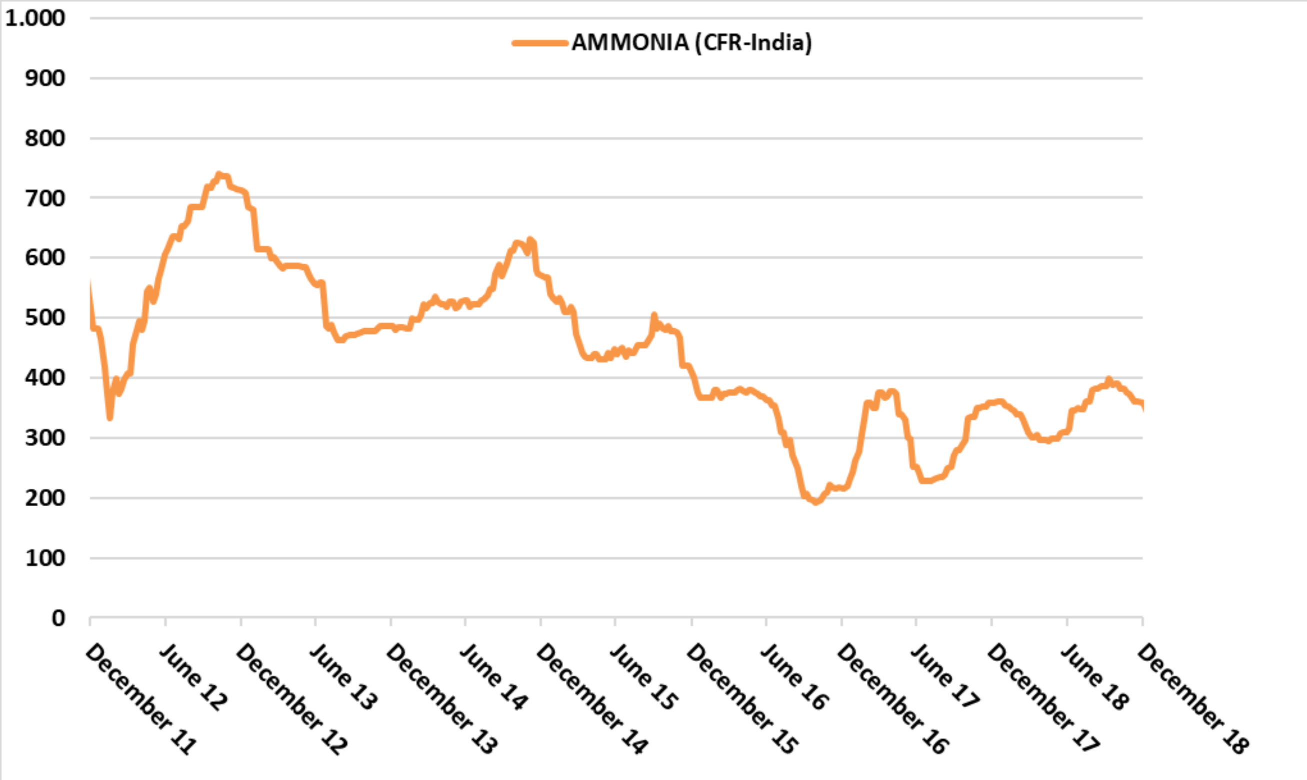
Graph 1 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US$/TON



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



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



Gübretaş is the first and pioneer company of Turkey in chemical fertilizer industry. An important portion of the sales of the company is realized through the Central Union of Agricultural Credit Cooperatives (“TACC”). There are 8 regional offices throughout Turkey. In 2.765 sales locations (sum of cooperatives and other dealers) Gübretaş sells to every corner of Turkey where there is agricultural production.

A. INFORMATION ABOUT OUR FACILITIES

Gübretaş owns a total real estate area of 427.286 m² that consists warehouses, business buildings and lands and 161.621 m² of this area is closed.

Yarımca Facilities have 985.000 tons/year solid fertilizer production capacity, İzmir Facilities have 100.000 tons/year liquid and powder fertilizer production capacity, therefore Gübretaş has 1.085.000 tons/year fertilizer production capacity in total.

The total capacity of our warehouses is 362.000 tons.

In addition, the new warehouse investments of Gübretaş at İskenderun are in progress and the investments are planning to be completed in 2019.

Table 3 : REAL ESTATES

Office	Closed Area m²
Headquarters	2.700
Yarımca Facilities - Office	2.410
İzmir Facilities - Office	570
Ankara Office	120
Samsun - Tekkeköy OIZ Office	210
Samsun - Kamalı Office	426
Total	**6.436**
Production Facilities	**Closed Area m²**
Kocaeli Yarımca Facilities	23.616
İskenderun Facilities	15.581
İzmir Facilities	2.525
Foça Facilities	200
Total	**41.922**

Warehouses	Closed Area (m²)
Kocaeli Yarımca	22.381
Samsun Tekkeköy OIZ	6.211
Samsun Kamalı	15.775
Kocaeli Köseköy	6.424
İzmir Helvacı	21.896
İskenderun Akçay	10.923
İskenderun Sarıseki	18.474
Tekirdağ	7.189
İzmir Foça	2.400
Total	**111.673**
Former Headquarters	1.590
Grand Total	**161.621**

Table 4 : GÜBRETAŞ FERTILIZER PRODUCTION AND WAREHOUSE CAPACITY - TONS

Yarımca Facilities	Capacity-Tons
TSP	185.000
NPK 1A (Compound Fertilizer)	250.000
NPK 1B (Compound Fertilizer)	250.000
NPK 2 (Compound Fertilizer)	300.000
Total	**985.000**
İzmir Facilities	**Capacity-Tons**
Liquid and Powder Fertilizer	100.000
Grand Total	**1.085.000**

Region	Capacity-Tons
İzmir Warehouses	100.000
Samsun Warehouses	60.000
Yarımca Warehouses	52.000
İskenderun Warehouses	105.000
Tekirdağ Warehouses	30.000
İzmir Liquid Warehouses	15.000
Total	**362.000**

B. PRODUCTION

Gübretaş produced 515.880 tons of compound fertilizers, 91.810 tons of nitrogen-based fertilizers, 62.440 tons of phosphate-based fertilizers, and a total of 670.130 tons in 2018. In addition, 21.292 tons of liquid and powder fertilizers were also produced.

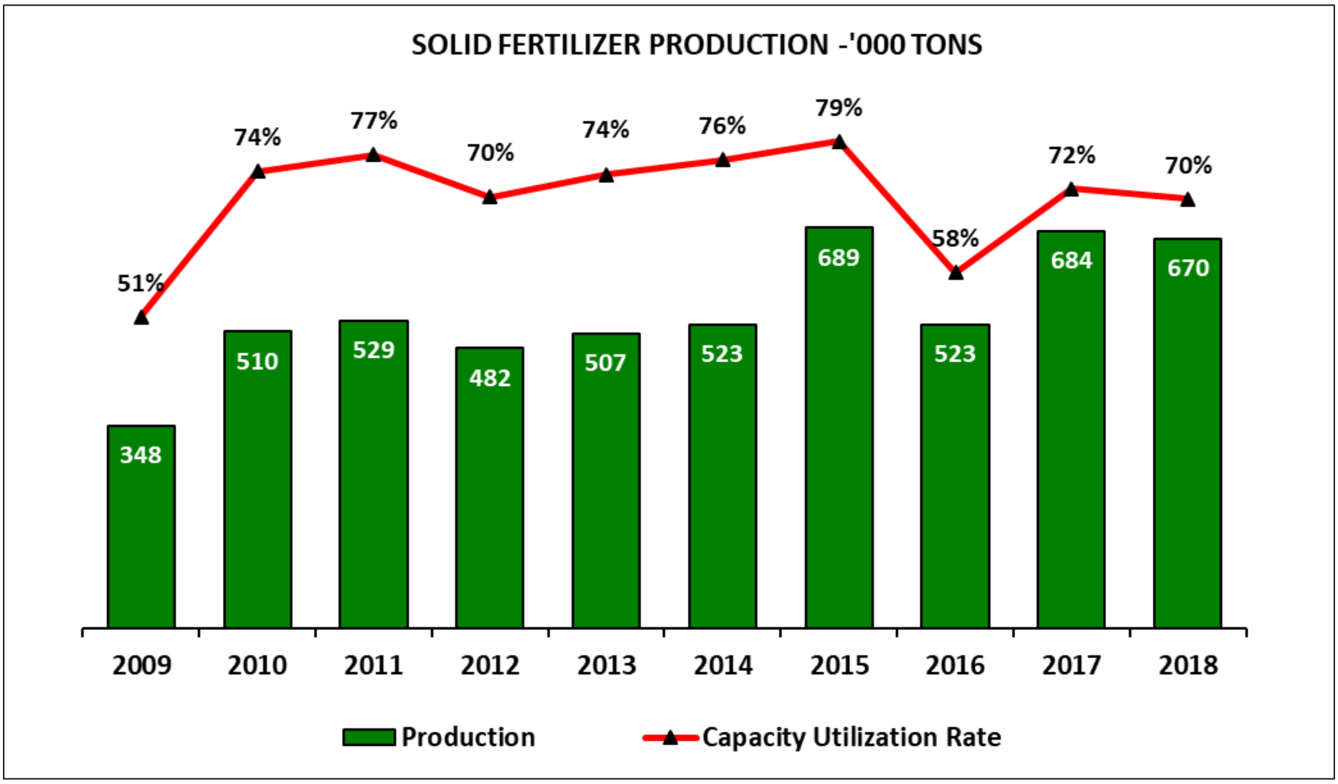
Solid fertilizer production decreased by 1,92%; liquid and powder production decreased by 5,35% in 2018 compared to 2017. Total fertilizer production decreased by 2,03%.

Some of the finished products were used as intermediate goods in the production process. Capacity utilization rate was 70,21% in 2018.

Table 5 : PRODUCTION BY PRODUCT-TONS

Product	2018	2017	Change
Solid Fertilizer	670.130	683.228	(1,92%)
Liquid and Powder Fertilizer	21.292	22.496	(5,35%)
Grand Total	**691.422**	**705.724**	**(2,03%)**

Graph 4 : PRODUCTION AND CAPACITY UTILIZATION RATES BY YEARS



C. SALES AND PROCUREMENT

Our Company sold 1.672.635 tons of solid (2017: 1.946.833 tons), 41.542 (2017: 43.693 tons) tons of liquid and powder fertilizer in 2018.

In 2018, the Company's solid fertilizer sales decreased by 14,08% compared to the same period of the previous year.

While the volume of procurement were 2.031.923 tons in 2017, it decreased by 21,54% to 1.594.167 tons in 2018. 27.168 tons of products were exported in 2018 while this figure was 10.815 tons in 2017.

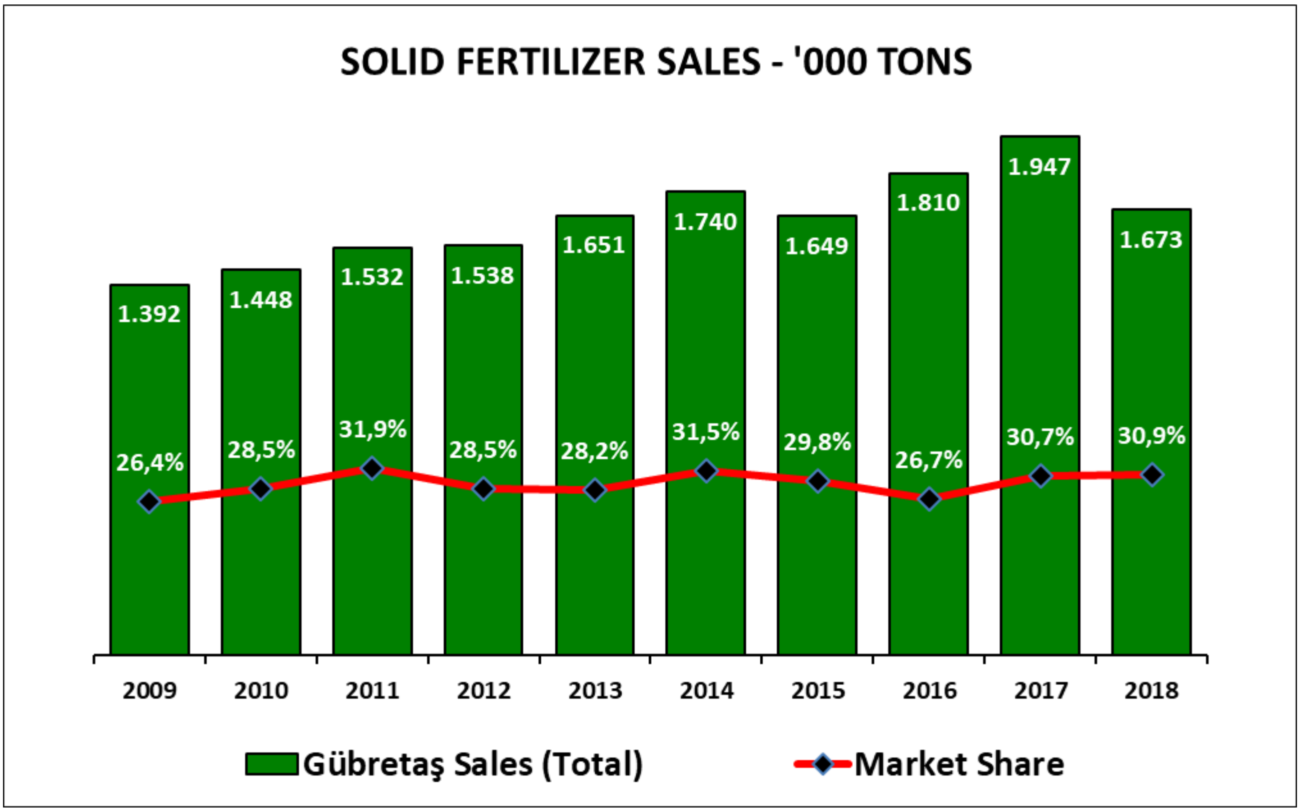
Table 6 : SALES, IMPORTS AND DOMESTIC PROCUREMENT -TONS

	2018	2017	Change
Raw Materials	609.425	586.618	3,89%
Finished Products	984.742	1.445.305	(31,87%)
Total Procurement	**1.594.167**	**2.031.923**	**(21,54%)**

Table 7 : SALES BY PRODUCT GROUPS-TONS

Solid Chemical Fertilizers	2018	2017	Change
Compound	656.584	651.276	0,82%
Nitrogen-based	819.594	982.784	(16,60%)
Phosphate-based and others	196.457	312.773	(37,19%)
Solid Fertilizer Total	**1.672.635**	**1.946.833**	**(14,08%)**
Liquid and Powder Fertilizer	**41.542**	**43.693**	**(4,92%)**
Grand Total	**1.714.177**	**1.990.526**	**(13,88%)**

Graph 5 : SALES AMOUNTS AND MARKET SHARE BY YEARS



D. INVESTMENTS

In Turkey operations, Gübretaş spent 57.503.480 ₺ (2017: 70.333.018 ₺) for capital expenditures in 2018.

In 2019, the Company's investments continue within the scope of the following activities and it is planned to realize the related investments as soon as possible.

- Start of the first phase of the port embankment project in Yarımca plant,
- Phosphoric acid tank construction in Yarımca facilities,
- Start improvement works in NPK-2 facilities in Yarımca plant and,
- The commissioning of 100 kton warehouse in Iskenderun facilities.

The Case of Benefiting From Incentives For Investments

The completion visa of Investment Incentive Document numbered 110061 by Turkish Ministry of Trade was realized on 20/09/2018. The fixed investment was realized with an amount of 290.369.160 ₺. The support elements to be utilized by the investments are the

Insurance Premium Employer's Share Support for the year 2018, Customs Duty Exemption, Tax Reduction Ratio (100%), Investment Contribution Rate (40%) and VAT exemption. In 2018, Insurance Premium Employer Share Support and VAT Exemption were benefited from in the construction of twin NPK plants and ammonia tanks.

Referring to the application dated March 26, 2018 and numbered 38928 made by the Company to the Turkish Ministry of Trade, the Investment Incentive Certificate dated May 16, 2018 and numbered 136984 was obtained. This Investment Incentive Certificate is valid until 26.03.2021 and includes fixed asset investment plans amounting to 84.000.000 ₺. The support elements to be utilized by the investments are Tax Reduction Ratio (70%), Investment Contribution Ratio (30%) and VAT exemption. In 2018, VAT exemption was utilized in İskenderun Facilities Modernization processes.

Referring to the application dated March 26, 2018 and numbered 38927 made by the Company to the Turkish Ministry of Trade, the Investment Incentive Certificate dated Monday, June 11, 2018 and numbered 137850 was obtained. This Investment Incentive Certificate is valid until 26.03.2022 and includes fixed asset investment plans amounting to 235.000.000 ₺. The support elements to be utilized by the investments are Tax Reduction Ratio (50%), Investment Contribution Ratio (25%), Insurance Premium Employer's Share Support and VAT exemption.

III. RESEARCH AND DEVELOPMENT ACTIVITIES

A. TURKEY SOIL PRODUCTIVITY MAP

Studies about “Soil Productivity Map Project” continues. With this project, the aim is to form the map of soil fertility of our country. In this respect, current qualitative and quantitative information is categorized according to locational data and is input as data into subcategories under each different location with a mapping software. Analyses from a total 10.024 locations, which are obtained with GPS device position detection, are completed. Also, soil samples that are received from farmers are being analyzed and reports that include fertilization suggestions are sent to landowners.

B. QUALITY DEVELOPMENT ACTIVITIES

Quality improvement works are continuing for the best quality of all fertilizers and special products offered to Turkish Farmer with its expert staff, qualified human resources and equipped laboratory infrastructure.

The İzmit Yarımca Laboratory renewed the 17025 ISO/EN Quality Certificate of after the inspections carried out by Türkak. İzmir and İskenderun Laboratories continue their studies by expanding the scope of analysis.

C. PRODUCT DEVELOPMENT ACTIVITIES

With the approval of the Ministry of Industry and Technology in 2018, the R & D Center was established within the body of Yarımca Facilities. In order to develop new generation and innovation plant nutrition products by using domestic and national resources at the maximum level, it is aimed to develop solutions that will enable the country and producers to reach the products they need more easily by using cooperation models with public institutions and universities.

In 2018, the first year of the R & D Center, the R & D project, submitted to the Ministry of Agriculture and Forestry, General Directorate of Agricultural Research and Policies (TAGEM), was adopted and it was decided to carry out the project with government support for 36 months. The project partners include Konya Selcuk University and Ankara University and agricultural research institutes in 6 different regions.

D. SUPPORT TO LOCAL PRODUCT

Gübretaş has been conducting R & D studies for years for the use of domestic inputs in chemical fertilizer production. In line with this goal, Gübretaş is increasing the number of plant nutrition products containing the element boron, which is the important underground riches of Turkey. Taking into account Turkey's soil structure and nutrient needs of plants, Gübretaş is developing products such as **ALTIN ÇİÇEK–S, SÜPER PANCAR–S, ÇOTANAK FERTİL** and **SÜPER ÇOTANAK**. These base fertilizers, which are specific to the plant and the region, are produced with boron additive. In addition, Gübretaş's product portfolio includes products such as **DERMİN, BOR, BOR-8, COMBİ, COMBİ PLUS** and **MICRO** containing different amounts of boron used in drip irrigation and foliar feeding of plants.

IV. SOCIAL RESPONSIBILITY PROJECTS

A. TURKEY SOIL PRODUCTIVITY MAP PROJECT

Initiated in 2005 by Gübretaş as a social responsibility issue, the project, which aims to explain the importance of soil analysis that plays an important role in increasing productivity at agricultural production and to form the productivity map of agricultural areas, is being carried out just by the sole capability of the company.

The main objectives of this project, which is being carried out by Gübretaş for over ten years, are:

1) To create a database for the future of agricultural production by preparing the productivity map in macro and micro nutrient elements according to our country's geographic regions and provide a source for studies in these fields,

2) Starting with Turkish Agricultural Cooperatives partners, to increase the consciousness in fertilizer consumption of all farmers and determine fertilizer patterns of sampled lands,

3) To help farmers by analyzing if there is a problem in their land and reporting solutions to these problems according to soil analysis,

4) To help Gübretaş' R&D studies by developing plant-specific and region-specific fertilizer formulations according to obtained data,

5) To contribute to build a huge database for our country's agriculture by combining Gübretaş' studies conclusions with studies of the Ministry of Food, Agriculture and Livestock of Turkey and universities.

6) To train a minimum of 10 thousand major farmers about agricultural issues like getting soil examples, fertilizers, fertilization techniques and consciousness in agricultural production with this project.

B. GÜBRETAŞ SCHOLARSHIP

The scope of GÜBRETAŞ scholarship, which was initiated in 2007 for students at agricultural faculties in order to support human resources in agricultural sector, has been expanded at 2017. Now, a certain number of students with Master's Degree and doctorate, which study in agricultural faculties, have begun to benefit from scholarship starting with this year.

Within this scope, scholarship is being provided to children of farmers in need while they get their undergraduate education, at 35 different agricultural faculties all around Turkey. With this project, which more than 350 students at agricultural faculties benefited from since the initiation, around 126 students continue to get scholarship.

C. CONSCIOUS AGRICULTURAL TRAINING

Gübretaş conducts training activities for producers in accordance with its mission "increasing fertility to our land by spreading the consciousness in agricultural production". Our training activities, which have objectives like supporting Turkish producers growing more efficient and higher quality agricultural products that can be competitive globally and achieving higher profitability via optimizing costs of inputs starting with fertilizers, continue all year long. In training meetings, producers are informed about different issues like basic principles of balanced and regular fertilization, plant nutrition techniques and soil analysis. Expert agricultural engineers also provide practical consulting services through field studies and prescribing activities. GÜBRETAŞ also carries out agricultural consultancy services through Producer Support Line, web and mobile applications and social media.

D. PRODUCER SUPPORT LINE

GÜBRETAŞ enhanced its consultancy service to the producers with live telephone connection. From all around Turkey, producers can call telephone line (0850) 811 50 50 and they can ask their questions to expert agricultural engineers about plant nutrition and agricultural production and they can get replies from related engineers. In this way producers, who can call from fields, yards, and gardens, found the opportunity to solve their production problems, exchange information, and get information about products and services.

E. MOBILE ADVISORY SERVICES

Gübretaş, who composes special fertilization programs by its in-house engineers and R&D team in order to increase productivity in agricultural production, has brought this valuable experience into use of producers with EFP (Efficient Fertilization Programs) application. With this new mobile application, which is developed by Gübretaş and is free of charge, the producers can track plant nutrition programs for 40 agricultural products, which are being produced in Turkey, with usage time, method and dosage. With this new application, 67-

years of industry experience of Gübretaş is transferred to smartphones and tablets. The producers now have the opportunity to request instant information from "Ask the Expert" function of the application even when they are working in the field.

F. MODEL AGRICULTURAL PRODUCTION

In order to expand consciousness in agricultural production, model test fields/gardens are being formed. As Gübretaş, in these tests, which are being carried out with pioneer producers, achieving maximum yield with minimum fertilizer consumption is being aimed. Thus, the aim is to prohibit the wastage of resources by avoiding more than necessary fertilizer consumption and to protect our soil, which is one of our most important sources.

Test fields/gardens are continuously controlled by expert engineers in the production era and the results are shared with producers living in places, where "field days" are organized. The plant nutrition programs, which are carried out at test places, are converted to documentations named **"Efficient Fertilization Programs"** and provided all of the producers with different communication channels.

V. OTHER DEVELOPMENTS REGARDING COMPANY ACTIVITIES

A. ORDINARY AND EXTRAORDINARY GENERAL ASSEMBLIES AND DISTRIBUTION OF DIVIDENTS

66th general assembly meeting for 2017 fiscal period was held on 3th of May, 2018 on Thursday and the details are presented in corporate governance principles compliance report. Within the period, there has not been any extraordinary general assembly meetings held.

Gübre Fabrikaları T.A.Ş distributes dividends within the frame of our dividend policy which was prepared in accordance with Communiqué on Dividends (II-19.1) of Capital Markets Board.

Our company adopted the principle to distribute the maximum percentage of profits to its shareholders while considering benefits of the company also. There are no privileges in dividend payment. Dividends are distributed equally to all shares regardless of their issue and acquisition dates.

In line with the 31st article of our articles of association, the dates and methods of paying dividends are decided by the general assembly in accordance with the proposal of the board of directors.

There was no dividend distribution in 2018. Cash dividend (gross) ratios paid per 1 ₺ nominal shares for last 5 years are shown in Table 8:

Table 8 : DIVIDEND RATIO PER SHARES IN YEARS

2017	2016	2015	2014	2013
-	-	% 10	% 15	% 20

B. DONATIONS AND AIDS

In 2018, the payment of scholarship was 816.300 ₺. In addition to scholarship, Gübretaş provided 56.300,19 ₺ aids to various educational institutions. Therefore the total amount of donations and aids became 872.609,19 ₺ in 2018.

C. INTERNAL AUDIT ACTIVITIES

The Internal Audit Department, which works under General Directorate, audits whether the activities of headquarters, facilities and regional offices are compliant with legal acts, corporate vision, mission, target, strategy, general purpose, procedures, instructions, reliability and accuracy of information, company policies, plans, procedures, regulations and compliance with the law, protection of assets, efficient use, objectives set for activities and programs, realization of goals, causes of errors, corrective measures, efficiency of activities and consequently our company activities as a whole and proposes the audit reports to executive management by providing curative proposes in accordance with audit findings.

D. PRIVATE AND PUBLIC AUDITS

In Gübretaş, there is a tax inspection (full review) process that started in 2016 and is currently underway.

Besides the independent auditing of consolidated financial statements, our company is also receiving full confirmation service for corporate tax declaration.

E. INFORMATION ABOUT RELATED PARTIES TRANSACTIONS AND BALANCES OF RELATED PARTIES ACCOUNTS

Detailed tables are given in the 30th footnote of consolidated financial statements belonging to the fiscal period of 1 January – 31 December 2018.

F. LAWSUITS BROUGHT AGAINST OUR COMPANY AND OTHER MATTERS

On the 8th and 16th footnotes of consolidated financial statements, subjects of lawsuits brought by our company and the other parties, latest situations and their impact on our consolidated financial statements are stated.

There has not been any administrative or legal sanction being implemented to the company or members of the managerial body due to violation of provisions of related regulations.

G. AFFILIATION REPORT

The conclusion of the "Affiliation Report" prepared in accordance with 199th article of the Turkish Commercial Code No. 6102 for the period of 01.01.2018-31.12.2018 is presented below:

"The controlling shareholder of our company is the Central Union of Turkish Agricultural Credit Cooperatives ("Central Union"), which is registered in Ankara Trade Registry Office with the registry number 35791 and located at 'Yukarı Bahçelievler Mahallesi Wilhem Thomsen Caddesi No:7 Çankaya Ankara', In this context, it has been concluded that;

- *In the previous fiscal year, there has not been any judicial action taken in favor of the controlling shareholder, a company affiliated with the controlling shareholder or by the directions of the controlling shareholder beneficial to it or one of its affiliates.*
- *In the previous fiscal year, there has not been any precautions taken or avoided in favor of the controlling shareholder or a company affiliated with it."*

H. AFFILIATES AND SUBSIDIARIES

Detailed information about affiliates and subsidiaries are given in the 1st footnote of consolidated financial statements belonging to the fiscal period of 1 January – 31 December 2018.

VI. ACTIVITIES OF IRAN

A. PRODUCTION

Razi Petrochemical Co. is one of the largest fertilizer and fertilizer raw materials production facilities in Iran with 877.000 m^2 total area. Total capacity of Razi is 3.641.000 tons/year including its own 3.515.000 tons/year and its subsidiary Arya Phosphoric Jonoub Co. which has 126.000 tons/year.

In Razi and its subsidiary Arya Phosphoric Jonoub Co., total production was 1.850.906 tons (2017: 1.776.670 tons) and the capacity utilization rate was 50,84% (2017: 48.80%) in 2017.

Table 9: RAZI PETROCHEMICAL CO. PRODUCTION-TONS

Product	2018	2017	Change	Capacity	2018 CUR
Ammonia	870.638	861.873	1,02%	1.336.000	65,17%
Urea	399.032	338.461	17,90%	594.000	67,18%
Sulphur	250.142	263.622	(5,11%)	508.000	49,24%
Sulphuric Acid	226.799	204.145	11,10%	627.000	36,17%
Phosphoric Acid	55.617	58.356	(4,69%)	126.000	44,14%
DAP	48.678	50.213	(3,06%)	450.000	10,82%
Total	**1.850.906**	**1.776.670**	**4,18%**	**3.641.000**	**50,84%**

B. SALES

Export product prices in Razi Petrochemical Co. are formed in accordance with the prices in Middle East basin. Profitability levels move in parallel with increases-decreases in commodity prices.

In 2018, Razi and its subsidiaries sold 1.504.379 tons (2017: 1.426.644 tons) of fertilizer and achieved a revenue of 1.990.946.875 ₺ (2017: 1.383.888.122 ₺).

Being a fully integrated facility, the reason of difference between production and sales is the internal consumption as some of the products are used as intermediary products.

Table 10 : RAZI PETROCHEMICAL CO. SALES-TONS

Product	2018	2017	Change
Ammonia	655.611	599.955	9,28%
Urea	427.575	290.320	47,28%
Sulphur	156.106	190.957	(18,25%)
Phosphoric Acid	54.036	23.144	133,48%
DAP	49.555	61.896	(19,94%)
Sulphuric Acid	31.604	39.546	(20,08%)
Sub Total	**1.374.487**	**1.205.819**	**13,99%**
Urea	94.951	93.498	1,55%
Ammonium Sulphate	34.940	108.827	(67,89%)
Ammonia		18.501	
Total	**1.504.379**	**1.426.644**	**5,45%**

C. INVESTMENTS

In Razi facilities, renovation investments and investments aimed to increase the productivity in current facilities were realized. In Iran operations our company spent 9.774.848 ₺ (2017: 39.889.440 ₺) for capital expenditures in 2018.

VII. HUMAN RESOURCES POLICY AND CODE OF ETHICS

A. HUMAN RESOURCES POLICY

Considering human resources as its most important asset and finding its sustainable growth in its employees' competencies and development, Gübretaş does not discriminate between ethnic origin, language, religion, gender and political thinking while selecting and placing employees in work. The company aims to find idealist and innovative people suitable for teamwork, acting on the basis of fair approach, effective communication and solution-oriented behavior. While making evaluation, objective success criteria and corporate culture are taken as a ground.

Before making decisions about the employees, importance is given to the exchange views with employees and employee representatives.

In line with occupational health and safety and environmental quality systems, continuous improvement and organizational development activities are performed. As a result of organizational development activities, job descriptions and process flows are organized according to changing and evolving Company activities.

Company employees are encouraged to strive for horizontal and vertical careers, while the necessary physical, social and psychological environment is being prepared accordingly. Employees' efforts are rewarded materially and morally.

Necessary steps are taken in order to eliminate the deficiencies in employee's knowledge, background and experience with the methods and techniques meeting the needs of today and enabling the preparation for the future. Unit targets are set in line with budget expectations and company strategies and needs analyzes are performed by the Company in order to achieve these targets. According to the needs analysis, training and personal development activities are planned and these activities are implemented.

B. CODE OF ETHICS AND LABOR POLICY

The ethical principles within Gübretaş express the whole set of behaviors that are to be complied with or which should be avoided being "honesty", and all matters that the Company has taken into consideration within the scope of the ethical principles are expressed under the **"Gübretaş Code of Ethics and Labor Policy".**

The main objective of the Company's Code of Ethics is to create a common corporate culture on business ethics/morals where the regulations, procedures, instructions, standards, laws and regulations may not be guiding all about our attitudes and behaviors and to raise awareness, sensitivity and knowledge on this issue.

In this context, Company employees and suppliers are expected to act under this policy. Under these principles, Gübretaş rejects all kinds of discrimination, physical and psychological violence.

Ethical violation notification channels have been established via the e-mail address of etik.bildirim@gubretas.com.tr and telephone number 0216 468 50 55 in order to determine the behaviors that are not in compliance with the Company Code of Ethics and Labor Policy. Company makes an immediate decision by mobilizing the relevant board and persons for the individuals conducting disorderly, these decisions are implemented and the people making the violation notifications are informed by the Company about the result.

VIII. RISK MANAGEMENT AND FACTORS

A. RISK MANAGEMENT

Works related to the early determination of the risks which may jeopardize existence, development and continuance of Gübre Fabrikaları T.A.Ş. and application of the necessary measures regarding the determined risks and management of the risk are being carried out under the coordination of Risk, Process and Quality Management Department. Company-wide, risks are tracked on the basis of four categories which are financial risks, strategic risks, operational risks and other risks. Risks that have a potential to affect positively or negatively the Company's activities are continuously evaluated with the related managers. Daily and monthly reports are produced with regard to the risk management and action plans are prepared and implemented when necessary. In the context of studies to develop an “Integrated Risk Management System”, the studies about the software related to the risks in financial category were completed and the modul has been put into practice. On the one hand, for the minimization of risks and more effective management, the processes of company were analyzed, criteria were defined and "Quality Management System" was started to be implemented. In order to increase efficiency of corporate risk management, “Risk Management Policy” was defined and published company-wide.

B. RISK FACTORS

Financial risks, strategical/political risks and operational risks are considered as main risk factors while we try to reach our targets. Our company takes required measures to minimize risks, financial and operational ones in particular.

Our company, which procures nearly all of the finished products and raw materials being traded and used in production from global markets, is affected by fluctuations in currencies and prices due to this dependency. These risks are aimed to be minimized by using derivatives (hedging) against currency fluctuations and by actively following the market against fluctuations in raw material and commodity prices.

Risks that can be faced through supply, storage, production and transportation are evaluated within scope of operational risks. It is aimed to increase our storage capacity and to improve efficiency of our production facilities by domestic investments. By the close follow-up of our supply and logistics processes, it is aimed to avoid any failures that may arise and to take quick actions when required.

IX. BOARD OF DIRECTORS

A. THE STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

In our company; board of directors are elected at the general assemblies under the framework of the Articles of Association, Turkish Commercial Code and Capital Market Law.

B. PRINCIPLES OF THE OPERATIONS OF THE BOARD OF DIRECTORS

The board of directors conducts its operations in a transparent, fair and responsible way. The board reviews the efficiency of risk management and internal control systems of our company once in every two months via Committee of Early Determination of the Risk. Information is given in Annual Report about the mechanism and efficiency of internal control system. While the authorities of the chairman of the board and chief executive officer/ general manager were not separated clearly in articles of association, nobody is furnished with individual unlimited decision-making. The board plays a pioneer role while providing effective communication between company and shareholders, overcoming and solving possible conflicts and therefore works in close cooperation with Committee of Corporate Governance and Investor Relations Department.

The losses, which may occur from the faults of board members while performing their duties, are insured.

C. FORMATION OF BOARD MEETINGS

Meetings of the board of directors are carried out and quorums are decided in accordance with the provisions of the articles of association, Turkish Commercial Code and Capital Market Law. GM Office Department, which reports to General Manager, has been constituted to conduct the works with regard to the meetings of the board of directors of the company and to serve the members of the board of directors. Departments prepare their motions for the required resolutions and they transmit it to the GM Office upon obtaining the approval of the General Directorate. An agenda regarding these motions is formed and it is transmitted to the chairman of the board of directors with the invitation letter for the meeting of the board of directors. The invitation letter are sent to the members together with the agenda. The resolutions which were taken in the meeting are sent to the relevant departments after the meeting. 12 board meetings were made in 2018.

The members of the board of directors do not have weighted voting rights and negative veto right. The decisions are taken with the majority of board and the questions asked and statements made by the members are not recorded into minutes. As a principle, the members of the board of directors attend each meeting. The board of directors meets regularly and at least once a month within the framework of the provisions of the articles of association and the board of directors meets when necessary without complying with such timetable.

D. NUMBERS, STRUCTURES AND INDEPENDENCIES OF THE BOARD COMMITTEES

Considering the current situation and the requirements of the company, the board of directors formed Committee of Audit, Committee of Corporate Governance, Committee of Nomination, Committee of Early Determination of the Risk, and Committee of Remuneration in order to perform its duties and fulfill its responsibilities in a healthy way, in accordance with the Turkish Commercial Code, articles of the association of the company and Communique on Corporate Governance of the Capital Market Board. In accordance with corporate governance principle 4.5.2, the studies to prepare the principles on how these committees conduct their activities continue and the compliance to this principle were completed and the working procedures and principles of the board committees were published on the Public Disclosure Platform on 27.07.2018.

Committee of Audit

Name	Title	Duty
Mehmet BULUT	Head of Committee	Independent Board Member
Seyfullah ARSLANTÜRK	Committee Member	Independent Board Member
Murat YAŞA	Committee Member	Independent Board Member

The committee is composed of three independent members of the Board of Directors. Independent member Mehmet BULUT is the head of the committee. Other members of the committee is Seyfullah ARSLANTÜRK and Murat YAŞA.

Duties and responsibilities of the committee are as follows;

- To control that the financial statements and footnotes, both of which are disclosed to public, are prepared in accordance with the current legislation and international accounting standards,

- To review the activity report and review whether the information provided there is true and consistent with the information committee has,
- To examine the complaints submitted by the shareholders and stakeholders that which are significant enough to affect the financial statements,
- To review the efficiency of the internal audit activities,
- To make sure that the important problems and solutions to overcome them, which are determined during or as a result of the audits of the internal audit department of the company, are submitted timely to the committee's information and discussed,
- To supervise whether the activities of the company are conducted in accordance with the current legislation and internal regulations of the company.

In 2018, Committee made 5 meetings and in this direction, presented 5 reports to the Board.

Committee of Corporate Governance

Name	Title	Duty
Murat YAŞA	Head of Committee	Independent Board Member
Mehmet TUNÇAK	Committee Member	Board Member
Gökhan GÜMÜŞ	Committee Member	Investor and Subsidiary Relations Manager

The committee is composed of three people, two members of the board of directors and investor and subsidiary relations manager. Independent member Murat YAŞA is the head of the committee. Other members of the committee are Mehmet TUNÇAK and Gökhan GÜMÜŞ.

Duties and responsibilities of the committee are as follows;

- To provide the constitution and adaptation of the importance and benefits of the Corporate Governance Principals within the structure of the company,
- To determine whether the corporate governance principles are being applied or not and if they are not applied, to determine the reasons and the conflicts of interests due to noncompliance with these principals and to submit recommendations to the board of directors to improve the corporate governance applications.

In 2018, committee held 2 meetings and in this direction, presented 2 reports to the Board.

Committee of Early Determination of the Risk

Name	Title	Duty
Seyfullah ARSLANTÜRK	Head of Committee	Independent Board Member
Mehmet BULUT	Committee Member	Independent Board Member
Ertuğrul KÖSE, PhD	Committee Member	Risk, Process and Quality Management Manager

Committee of Early Determination of the Risk has been constituted for the purposes of early determination of the risks which may jeopardize existence, development and continuance of the company, application of the necessary measures regarding the determined risks and management of the risk.

The committee is composed of three people, two members of the board of directors and risk, process and quality management manager. Independent member Seyfullah ARSLANTÜRK is the head of the committee. Other members of the committee are Mehmet BULUT and Ertuğrul KÖSE, PhD..

Duties and responsibilities of the committee are as follows;

- To prepare the risk management strategies and policies to be followed up by the company and to submit them for the approval of the board of directors and to follow up the applications closely,
- To submit proposals to the board of directors in order to determine the limits about the major risks that the company carries and track the limit breaches,
- To submit proposals to the board of directors with regard to making changes in the risk management policies,
- To provide the conduct of the tracking and communication about the process of risk determination, identification, measurement, assessment and management.
- To form a basis for the provision of the accuracy and reliability of the methods and results and of the risk.

In 2018, Committee made 6 meetings and in this direction, presented 6 reports to the Board.

DECLARATION OF INDEPENDENCY

"I hereby declare that I am a candidate to take office as an independent member of the Board of Directors of Gübre Fabrikaları T.A.Ş. (the Company) within the scope of the legislation, the articles of association and criteria specified under the corporate governance principles which have been published by the Capital Market Board and in this context I declare that;

a) Within the last five years; I, my wife and my second degree consanguine and my relatives by marriage have not been in a relationship of employment that will take important duties or responsibilities, have not had more than 5 percent of shares, voting rights or privileged shares with or without somebody or had substantial trading with the Company, partnerships which the company has management control or significant effect, the shareholders which have significant effect over company or the legal entities which are controlled by these shareholders.

b) Within the last five years, I have not worked or been a board member or partner in the companies which have significant goods or service purchase or sales with the company while these goods or services were traded, primarily the companies which conduct auditing (including tax audit, legal audit and internal audit), rating and consultancy of the Company.

c) I have the professional education, knowledge and experience to conduct the duties which I will undertake due to being an independent member of the board of directors,

ç) According to the legislation I am bound, I will not work full-time in the public agencies and institutions with the exception of being an academic staff.

d) I am respected as a resident of Turkey under the Income Tax Law, dated 31/12/1960 and no. 193,

e) I have strong ethical standards, professional reputation and experience in order to provide positive contributions to the activities of the company, remain objective in cases of conflicting interests to be emerged between of the shareholders of the company, make my decision freely taking into account the interests of the stakeholders,

f) I will allocate time for the company works to be able to follow up the processes of the company's activities and fulfill the duties which I have undertaken to the fullest extent.

g) I have not been a board member of the company more than 6 years in the last 10 years, *ğ) I am not an independent board member more than the total of 3 companies that the company or shareholders who control the company have the management control or 5 companies that are listed in total,*

h) I am not registered and announced for the corporation that has been elected as board member. "

E. STRATEGIC GOALS OF THE COMPANY

- In the context of quality consciousness, efficient resource management, continuous improvement, productivity and customer oriented management approach, to be a company that benefits from modern technological changes as much as possible; by increasing the consciousness of and informing the farmers with the academic world and related institutions, to be a leading company for the development and improvement of Turkish agriculture by creating synergy with the Agriculture Credit Cooperatives,
- To become the leading company of Turkey that can drive its sector with its infrastructure and well known trademark name "Gübretaş" and can obtain global competitive power with its production technology that meets the global standards,
- With the approach of 'Human First', to be a company which provides physical and social facilities to its workers, both moral and material, keeps environment consciousness and human health foreground, supports and even becomes a part of social projects.
- To be a company which emphasizes R & D works by following up the modern developments in the world, provides options to its customers by its information bank and accredited laboratories and provides different opportunities and alternatives to its customers in agriculture sector,
- Encouraged by the company's origin and past, to procure and produce chemical fertilizers with the best quality at our well-equipped factories with our expert staff having a professional management approach, to create the best marketing and distribution network to our customers that enables us to transport the fertilizers as soon as possible,
- To preserve a sustainable growth trend in accordance with "highest quality, reasonable cost" approach and keep market advantage,
- To emphasize advertisement and public relations works by establishing communication channels and bridges between Gübretaş public and farmers and to make image

development activities convenient to Gübretaş' corporate structure and spread them in and outside the company,

- To reach the product quality and standardization that could compete with the world in the basis of profitability, productivity, efficiency, to realize continuous improvement studies for efficient and effective resource management, to be self-sufficient for the raw materials used in the fertilizer production, to have production and infrastructure facilities both within and outside the country and to identify the marketing strategies and policies compliant with them,
- To be a company that measures its success with the customer satisfaction and that finds fast and quality solutions to the needs of the customers.

F. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration principles of board members and managers with administrative responsibilities are described in the "Remuneration Policy", which was prepared in the frame of corporate governance principles of Capital Markets Board. The policy has been prepared based on board of directors and executive management and announced in our corporate website, both in Turkish and English.

The remunerations to be paid to the members of the board of directors and managers with administrative responsibilities are determined in accordance with global standards and legal requirements while also considering the economic data, current remuneration system policies in the market, company size and experiences, education levels and contributions to the company and the current positions. Stock options or payment plans based on the performance of the company are not used for the remuneration system of the independent members of the board of directors.

Our company has not provided any credit or loans, have not provided any credit under employee loans through 3rd parties or have not provided any collaterals like guarantees to the members of the board of directors or managers with administrative responsibilities.

Total benefits provided for members of the board of directors, general manager and assistant general managers in our company for the period of 1st of January-31st of December 2018 are stated in 30th footnote on the consolidated financial statements.

X. EVALUATION ON FERTILIZER SECTOR AND OUR TARGETS

A. 2018 YEAR EVALUATION

Due to economic fluctuations experienced in Turkey , the fertilizer consumption showed a decline in 2018 compared to 2016 and 2017. However, the total fertilizer consumption of approximately 5.4 million tons was close to the average of the last 10 years. Gübretaş strengthened its sector leadership with 1.67 million tons of solid fertilizer sales and a market share of approximately 31%.

At the same time, 2018 was one of the years in which Gübretaş reached one of the highest production volumes at all times. On the other hand, Gübretaş took important steps in the area of exports, which was carried out intensively last year with the aim of providing added value to the national economy. With the export links to the **Middle East, Africa and the countries in the region**, the **amount of solid fertilizers exported abroad in 2018 has doubled compared to 2017 and reached** 30 thousand tons . Realizing fertilizer exports to many countries such as Turkish Republic of Northern Cyprus, Ukraine, Georgia, Afghanistan and Azerbaijan, especially in Qatar in the field which it has focused on in recent years, Gübretaş will deliver plant nutrition products to Qatar as well as Oman and Kuwait markets in October 2018 with the distributorship agreement signed with Al Baida Group from Qatar.

In 2018, Gübretaş accelerated its R&D activities and has started to operate one of the 900 R&D Centers, recognized by Turkish Ministry of Industry and Technology, in the fertilizer sector. Gübretaş R&D Center, which was established within the body of Yarimca Facilities, continues to work on projects that it has taken on its agenda with 32 employees.

Through the close monitoring of the fertilizer market throughout the year and through the opportunity acquisition, Gübretaş left behind a good year in terms of operating profitability, while actively using hedging techniques for the management of commercial and financial liabilities.

While 2018 comes to the fore as one of the most successful periods in terms of production and sales activities of Razi, our subsidiary in Iran, and particularly, the fact that ammonia prices performed above the previous years in global markets was another positive development.

B. 2019 YEAR TURKISH FERTILIZER SECTOR AND EXPECTATIONS FOR GÜBRETAŞ

Considering the dynamics in Turkey fertilizer industry, fertilizer consumption in 2019 is expected to follow a similar course of 2018. Parallel to the economic stabilization, in the aftermath of September 2018, fertilizer prices were adjusted in favor of consumers. Especially in the autumn season, it is observed that the consumers who refrain from using fertilizers for economic reasons give importance to the consumption of nitrogenous fertilizers in order not to experience the yield and quality losses due to inadequate plant nutrition. On the other hand, timely and balanced spring rains will affect fertilizer consumption positively.

Gübretaş, a member of the largest agricultural producer family; Agricultural Credit Cooperatives, aims to increase operational profitability and ensure sustainable growth in 2019 with its widespread sales network, innovative vision and proactive approaches to risks.

Attracting attention in recent years with the importance it gives to the liquid-powder fertilizer market and the export, Gübretaş aims to become one of the most important players not only in Turkey, but also in the Middle East by continuing its growth strategy in this area.

Gübretaş continues to realize investment projects without slowing down in 2019 and has planned many investments such as the investment of harbor expansion in Yarimca facilities and the investment of phosphoric acid storage tank in the same facilities and the warehouse investment in Iskenderun facility.

Planning to continue its R&D and social responsibility activities without slowing down, Gübretaş aims at leading the innovations and new technologies in the sector with the projects like Agriculture Academy and Turkey Soil Fertility Map and on the other hand will continue to strengthen its leadership in this area in 2019 with the awareness raising activities, model planting, agricultural advisory services and educational scholarship for farmers' children.

XI. FINANCIAL STRUCTURE AND EQUITY PERFORMANCE

A. FINANCIAL RATIOS

	2018	2017	2016	2015	2014
LIQUIDITY RATIOS					
Current Ratio	0,95	0,91	0,89	1,18	1,13
Acid Test Ratio	0,52	0,47	0,62	0,62	0,71
LEVERAGE RATIOS					
Financial Leverage Ratio	0,71	0,67	0,64	0,56	0,61
Equity / Asset	0,29	0,33	0,36	0,44	0,39
ACTIVITY RATIOS					
Inventory Turnover	3,15	3,32	2,73	2,75	3,47
Accounts Receivable Turnover	8,59	8,71	7,33	51,05	53,78
Asset Turnover	1,05	0,94	0,84	0,81	0,87
PROFITABILITY RATIOS					
Gross Profit Ratio	0,28	0,15	0,15	0,21	0,25
Operating Profit Ratio	0,17	0,02	0,02	0,11	0,15
EBITDA Ratio	0,19	0,04	0,04	0,13	0,17

B. DIVIDEND RIGHTS

The dividend policy of our company was prepared in accordance with Turkish Commercial Code, Capital Markets Law and the articles of association and was submitted for 62nd General Assembly's approval. "Dividend Policy" is submitted for investors' and public information in our corporate website, both in Turkish and English. Our company did not distribute any dividends in 2017 and our company does not have any privileges regarding dividend distribution.

The decision dated 28/03/2018 of the Board of Directors for the use of the 2017 profit is as follows:

"The company has achieved a net profit of 30,872,583.43-₺ according to legal records; 33,317,912-₺ according to Turkish Accounting Standards/Turkish Financial Reporting Standards in 2017. Due to the increased need for cash due to investments and the protection of the financial structure, the following matters are proposed;

a) Not distributing any dividends,

b) Allocating primary legal reserves based on profit in the tables prepared in accordance with legal records,

c) Transferring the remaining balance to extraordinary reserves."

C. PERFORMANCE OF THE STOCK

Comparative graph of the performance of our shares, which is listed in BIST (İstanbul Stock Exchange) with BIST index in recent years and its closing prices for each quarter in 2018 are as follows:

Graph 6 : PERFORMANCE OF THE STOCK

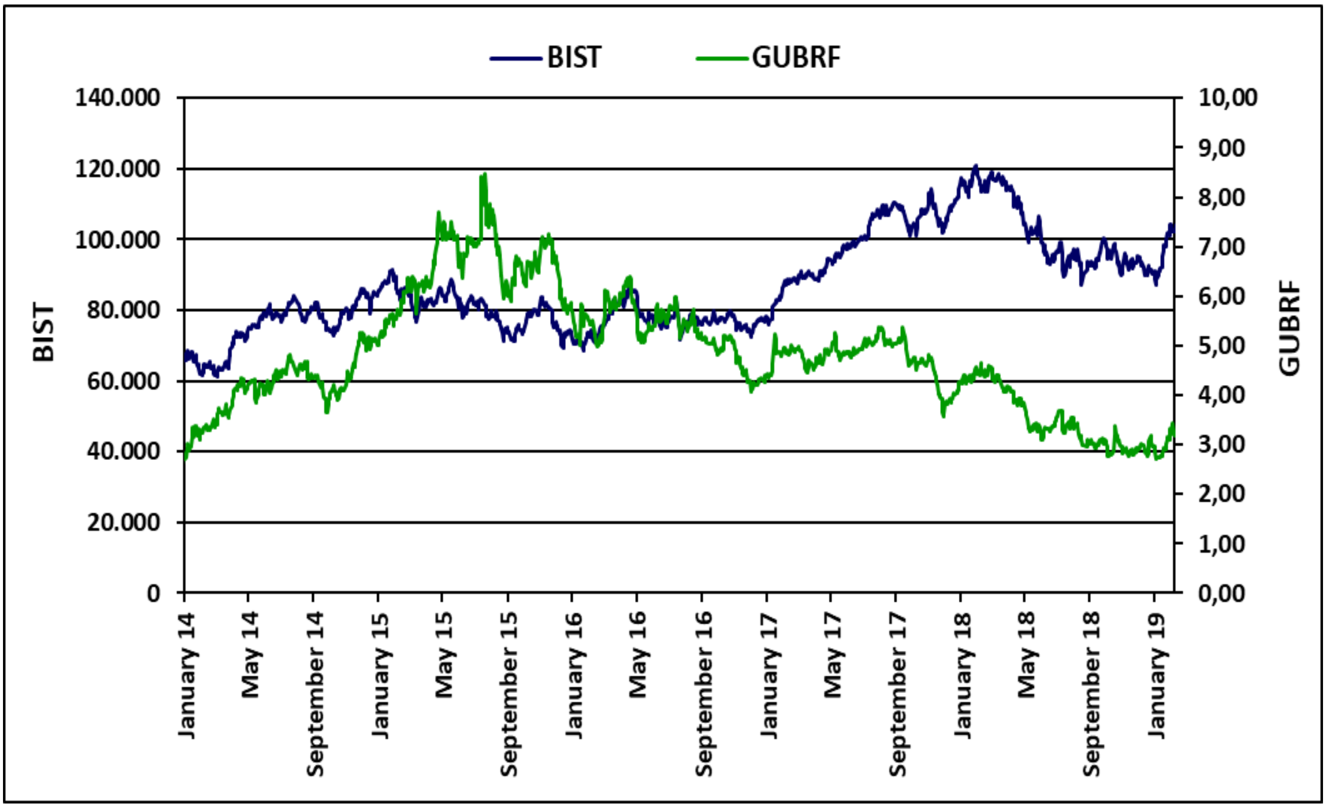


Table 11 : SHARE CLOSING PRICES BY THE END OF QUARTERS

02.01.2018	30.03.2018	29.06.2018	28.09.2018	31.12.2018
4,28	4,15	3,54	3,09	2,96

XII. EVENTS AFTER REPORTING PERIOD

1. Gübretaş and Socar Turkey Energy Corporation ("STEAS") (Together "Parties"),

   have signed a letter of intent dated 31.01.2019 which includes the intention to initiate the negotiation process of the Parties to determine the scope of the Potential Cooperation-JV and the mutual rights and obligations of the Parties for **realization of a "Potential Cooperation" between the Parties** with the purposes of carbamide/urea import from Petrochemical Plants of SOCAR Group of Companies - to which STEAS is affiliated - and other manufacturers in near geography and conducting the sales activities of the imported carbamide/urea in Turkish domestic market and overseas market and for establishment a Joint Venture (JV) in which both parties shall have 50% (fifty percent) of their shares in order to operate within this framework.

2. The collective bargaining agreement between Gübretaş and Petrol-Is Trade Union, which will cover the years between 2019 and 2020, was initiated on 06.02.2019.

3. It was announced that as a result of the trial held on 27.12.2018 in the ongoing proceedings between Gübretaş and Koza Altin Isletmeleri Anonim Sirketi, with the acceptance of the case, it was decreed that the contract which was executed on 02.07.2007 between the parties shall be terminated, Koza Altin Isletmeleri shall be evicted from the mining field which was the subject of both contact and the case, mining field shall be delivered to Gübretaş with leave to appeal granted. An appeal was filed for requesting a decision that business licenses be registered on the name of claimant (Gübretaş) by releasing the decision stating that “rejecting the request for the registration of the business licenses on behalf of the claimant due to administrative nature of the request”.

XIII. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Gübre Fabrikaları T.A.Ş. (Gübretaş) carries out its activities in accordance with the principles described in Corporate Governance Communiqué issued by the Capital Market Board. Gübretaş believes that corporate governance practices are among the main principles which enables companies to have sustainable growth. Therefore, starting with its shareholders, Gübretaş carries out its relations with employees, customers and all the other parties with an active management and supervision in accordance with accountability, equality, transparency and responsibility, which are the universal components of corporate governance. The main activities that have to be carried out by Investor Relations Department according to the 11th article of Corporate Governance Communiqué were performed very carefully.

In accordance with the Communiqué, all the principles that are required to be implemented have been complied with. Studies on non-obligatory principles that are not yet complied with are still in progress. In our company, there has not been any conflict of interest resulting from the non-obligatory principles that are not yet complied with.

On the other hand, **in accordance with the decision of the Capital Markets Board (CMB) dated 10.01.2019 and numbered 2/49**;

- the explanations related to the compliance of non-obligatory principles were stated in the **Corporate Governance Compliance Report (“CRF”) (ANNEX-1),**

- the informations about the actual corporate governance practices were stated in the **Corporate Governance Information Form (“CGIF”) ANNEX-2).**

The Company publishes these templates in the Company's Board of Directors Annual Report and the related templates are also made available to the public at the Public Disclosure Platform (“PDP”) (https://www.kap.org.tr/tr/)

In case there is a significant change during the period in CRF and CGIF, the material disclosure will be made and relevant issues will be included in the interim operating review reports.

XIV. CONCLUSION

DEAR SHAREHOLDERS,

In 2018, 1.594.167 tons (2017: 2.031.923 tons) of fertilizers and raw materials were procured from domestic and foreign markets and 670.130 tons of various types of solid chemical fertilizer were produced at our facilities. On the other hand, 1.714.177 tons (2017: 1.990.526 tons) of solid, liquid and powder fertilizers were sold in 2018. Net revenues were realized as 2.638.318.593 ₺ (2017: 2.273.950.745 ₺).

Also 1.850.906 tons (2017: 1.776.670 tons) of fertilizer and fertilizer raw materials were produced and 1.990.946.875 ₺ (2017: 1.383.888.122 ₺) sale revenues were realized by the sale of 1.504.379 tons (2017: 1.426.644 tons) of fertilizer and fertilizer raw material in our subsidiary Razi Petrochemical Co. and its subsidiaries.

Our company reached to the consolidated revenue figure of 4.559.086.668 ₺ (2017: 3.487.261.450 ₺). After the deduction of cost of goods sold, operation expenses, other operating expenses-income and financial expenses from this amount; 140.977.347 ₺ (2017: 11.554.750 ₺) profit was realized before tax. 155.555.227 ₺ (2017: 25.822.668 ₺) consolidated profit occurred after adding 14.577.880 ₺ net tax income to this figure. 64.340.136 ₺ (2017: 33.317.912 ₺ consolidated profit) profit to shareholders has occurred after deducting 219.895.363 ₺ (2017: -7.495.244 ₺) which belongs to minority shareholders.

We would kindly ask you to evaluate the results mentioned above regarding of 2018 activities.

Best Regards,

BOARD OF DIRECTORS

ANNEX-1 – CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.					X	
1.3. GENERAL ASSEMBLY						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	X					
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			X			Article 23 of our Articles of Association stipulates that ’Capital Market Legislation and the relevant provisions of the TCC are the right of participation in the general assembly meeting and voting. In this regard, there is no regulation on the participation of the media or stakeholders being non-shareholders to our general assembly.

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Article 19 of our Articles of Association stipulates the lower limit for the exercise of minority rights as five per cent - one twentieth as envisaged in the TCC. The proposal of the communiqué is that this right should be used to a lesser extent.
1.6. DIVIDEND RIGHT						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.		X				"The Dividend Distribution Policy" prepared by the Board of Directors was approved by our shareholders at the 2013 Annual General Assembly. However, our dividend distribution policy contains uncertainties regarding the distribution of the dividend to be generated since no dividend yield, minimum profit distribution rate etc. are included.
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				The website of our Company has been prepared in Turkish and English, but it is differentiated as content.
2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.		X				In order to enable stakeholders to notify our Company about unethical transactions, we set up necessary notification mechanisms. In this context, notifications received via e-mail and telephone are evaluated by the Disciplinary Board and the process is progressed and finalized. On the other hand, there is no mechanism by which these complaints can be forwarded to the audit committee or the corporate governance committee.

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Although the damages that may be incurred due to the defects of our Board Members are insured, the amount insured is below 25% of the capital proposed by the communique.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			In our Company, there is no policy, target rate as mentioned in the communiqué on the representation of women in the Board of Directors.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	
4.4.4-Each member of the board has one vote.	X					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			There is no regulation in our Company that serves as a member of the Board of Directors to take other duties within and outside the group.
4.5. BOARD COMMITTEES						
4.5.5-Board members serve in only one of the Board's committees.		X				Although it is paid attention not to appoint a member in more than one committee in the committees of our Board of Directors, it is not possible for the independent members to fully implement this rule. Because there are criteria such as the fact that there are no executive members in the committees and the chairman of the committee is an independent member.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.					X	

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Performance evaluation of the Board of Directors has not been performed.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.			X			The rights granted to the top management are disclosed collectively in the footnotes of the Company's consolidated financial statements. No disclosure is made on individual basis.

ANNEX-2 – CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	Any investor conference has not been organized by the Company and 8 investor meetings have been held at the Company headquarters during the year.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/671238
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Turkish and English are presented at the same time.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction during the year.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no transaction under Article 9 of the Corporate Governance Communiqué (II-17.1).
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/tr/Bildirim/657160
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Corporate Governance / Policies / Donations and Aid Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/353068
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	In addition to shareholders, Company employees and Independent Audit Company representatives attended the Ordinary General Assembly Meeting of 2017.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	75,95%

1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance / Policies / Dividend Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	The decision dated 28/03/2018 of the Board of Directors for the use of the 2017 profit is as follows: “The company has achieved a net profit of 30,872,583.43-₺ according to legal records; 33,317,912-₺ according to Turkish Accounting Standards/Turkish Financial Reporting Standards in 2017. Due to the increased need for cash due to investments and the protection of the financial structure, the following matters are proposed; • Not distributing any dividends, • Allocating primary legal reserves based on profit in the tables prepared in accordance with legal records, • Transferring the remaining balance to extraordinary reserves.” The resolution of the Board of Directors regarding the profit distribution was submitted to the approval of the General Assembly. As a result of the voting made in physical and electronic environment, the Board of Directors' decision regarding the use of the profit of 2017 was approved by the votes of 259.227.927,810739 ₺ as opposed to negative votes amounting to 601 ₺. Shareholder Mr. Ali DEMİRTAŞ, in an electronic environment, "an inefficient balance sheet and the reason for not providing sufficient income" as dissenting opinion has given. The required answer to the question will be communicated in writing. Profit distribution proposal is presented attached.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/680943

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
03/05/2018	0	77,60%	0,0026%	75,95%	Investor Relations / General Assembly	Investor Relations / General Assembly	-	101	https://www.kap.org.tr/tr/Bildirim/671262

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations / Trade Registry Information, Capital Structure, Articles of Association, KAP Announcements, Financial Data, Annual Report, General Assembly, Policies, Frequently Asked Questions
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Corporate Governance / Capital Structure
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Annual Report / Corporate Governance Principles Compliance Report / 5.1. The Structure and Composition of the Board of Directors and Independent Members
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Annual Report / Corporate Governance Principles Compliance Report / 5.3. Type of the Board Meetings
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	-
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report / Lawsuits Brought Against Our Company And Other Matters
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	-
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	-

g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Annual Report / Corporate Governance Principles Compliance Report / 4.4. Ethical Rules and Social Responsibility
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	None.
The number of definitive convictions the company was subject to in relation to breach of employee rights	2
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Discipline Committee
The contact detail of the company alert mechanism.	etik.bildirim@gubretas.com.tr / 0216 468 50 55
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	None.
Corporate bodies where employees are actually represented	Union
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors attaches importance to all kinds of development and managerial skills of our employees within the scope of our Company's Training and Development Procedure.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Investor Relations / Corporate Governance / Corporate Governance Principles Compliance Report / 4.3. Human Resources Policy
Whether the company provides an employee stock ownership programme	None.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Investor Relations / Corporate Governance / Corporate Governance Principles Compliance Report / 4.3. Human Resources Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Corporate Governance / Corporate Governance Principles Compliance Report / 4.4. Ethical Rules and Social Responsibility
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Investor Relations / Corporate Governance / Corporate Social Responsibility

Any measures combating any kind of corruption including embezzlement and bribery	All kinds of anti-corruption issues, including corruption and bribery, are included in the Ethical Principles and Labor Policy of our Company. Our employees are required to show the necessary diligence. In addition, the Company has made necessary notification mechanisms for complaints that may arise in this context. notifications received via e-mail and telephone are evaluated by the Disciplinary Board and the process is progressed and finalized.
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Fahrettin Poyraz- Chairman of the Board of Directors; Ahmet Bağcı - Vice Chairman of the Board of Directors; İbrahim Yumaklı- Member of the Board of Directors and General Manager
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	The internal control unit does not report to the audit board or other relevant committees. Reporting are periodically presented to the top management.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report / Corporate Governance Principles Compliance Report / 5.2. Principles of Activity of the Board of Directors
Name of the Chairman	Fahrettin Poyraz
Name of the CEO	İbrahim Yumaklı
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	There is no KAP announcement because they are not the same person.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	0

Composition of Board of Directors							
Name, Surname of Board Member	**Whether Executive Director Or Not**	**Whether Independent Director Or Not**	**The First Election Date To Board**	**Link to PDP Notification That Includes The Independency Declaration**	**Whether the Independent Director Considered By The Nomination Committee**	**Whether She/He is the Director Who Ceased to Satisfy The Independence or Not**	**Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not**
FAHRETTİN POYRAZ	Non-executive	Not independent member	19/12/2017	-	Not considered	No	Yes
AHMET BAĞCI	Non-executive	Not independent member	03/05/2018	-	Not considered	No	No
RAMAZAN BİLGİÇ	Non-executive	Not independent member	03/05/2018	-	Not considered	No	No
İBRAHİM YUMAKLI	Executive	Not independent member	28/10/2016	-	Not considered	No	Yes
MEHMET TUNÇAK	Non-executive	Not independent member	03/05/2018	-	Not considered	No	Yes
SEYFULLAH ARSLANTÜRK	Non-executive	Independent member	28/02/2018	-	Considered	No	No
MEHMET BULUT	Non-executive	Independent member	30/03/2018	-	Considered	No	Yes
MURAT YAŞA	Non-executive	Independent member	11/05/2017	-	Considered	No	No

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	12
Director average attendance rate at board meetings	91,67%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	It is presented to the members of the Board 14 days ago.
The name of the section on the corporate website that demonstrates information about the board charter	Investor Relations / Articles of Association / III. Board of Directors
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Although there is no established policy and no limit, the upper limit of Article 4.3.6 of the CMB Corporate Governance Principles has been adopted in the scope of the independent members of the Board of Directors.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/698446

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	MEHMET BULUT	Yes	Board member
Audit Committee	-	MURAT YAŞA	No	Board member
Audit Committee	-	SEYFULLAH ARSLANTÜRK	No	Board member
Corporate Governance Committee	-	MURAT YAŞA	Yes	Board member
Corporate Governance Committee	-	MEHMET TUNÇAK	No	Board member
Corporate Governance Committee	-	GÖKHAN GÜMÜŞ	No	Not board member
Committee of Early Detection of Risk	-	SEYFULLAH ARSLANTÜRK	Yes	Board member
Committee of Early Detection of Risk	-	MEHMET BULUT	No	Board member
Committee of Early Detection of Risk	-	ERTUĞRUL KÖSE	No	Not board member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Corporate Governance Principles Compliance Report / 5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report / Fertilizer Sector Review / Review of Year 2017
Specify the section of website where remuneration policy for executive and non-executive directors are presented	Investor Relations / Corporate Governance / Policies / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Annual Report / Corporate Governance Principles Compliance Report / 5.7. Remuneration of the Board of Directors

Composition of Board Committees-II

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	5	5
Corporate Governance Committee	-	67%	33%	2	2
Committee of Early Detection of Risk	-	67%	66%	6	6

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated financial statements at 31 December 2018 together with the independent auditor’s report

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Gübre Fabrikaları Türk Anonim Şirketi

A) Report on the Audit of the *Consolidated* Financial Statements

1) Opinion

We have audited the consolidated financial statements of Gübre Fabrikaları Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income, and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Qualified Opinion

As explained in Footnote 16, Razi Petrochemical Co. ("Razi") which is a subsidiary of the Company, has a value added tax receivable amounting to TL 153,3 million due to export sales in accordance with the applicable tax laws. In 2018, TL 38,9 million of the related VAT receivable in the period of 2008-2014 has been examined; the return of TL 18,7 million of the amount has been accepted and the return of 20,2 million TL has been rejected and additional 5,2 TL million of penalty has been notified to Razi. In 2018, the refund amount and the amount of the penalty are recognized in the other operating expenses account. There is an uncertainty about the collection time and whether the TL 18,7 million of approved amount in the remaining portion of the VAT receivable amount of TL 127,9 million which is accounted under the short term other receivables account can be collected. Furthermore, no provision has been recognized in the consolidated financial statements.

As explained in Footnote 16, Razi has employees who started working before 2007 and are subject to the National Iranian Oil Company ("NIOC") Pension Fund System. This system provides employees with additional rights in case of early retirement or death. In the audit report we presented on the financial statements dated 31 December 2017 on the basis of the integrity of the Company's provisions and because of the fact that there is no actuarial calculation, the qualified opinion was given in the audit report we presented on 12 March 2018. While the Company has determined that the related provision should have been recorded as 27,8 million TL lower as of 31 December 2017 after the actuarial work has been completed in 2018, it is restated by increasing previous year's profit by TL 27,8 million by associationg it with the equity account in the current year, whereas the amendment should actually be made by rearranging the financial statements of the previous year in accordance with TAS 8.

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3) Emphasis of Matter

As explained in the Footnote 16, the sanctions imposed by the United Nations on the Islamic Republic of Iran since 2010 have recently been suspended and suspended to a certain extent. However, on of the parties of the agreement, the United States has stated that it had withdrawn from the agreement on 8 May 2018 and would reapply the sanctions that had been repealed in two parts of 90 and 180 days. The first part of the sanctions was put into effect on August 6, 2018 and the second group sanctions, which were put into operation on November 4, 2018, will be the subject of sanctions for the petroleum, petroleum products and petrochemical products of Iran.This may affect the future operations of the Group's subsidiary in this country in the future. The economic stability of the Islamic Republic of Iran depends on the measures to be taken against sanctions and the effects of legal, administrative and political developments. These developments are not under the control of companies operating in the country. As a result, companies operating in this country must take into account some of the risks that are not generally observed in other markets. The attached consolidated financial statements include the Group Management's assumptions about the effects of the current sanctions applied on Iran to the operations and financial position of the subsidiary. The future economic situation of the Islamic Republic of Iran may be different from the assumptions of the Group Management. This matter does not affect our qualified opinion.

As explained in the Footnote 16, 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 located in Hatay, Iskenderun, 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 99.936.706 TL as of the balance sheet date. The Group has appealed against the case in its legal period and requested the re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the case and has filed a counterclaim for the compensation of the right to property, by considering that the case may result in favor of the Treasury. The lawsuits were resulted against the Company, however the Company requested a revision of the appeal court within the legal period and its request was accepted. The legal process is still ongoing as of the balance sheet date. In accordance with the opinions of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this stage. This matter does not affect our qualified opinion.

As explained in the 8th and 16th Footnotes, Tabosan Mühendislik İmalat ve Montaj A.Ş. ("Tabosan"), one of the consortium partners which the Group purchased Razi shares together applied to the court with the request to postpone bankruptcy in 2011, the court rejected the request and concluded to the bankruptcy of Tabosan and an establishment of a bankruptcy desk to transfer all transactions to the bankruptcy desk. The Group has become a joint guarantor on behalf of Tabosan to the Banks who were financed during the purchase of Razi shares and to Iran Privatization Administration. Within the scope of this surety, the Group has paid 43.780.597 TL to the banks and Iran Privatization Administration on behalf of Tabosan as a guarantor. Since the accumulated dividend receivable of Tabosan's 10.88% share in Razi has been transferred to the bankruptcy desk, the Bankruptcy Administration has paid TL 25.278.225 to the Group on July 8, 2015 and the amount of principal amounting to TL 5.548.880 on 4 August 2016. The principal receivable amount and the interest receivable as of the reporting date arising from the payments made by the Group is 32.482.253 TL.The Bankruptcy Administration may pay the Group's receivables to the extent that it receives the dividend to be received by Razi from Tabosan and the transfer to the bankruptcy desk. The Group management has not recognized any provision for this receivable neither in the prior years nor the current period by considering that the dividend payables by Tabosan regarding the Razi shares and the mortgages and collaterals transferred to the Group by the bank. This matter does not affect our qualified opinion.

As explained in the Footnote 16, there is a lawsuit filed against Razi by the NIOC with the amount of TL 43,8 million due to excessive gas consumption at Ahwaz General and Revolutionary Court. In 2018, the court put mortgages on the land of Razi which was carried in financial statements for TL 97 million. In accordance with the opinions of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this stage. The attempts of the group management to remove mortgages is still ongoing. This matter does not affect our qualified opinion.

Since 28 January 2012, the Central Bank of the Islamic Republic of Iran has been implementing a fixed exchange rate regime. All foreign currency based transactions are taken into legal records on these exchange rates. In the current period, the exchange rates used in foreign exchange based transactions in the Islamic Republic of Iran differ significantly from the fixed exchange rates. In September 2012, a Foreign Exchange Center was established by the administration of the Islamic Republic of Iran under the supervision of the Central Bank of the Islamic Republic of Iran and indicator ratios close to the free market rates have started to be explained. The TAS 21 The Effect of Changes in Foreign Currency Exchange Rates Standard states that in case of situations where various exchange rates are available, the Exchange rate to be used is the expected Exchange rate where the related transactions are realized and the future cash flows will occur. Due to the ambifuity of the exchange rate regime in the Islamic Republic of Iran and the uncertainty of the exchange rates of the future cash flows, the Group Management used the mentioned Center's announced exchange rates in the foreign currency valuation of Razi in the accompanying consolidated financial statements. Similarly, the average of the exchange rates announced by the Center was taken into account when calculating the period average rates. This matter does not affect our qualified opinion.

As explained in the Footnote 7, as of December 31, 2018, Razi has trade receivables amounting to 64,4 million from Iran Petrochemical Co. The Group has not recorded any provision for uncollected and unsecured trade receivables from Iran Petrochemical. Razi continues its trade with Iran Petrochemical Co and also continues to negotiate for the collection of the mentioned amount. This matter does not affect our qualified opinion.

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deferred tax assets generated from investment incentives and prior year losses	
As of 31 December 2018, the Group has corporate tax advantages related to investment expenditures incurred under the investment incentive certificates. As of December 31, 2018, a total of TL 44.892.214 deferred tax asset was recorded in the scope of these investment incentive certificates. In addition, the Group has made an estimate of the recoverable amount of deferred tax assets reflected in the financial statements for the future financial losses based on the taxable profits for the future financial years and the periods in which the past losses can be deducted from the tax base. A deferred tax asset amounting to TL 64.039.560 has been recorded on the basis of this estimate. There are uncertainties in estimating the future taxable profit that determines whether deferred tax assets will be recognized or not and since	Our audit procedures include the assessment of the assumptions and estimates made by the Board of Directors regarding the probability of generating sufficient future taxable profits based on previous years' budgets and business plans and past experiences, and it includes our knowledge and experience regarding the tax position of the Group, the timing of taxable profit forecasts and the implementation of the relevant tax legislation. In addition, tax authorities within the same audit network, have been included in the audit team to examine the impact of deferred tax assets on investment incentives. Measurement of related deferred tax assets has been submitted to the review and evaluation of tax experts. During our procedures, the consistency of the basic estimates was evaluated and procedures were

the evaluation process requires an estimation, the assumptions upon the measurement and recoverability of deferred income assets is a key audit matter. Explanations on deferred tax assets are presented in the Footnote 28 and the assumptions on recoverability are presented in the Footnote 2.	applied to ensure that the Group's financial losses, tax practices and financial statement disclosures were complete and accurate. The conformity of the explanations in the consolidated financial statements to TFRSs were also evaluated.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's Group's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the [consolidated] financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 11 March 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Tolga Kırelli.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Tolga Kırelli, SMMM
Partner

March 11, 2019
İstanbul, Turkey

CONTENTS	PAGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION..	**1-2**
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME	**3**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**4**
CONSOLIDATED STATEMENT OF CASH FLOWS	**5**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS...	**6-66**
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS..................................	6-7
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	8-29
NOTE 3 SHARES IN OTHER BUSINESSES	30-31
NOTE 4 SEGMENT REPORTING..	31-33
NOTE 5 CASH AND CASH EQUIVALENTS	34-35
NOTE 6 FINANCIAL BORROWINGS..	35-37
NOTE 7 TRADE RECEIVABLES AND PAYABLES	38
NOTE 8 OTHER RECEIVABLES AND PAYABLES..	39-40
NOTE 9 INVENTORIES..	40
NOTE 10 PREPAID EXPENSES VE DEFERRED INCOME..	41
NOTE 11 INVESTMENT PROPERTIES..	42
NOTE 12 PROPERTY, PLANT AND EQUIPMNET	42-44
NOTE 13 INTANGIBLE ASSETS …………………………………………………………………	45
NOTE 14 COMMITMENTS..	45-46
NOTE 15 GOVERNMENT GRANTS	46
NOTE 16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES..	46-49
NOTE 17 EMPLOYEE BENEFITS..	49
NOTE 18 OTHER ASSETS AND LIABILITIES..	50
NOTE 19 CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS.................................	50
NOTE 20 DERIVATIVE FINANCIAL INSTRUMENTS………………………………………………..	50-51
NOTE 21 REVENUE AND COST OF SALES..	52
NOTE 22 GENERAL ADMINISTRATIVE EXPENSES, MARKETING and SELLING EXPENSES	52-53
NOTE 23 OPERATING EXPENSES (BASED ON THEIR NATURE)	53
NOTE 24 OTHER OPERATING INCOME AND EXPENSES..	53
NOTE 25 INVESTMENT INCOME AND EXPENSES	54
NOTE 26 FINANCIAL EXPENSES..	54
NOTE 27 OTHER COMPREHENSIVE INCOME	54
NOTE 28 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)..........	54-58
NOTE 29 EARNINGS PER SHARE	58
NOTE 30 RELATED PARTIES TRANSACTIONS...	59-60
NOTE 31 FINANCIAL INSTRUMENTS	60-61
NOTE 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	61-69
NOTE 33 FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING)	70
NOTE 34 SUBSEQUENT EVENTS..	71

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of financial position as at 31 December 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current year	Prior year
		Audited	Audited
	Notes	**31 December 2018**	31 December 2017
ASSETS			
Current assets:			
Cash and cash equivalents	5	**368.851.076**	227.960.860
Financial investments	31	**35.397.720**	79.972.354
Trade receivables			
- Trade receivables from related parties	30	**104.052.340**	66.765.089
- Trade receivables from third parties	7	**543.266.746**	347.394.493
Other receivables			
- Other receivables from related parties	30	**-**	132.977
- Other receivables from third parties	8	**216.078.981**	198.708.598
Inventories	9	**1.108.978.905**	972.164.142
Prepaid expenses	10	**27.772.069**	68.232.462
Derivative financial instruments	20	**-**	85.916
Assets related to the current period taxes	28	**2.113.481**	482.023
Other current assets	18	**21.373.133**	27.602.260
Total current assets		**2.427.884.451**	1.989.501.174
Non-current assets:			
Financial investments	31	**6.662.887**	42.585.948
Other receivables			
- Other receivables from related parties	30	**-**	60.276.145
- Other receivables from third parties	8	**59.948.500**	14.119.733
Investments valued by equity method	3	**18.904.335**	12.879.760
Investment properties	11	**63.809.825**	69.638.999
Property, plant and equipment	12	**1.552.653.459**	1.222.887.066
Intangible assets			
-Goodwill	13	**121.614.875**	181.331.891
-Other intangible assets	13	**20.694.884**	28.950.307
Prepaid expenses	10	**19.573.127**	19.837.304
Deferred tax assets	28	**63.416.831**	55.978.837
Total non-current assets		**1.927.278.723**	1.708.485.990
Total assets		**4.355.163.174**	3.697.987.164

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of financial position as at 31 December 2018

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

	Notes	Current year Audited 31 December 2018	Prior year Audited 31 December 2017
LIABILITIES			
Current liabilities:			
Short term borrowings	6	**1.352.015.844**	912.317.544
Current portion of long-term borrowings	6	**198.437.226**	54.914.049
Trade payables			
- Trade payables to related parties	30	**1.431.632**	17.417.334
- Trade payables to third parties	7	**778.200.783**	814.981.212
Employee benefit obligations	17	**31.205.404**	33.663.131
Other payables			
- Other payables to third parties	8	**34.850.852**	221.497.832
Deferred income	10	**41.334.435**	16.541.386
Current income tax liability	28	**4.680.658**	17.143.787
Derivative financial instruments	20	**4.703.497**	-
Short-term provisions			
- Short-term provisions for employee benefits	17	**32.496.815**	42.251.136
- Other short term provisions	16	**66.365.157**	49.140.281
Total current liabilities		**2.545.722.303**	2.179.867.692
Non-current liabilities:			
Long-term borrowings		**59.850.476**	72.295.391
Other borrowings -Other borrowings from third parties	6	**349.323.784**	-
Long-term provisions			
- Long-term provisions for employee benefits	17	**116.286.123**	196.320.157
Deferred tax liability	28	**26.528.482**	41.992.837
Total non-current liabilities		**551.988.865**	310.608.385
Total liabilities		**3.097.711.168**	2.490.476.077
Shareholders' equity:			
Share Capital	19	**334.000.000**	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
-Impairment on property, plant and equipment	27	**328.930.319**	261.940.485
-Defined benefit plans re-measurement losses		**(937.828)**	(1.458.551)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
-Foreign currency translation differences		**(213.293.368)**	(68.388.089)
-Shares of other comprehensive income from investments that are accounted by equity method to be reclassified to profit or loss	3	**-**	(28.376.207)
Restricted reserves from profit			
-Legal reserves	19	**52.295.108**	52.295.108
-Prior year profit		**434.038.586**	387.155.939
Current year profit or loss		**(64.340.136)**	33.317.912
Shareholders' Equity		**870.692.681**	970.486.597
Non-controlling interests		**386.759.325**	237.024.490
Total shareholders' equity		**1.257.452.006**	1.207.511.087
Total liabilities and equity		**4.355.163.174**	3.697.987.164

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of profit or loss/Other comprehensive income as of 31 December 2018

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

	Notes	Current year Audited 1 January – 31 December 2018	Prior year Audited 1 January – 31 December 2017
Sales	21	**4.559.086.668**	3.487.261.450
Cost of sales (-)	21	**(3.279.309.282)**	(2.968.797.796)
Gross profit		**1.279.777.386**	518.463.654
General and administrative expense (-)	22	**(151.894.048)**	(170.128.235)
Marketing, selling and distribution expense (-)	22	**(350.838.860)**	(278.525.716)
Other operating income	24	**720.918.514**	325.505.241
Other operating expenses (-)	24	**(1.113.512.910)**	(310.782.176)
Operating profit		**384.450.082**	84.532.768
Income from investment activities	25	**(11.234.651)**	6.662.917
Profit / (loss) from investments accounted by equity method	3	**6.024.575**	4.693.731
Financial income / (expense) before operating profit		**379.240.006**	95.889.416
Financial income / (expense)	26	**(238.262.659)**	(84.334.666)
Profit before tax from continuing operations		**140.977.347**	11.554.750
- Current period tax income / (expense)	28	**(4.833.529)**	(5.302.407)
- Deferred tax income / (expense)	28	**19.411.409**	19.570.325
Total tax income / (expense)		**14.577.880**	14.267.918
Net profit		**155.555.227**	25.822.668
Distribution of income for the period:			
Non-controlling interests		**219.895.363**	(7.495.244)
Attributable to equity holders of the parent		**(64.340.136)**	33.317.912
Other comprehensive income			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans	17	**650.904**	(641.520)
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss	28	**(130.181)**	128.304
Gains or (losses) in revaluation of property, plant and equipment	12	**74.433.149**	(700.386)
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss	28	**(7.443.315)**	70.039
Items to be reclassified to profit or loss			
Changes in currency translation differences		**(265.108.639)**	(14.756.840)
Changes in currency translation differences from investments accounted by equity method	3	**28.376.207**	(2.947.695)
Other comprehensive income / (expense)		**(169.221.875)**	(18.848.098)
Total comprehensive income / (expense)		**(13.666.648)**	6.974.570
Distribution of total comprehensive income			
-Non-controlling interests		**99.692.003**	(16.353.153)
-Equity holders of the parent		**(113.358.651)**	23.327.723
Earnings per share	29	**(0,0019)**	0,0010

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of changes in equity as of 31 December 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	-	-	-	-	-	10.916.728	(79.653.698)	68.736.970	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(1.081.548)	(1.081.548)
Total comprehensive income / (expense)		(630.347)	(513.216)	(2.947.695)	(5.898.931)	-	-	33.317.912	23.327.723	(16.353.153)	6.974.570
31 December 2017	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
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**
Adjustments to opening balance (*)	**-**	**-**	**-**	**-**	**-**	**-**	**13.564.735**	**-**	**13.564.735**	**14.185.180**	**27.749.915**
Purchase of subsidiaries (Note 2.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35.857.652**	**35.857.652**
Exits due to sale of associates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	-	-	-	**-**	**-**	**33.317.912**	**(33.317.912)**	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**66.989.834**	**520.723**	**28.376.207**	**(144.905.279)**	**-**	-	**(64.340.136)**	**(113.358.651)**	**99.692.003**	**(13.666.648)**
31 December 2018	**334.000.000**	**328.930.319**	**(937.828)**	**-**	**(213.293.368)**	**52.295.108**	**434.038.586**	**(64.340.136)**	**870.692.681**	**386.759.325**	**1.257.452.006**

(*)The Company's subsidiary, Razi, has started to work before 2007 and has employees who are subject to the National Iranian Oil Company ("NIOC") Pension Fund System. The Company has realized that the provision related to these employees should be 27.749.916 TL less and This correction has been recorded by increasing the previous years' profits in the current year.

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of cash flows as of 31 December 2018

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

	Notes	**Audited 1 January – 31 December 2018**	Audited 1 January – 31 December 2017
Cash flows from operating activities			
Profit from continuing operations		**155.555.227**	25.822.668
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	12,13,23	**70.152.958**	71.843.896
Gain / (loss) on equity investments	3	**(6.024.575)**	(4.693.731)
Retirement pay provision, early retirement pay liability	17	**74.132.884**	112.851.145
Adjustements related to interest expense		**133.624.166**	116.583.330
Impairment of inventories	9	**10.096.864**	8.294.639
Deferred financial income		**-**	4.474.366
Lawsuit provision / cancellation	16	**(3.769.651)**	5.605.762
Allowance for / reversal of doubtful receivable		**1.290.086**	4.432.603
Current year tax income / (expense)	28	**(14.577.880)**	(14.267.918)
Adjustments related to losses (gains) on sale of property, plant and equipments	25	**652.179**	(152.439)
Adjustments related to fair value losses (gains) on investment property	25	**5.829.174**	(6.510.478)
Adjustments related to fair value losses (gains) on derivative financial instruments	20	**4.789.413**	(85.916)
Cash flows from the operating activities before changes in the assets and liabilities		**431.750.845**	324.197.927
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		**(227.795.964)**	(35.598.134)
Adjustments related to increase / (decrease) in other receivables		**45.540.266**	14.928.190
Adjustments related to increase / (decrease) in inventories		**(37.409.562)**	(155.319.693)
Adjustments related to increase / (decrease) in trade payables		**293.646.476**	215.922.208
Employee benefit obligations		**(2.457.727)**	(2.004.237)
İncrease / (decrease) in deferred income		**24.793.049**	(17.895.407)
Increase / (decrease) in prepaid expenses		**40.724.570**	28.793.515
Increase / (decrease) in other payables		**(512.047.119)**	27.414.853
Adjustments related to other increases / (decreases) in working capital		**(237.395.024)**	(47.213.121)
Cash flows from the operations after the changes in working capital		**(180.650.190)**	353.226.101
Taxes refunds/(payments)	28	**(15.054.984)**	(3.731.287)
Payment termination Indemnity	17	**(59.812.558)**	(73.298.837)
Cash flow regarding investment activities		**(255.517.732)**	276.195.977
Investment activities:			
Cash outflows from the purchases of property, plant and equipment and intangible assets	12,13	**(69.840.423)**	(110.222.458)
Cash inflows from the purchases of property, plant and equipment and intangible assets	12,13	**11.603.762**	2.244.605
Other cash inflows / (outflows)		**(43.370.162)**	(53.444.164)
Cash flows from investment activities		**(101.606.823)**	(161.422.017)
Financing activities:			
Interest paid		**(99.508.235)**	(103.625.493)
Dividend paid		**-**	(1.081.549)
Cash inflows from financial borrowings		**2.700.686.948**	3.310.609.737
Cash outflows from financial borrowings payments		**(2.164.155.945)**	(3.211.263.819)
Cash flows from financing activities		**437.022.768**	(5.361.124)
Net change in cash and cash equivalents before effect of foreign currency translation difference		**79.898.213**	109.412.836
Cash and cash equivalents as of January 1	5	**223.188.075**	125.519.427
Foreign currency translation difference		**56.141.423**	(11.744.188)
Cash and cash equivalents as of December 31	5	**359.227.711**	223.188.075

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

NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Gübre Fabrikaları T.A.Ş. and its subsidiaries (altogether referrred 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
Antalya Regional Office	Sales-marketing
Şanlıurfa Regional Office	Sales-marketing

The number of employees of the Company and its subsidiaries for the year ended 31 December 2018 is 1.639 (31 December 2017 – 1.531)

25,4 % 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:

	31 December 2018		31 December 2017	
Name	**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

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 a 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%.

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

Subsidiaries (Continued)

On 5 March 2018, the Company signed a negotiation agreement with Negmar Denizcilik Yatırım A.Ş. and has transferred its shares of 40% to Etis Denizcilik Yatırım A.Ş. On the other hand, 100% of the shares of Nbulkgas Deniz İşletmeciliği Şirketi ("Nbulkgas") that is owned by Negmar were transferred to the Company. In this respect, the Company has %50 of indirect shares of IGLC Anka Shipping Investment S.A. ("IGLC Anka") and IGLC Dicle Shipping Investment S.A. ("IGLC Dicle"). Since the Company has control over Nbulkgas and the majority of board members of the IGLC Phoenix and IGLC Tigers is determined by Gübretaş, and again Gübretaş holds the control power in the operational management of these companies, all companies are evaluated as subsidiaries and included in the consolidated financial statements by full consolidation method. The Company has indirect shares of 50% in IGLC Anka and IGLC Dicle, and shares of 100% in Nbulkgas who has a controlling power over the Group's operations. Nbulkgas who was founded in December 26, 2014, in Turkey and IGLC Anka and IGLC Dicle who were founded in September 19, 2013 in Panama are operating in maritime transportation sector.

Associates

Other than its associates and subsidiaries, the Group, has a participation share of 15.78% in Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. ("Tarnet") which is an associate of its controlling shareholder established in Turkey.

On 13 April 2009, the Company has invested in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. (Tarkim), operating in the production and sales of agricultural pesticide in Turkey. As of the balance sheet date, the participation percentage is 40% (31 December 2017: 40%).

The approval of the financial statements:

The consolidated financial statements have been approved by the Board of Directors and instructed to be issued on 11 March 2019. The General Assembly has the power to amend the financial statements.

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 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 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 consolidated financial statements considering the going concern concept.

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 consolidated financial statements.

The functional currency of the Company's subsidiary operating in Iran is Iranian Rial (IRR) and the functional currency of IGLC Anka and IGLC Dicle, which the Company is participated in 2018, is US Dollar (USD). According to TMS 21 Changes in Exchange Rates, the assets and liabilities of the subsidiaries in foreign countries are converted to Turkish Lira with the parity on the balance sheet day. Income and expense items are translated into Turkish Lira with the average exchange rate in the period.

Currency translation differences resulted from closing and average rate usage is accounted under currency translation difference under equity. These translation differences are booked as income or loss at the period operations end.

The conversion rates used are as follows:

	31 December 2018		31 December 2017	
Currency	**Period end**	**Period average**	Period end	Period average
IRR/TL	**0,000070145**	**0,000089246**	0,00010458	0,000010969
USD/TL	**5,2609**	**4,8378**	3,7099	3,6445

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

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 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.

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The standard did not have a significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instrument s subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. The standard did not have a significant impact on the financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

2.2 The new standards, amendments and interpretations (Continued)

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

TFRS 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the consolidated financial position or performance of the Group.

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

2.2 The new standards, amendments and interpretations (Continued)

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

Annual Improvements to TFRS - 2014-2016 Cycle

In December 2018, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture.

These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

ii) 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 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

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group is in the process of assessing the impact of the standard on the financial position and performance of the Group, the explanation of preliminary analyses is as follows:

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

2.2 The new standards, amendments and interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

TFRS 16 Leases (Continued)

Transition to TFRS 16:

The Group plans to adopt TFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying TAS 17 Leases. The The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Company / the Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has assessed the impact of TFRS 16 on its consolidated financial statements including its subsidiaries and does not foresee any significant impact on the basis of the existing lease agreements.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will evaluate the effect of the changes, after the before mentioned standards are finalized.

2.2 The new standards, amendments and interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

TFRIC 23 Uncertainty over Income Tax Treatments (Continued)

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on its financial position or performance.

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the interpretation on its financial position or performance.

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

2.2 The new standards, amendments and interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on its financial position or performance.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the interpretation on its financial position or performance.

iii) 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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on its financial position or performance.

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

2.2 The new standards, amendments and interpretations (Continued)

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

Definition of a Business (Amendments to IFRS 3) (Continued)

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on its financial position or performance.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The Group is in the process of assessing the impact of the interpretation on its financial position or performance.

2.3 Summary of the significant accounting policies

2.3.1 Revenue

Within the scope of TFRS 15 Revenue from Contracts with Customers standard which is effective from January 1, 2018, the Company has started using the below mentioned five step model for the recognition of revenue.

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

2.3 Summary of the significant accounting policies (Continued)

-Identification of contracts with customers
-Identification of performance obligations in contracts
-Determination of the transaction price in contracts
-Distribution of transaction fee to performance obligations
-Revenue recognition

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined that the performance obligations will be fulfilled whether in time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfills the performance obligations related to the related sales over time, it measures the progress of the fulfillment of the performance obligations and recognize the revenue to the consolidated financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers takes the control of the goods or services.

When the Group is evaluating the transfer of the control of the saled good or service to the customers;
a) Ownership of the Group's right to collect goods or services,
b) Ownership of the legal property of goods or services by the customer,
c) The transfer of the ownership of goods or services,
d) The posession of significant risks and rewards arising from ownership of the goods or services by the customer,
e) and Conditions for the acceptance of goods or services by the customer
are taken into consideration.

2.3.2 Dividend and interest income

The interest income is realized at the related period at rate of the effective interest reducing the assumed cash input gained from the related financial asset with the remaining principal amount over its expected life to the recorded value of the asset.

Dividends from the share investments are recorded when the shareholders get right to receive the dividend.

2.3.3 Lease income

The rental income from the real estate is accounted in accordance with linear method during the related leasing contract is in effect.

2.3.4 Inventories

Inventories are calculated with the lower one of the cost or net realizable value.

Net realizable value is calculated by deducting the completion cost and assumed costs for sale from the assumed sale price fixed under normal commercial conditions. When the net realizable value of inventories falls below its cost, the inventories value is reduced to net realizable value and reflected to the income statement as an expense on the year when the value decrease happened. If the conditions causing the inventories to reduce to the net realizable value are no more effective or if the net realizable value increase due to changing economical conditions; the provision for decrease in value of the stocks is cancelled. The cancelled amount is limited with the earlier determined amount of decrease in value of the inventories.

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

2.3 Summary of the significant accounting policies (Continued)

The processing cost is used as a cost system. In the inventories, the first-in-first-output costing method is applied for first material and goods as well as monthly moving average costing method is applied for the aids and spare parts.

2.3.5 Investment properties

The investment properties are presented for rental income or/and value growth gain and they are initially valued with their main cost as well as operational cost. Following the initial accounting, the investment properties are evaluated with the fair values reflecting market realities as at the balance sheet date. Gains / losses from the fair value amendments are included in the income statement during the period when they occurred.

The real estate used by the owner has been considered as amortized until they become investment properties shown on the basis of fair value. Since then no amortization has been calculated.

2.3.6 Tangible fixed assets

Landed properties and buildings that are held in use for the purpose of delivering product /service or for administrative purposes are expressed with their re-evaluated value. Re-evaluated value is determined by subtracting accumulated depreciation and accrued depredation that occur within the next period from fair value measured at the re-evaluation date. The re-evaluations are done on a regular basis in such a way that it will not differ from book value of fair value that is to be determined at the re-evaluation date.

Increase resulting from the re-evaluation of the aforementioned landed properties and buildings is recorded to re-evaluation fund in equity. If there is a deprecation that has been showed previously in income statement concerning the tangible-fixed assets, increment value resulting from the re-evaluation is recorded to income statement at the rate of said depreciation. Decrease in book value resulting from the re-evaluation of mentioned landed property and building is recorded to the income statement in case the asset exceeds its balance in re-evaluation fund relating its previous re-evaluation.

Depreciation of re-evaluated building is included in income statement. When the re-evaluated real estate is sold or upon its retirement, remaining balance in re-evaluation fund is transferred to profits which are not distributed directly. Unless the asset is excluded from the balance sheet, it shall not be transferred from re-evaluation fund to profits which are not distributed directly.

Machines and equipments are shown on the basis of the amount which is after subtracting the accumulated depreciation and accrued depredation from their cost value.

Except the lands and ongoing investments, cost value or valued amounts of tangible-fixed assets are subject to deprecation by using the straight-line method according to their expected useful life. Expected useful life, residual value and depreciation method are reviewed every year for possible effects of changes in estimations and if there is a change in estimations, they are accounted in advance.

Proceeds and losses resulting from disposal or retirement of tangible-fixed assets are determined as a difference between sale revenue and book value of the asset and included in income statement.

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

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

2.3 Summary of the significant accounting policies (Continued)

Tangible-fixed assets are amortized considering below-mentioned economic lives by using the ordinary depreciation method and on basis of prorate depreciation. (Note 12)

Buildings, land improvements	10-50 Years
Machines, facilities and equipment	3-40 Years
Vehicles	4-10 Years
Furnitures and fixtures	3-15 Years
Leasehold improvements	5 Years

2.3.7 Intangible-fixed assets

Intangible-fixed asset is accounted in case expected future economic benefits are possible for the business and the cost of the asset can be measured reliably.

Intangible assets are accounted with their cost value at the initial recognition. The cost of a separately acquired intangible asset is calculated by deducting all discounts from the purchase price and including import taxes and non-refundable purchase taxes as well as all other kind of costs linked to the asset in order to operationalize it.

As of the purchase date, the historical costs of the intangible assets have been finally adjusted for the inflation rates on 31 December 2004. In the current period, the intangible assets are redeemed with straight line method according to their economical life based on the cost value. The amount noted at the financial statement is redeemed in 5 years.

2.3.8 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items carried at cost. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

2.3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.

All other borrowing costs are expensed in the period they occur.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.10 Goodwill

Assets with indefinite lives, such as goodwill, are not subject to amortization. An impairment test is performed annually for these assets. For the tangible and intangible assets that are subject to depreciation and amortization, impairment test shall be performed if there is a situation or events in which it is not possible to recover the book value. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, the assets are grouped at the lowest level of separately identifiable cash flows (cash-generating units). Non-financial assets that are subject to impairment, except for goodwill and economic life are reviewed for possible reversal of the impairment at each reporting date.

2.3.11 Financial instruments

Financial assets

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contract of the financial instrument. Normal purchases or sales of financial instruments are recognized in the financial statements or excluded from the financial statements by using one of the accounting methods on the transaction date or delivery date. The purchase and sale of securities are recognized on the delivery date. The initial recognition and classification of financial instruments depends on the contractual terms and the relevant business model. A financial asset or financial liability other than TFRS 15 Customer Contracts are measured at fair value when first recognized in financial statements. Transaction costs directly attributable to the acquisition or the issuance of financial assets and liabilities, except for the fair value changes recognized in profit or loss, are also added to the fair value or deducted from the fair value.

The financial assets and liabilities of the Group under TFRS 9 are as follows:

Financial Assets:

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "financial assets measured at amortized cost", and "financial assets at fair value through other comprehensive income ("FVTOCI")".

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at FVTPL unless they are designated for hedging purposes.

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

2.3 Summary of the significant accounting policies (Continued)

Financial assets measured at amortized cost

Financial assets measured at amortized cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. Financial assets measured at amortized cost with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. Interest income from financial assets measured at amortized cost are recognized in the income statement as an interest income.

Financial assets at FVTOCI

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flows and to sell financial assets, and financial assets with contractual terms that lead to cash flows that are solely payments of principal and interest on the principle amount outstanding at specific dates.

2.3.11 Financial instruments (Continued)

Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction costs on the financial statements. However, if the fair value cannot be determined reliably, for those with a fixed maturity, the discount rate is calculated using the internal rate of return method for those who do not have a fixed maturity, they are valued using fair value pricing models or discounted cash flow techniques. Unrealized gains or losses arising from the changes in the fair value of financial assets at fair value through profit and loss is recognized in other comprehensive income are shown below Financial Assets Value Increase / Decrease Fund. In the event that the fair value differences of financial assets that are reflected in other comprehensive income are eliminated, the value in the equity accounts as a result of the fair value application is reflected to the period profit/loss.

Recognition and derecognition of financial assets

The Group reflects the financial assets or liabilities to its balance sheet when it becomes a party to the relevant financial instrument contracts. The Group derecognizes an asset; all or part of it, when it loses its control over its contractual rights. The Group derecognizes a financial liability only if the obligation defined in the contract is eliminated, cancelled or expired.

Impairment of financial assets / expected credit loss

At each reporting period, each financial asset's credit risk within the scope of impairment is assessed from the date which it is first recognized in the financial statements. Within this assessment, the change of the default risk of the financial asset is taken into consideration. The expected loss provision estimate is unbiased, weighted according to probabilities, and includes information that can be supported about past events, current conditions, and forecasts for future economic conditions.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss. With the exception of equity instruments at fair value through other comprehensive income, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related

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

2.3 Summary of the significant accounting policies (Continued)

objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of equity securities, any increase in equity instruments at fair value through other comprehensive income, subsequent to an impairment loss is recognized directly in equity.

Derivative financial assets

The Group holds derivative financial instruments to hedge its foreign currency risk and classifies it as financial instrument at fair value through profit or loss. Derivative instruments are initially recognized at their acquisition costs which reflect their fair value at the date of contract and are valued at their fair value in the following periods. A financial instrument is classified in this group if it is acquired for sale or repurchase at a later date. Derivative financial instruments are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Derivative financial assets (Continued)

The derivative financial instruments at fair value through profit or loss of the Group consist of forward foreign currency purchase / sale contracts. Subsequent to initial recognition, derivative financial instruments are measured at fair value and are reflected to profit or loss at the time of changes in fair value.

Financial assets available for sale

Quoted equity investments and some debt securities held by the Group that are traded in an active market are classified as available-for-sale financial assets and are measured at fair value. The Group has equity instruments that are not traded in an active market but are classified as available-for-sale financial assets and are stated at cost since their fair value cannot be measured reliably.

Trade receivables

Trade receivables that are created as a result of providing products or services to the buyer are recognized at amortized cost at the original invoice amount by using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of the original effective interest rate is significant.

For the calculation of impairment of trade receivables that are measured at amortized cost and has no important financial component (a maturity with less then one year), "Simplified approach" is used. In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to the "life time expected credit loss"

After recognizing allowance receivables, if the entire amount or a portion of the entire amount is collected, the amount deducted from the provision for receivables and the amount is recognized in other operating income.

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

2.3 Summary of the significant accounting policies (Continued)

Cash and cash equivalent

Cash and cash equivalent values are the short term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity.

Financial liabilities

A financial liability is measured at fair value at initial recognition. During initial recognition of financial liabilities that are not accounted for at fair value through profit or loss, transaction costs directly attributable to the financial liability are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

2.3.12 Financial leasing

Leasing- Group as lessor

Leasing procedure in which a significant portion of risk and benefit arising from owning an asset belongs to lessor is categorized as financial leasing. Other leasing procedures are categorized as operating lease.

Leasing incomes of operating lease are accounted by straight-line method during relevant leasing period. Straight-line initial costs borne during leasing procedure and negotiation are added to cost of leased asset and it is amortized during leasing period by straight-line method.

Leasing procedure in which a significant portion of risk and benefit arising from owning an asset belongs to tenant is categorized as financial leasing, while other leasing procedures are categorized as operating lease.

Payments performed for operating lease (incentives received or to be received from lessor for carrying out leasing transaction are recorded in income statement by straight-line method during leasing period), are recorded in income statement by straight-line method during leasing period.

2.3.13 Impacts of exchange rate

Financial statements of each enterprise of Group are presented with currency unit (functional currency unit) which is valid for basic economic environment that they operate. Financial situation and operation results of each enterprise are indicated as TL which is valid currency unit for company and presentation unit for consolidated financial statements.

Foreign currency unit based transactions (other currencies than TL) made during the preparation of financial statement of each enterprise are recorded based on foreign exchange rates that are applicable on the date of transaction. The monetary assets and liabilities indexed to foreign currency used in balance sheet are converted to Turkish Lira by using foreign exchange bid rates valid on balance sheet date.

Those non-monetary items which are followed with their fair value and recorded in foreign currency unit are converted to TL based on exchange rates on the date fair values are determined. Non-monetary items in foreign currency unit of which date is calculated over cost are not subjected to conversion again.

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

2.3 Summary of the significant accounting policies (Continued)

Exchange rate differences, except for the conditions listed below, are accounted as profit or loss in the period which they come into existence:

- Exchange rate differences which are handled with as adjustment item to interest costs on payables that are associated with assets constructed in order to use in future and indicated in foreign currency unit and which are included in costs of such assets,

- Exchange rate differences caused by transactions made in order to provide financial protection against risks arising from foreign currency unit (accounting policies related to providing financial protection against risks are explained below),

2.3.13 Impacts of exchange rate (Continued)

- Exchange rate differences arising from monetary payables and receivables which compose a part of net investment in foreign operation, are accounted in conversion reserve, are associated with profit and loss in net investment sale and derive from foreign operation of which there is no payment intention or possibility.

Assets and liabilities of Group in its foreign operations are expressed in consolidated financial statements in TL by using exchange rates valid on the date of balance sheet. Income and expense items are converted by using average exchange rates during the period, in case that no substantial fluctuation has been occurred on foreign exchange rates during the period in which exchange rates valid on the date of transaction should be used (in case a substantial fluctuation occurs, exchange rates on transaction date are used). Exchange rate difference which has occurred is classified as equity and transferred to Group's conversion fund. Conversion differences in question are recorded on consolidated income statement in the period when foreign operations are sold out.

Goodwill and fair value adjustments arising from foreign operation purchase are considered as assets and liabilities of foreign operation and converted by using period-end exchange rate.

2.3.14 Earnings per share

Earnings per share stated in consolidated income statement is calculated by dividing net profit by weighted average number of share certificate which exists in market during the year.

In Turkey companies increase their capitals by means of "non-paid up shares" which they distributed from their previous year profit to their shareholders. Such kind of "non-paid up shares" distribution is evaluated as exported shares in calculation of earnings per share. According to this, weighted average number of shares used in this calculation is found by taking into account past effects of share distribution in question.

2.3.15 Subsequent events

Even though the events after balance sheet date have come up after any announcement made about profit or any public announcement about other selected financial information, they cover all the events occurred between balance sheet date and date of authorization for balance sheet publication.

In case that the events requiring adjustment have come up after balance sheet date, Group adjusts the amounts included in financial statements in compliance with this new situation.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.16 Provisions, conditional assets and liabilities

A provision is reserved in consolidated financial statements, in case that there is a current liability arising from past events, it is possible to carry out the liability and the amount of liability in question can be estimated in a safe way.

The amount reserved as provision is calculated by estimating in the safest way the expense to be made in order to fulfill the liability as of balance sheet date by taking into account risks and uncertainties about liability.

In case that provision is measured by using estimated cash flow required for meeting current liability, the book value of provision in question is equal to present value of relevant cash flows.

2.3.16 Provisions, conditional assets and liabilities (Continued)

In case that either a part or whole of economic benefit required for paying the provision is expected to be met by third parties, the amount to be collected is accounted in case that the collection of relevant amount is almost certain and can be measured in a safe way.

2.3.17 Taxes calculated on the basis of the company's earnings

Since Turkish tax legislation does not allow preparation of consolidated tax statement of a main company with its subsidiary, tax provisions are calculated separately based on each enterprise as it is reflected on attached consolidated financial statements.

Expense of income tax consists of sum of current tax and deferred tax expense.

Current tax

Current year tax liability is calculated over the part of period income which is subjected to tax. The profit subjected to tax is different than the profit included in income statement since it excludes the items which is taxable in other years or is tax deductable as well as those which are impossible to tax or could not be tax deductable. Current tax liability of Group has been calculated by using tax rate which has become legal as of the date of balance sheet or become legal at a considerable extend.

Deferred tax

Deferred tax liability or asset is found out by calculating temporary differences between the amounts of assets and liabilities shown in financial statement and the amounts taken into consideration in calculation of legal tax base by balance sheet method taking into account legalized tax rates of tax effects. While deferred tax liabilities are calculated for all of taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that benefiting from the differences in question is highly-likely by making profit subjected to tax in future. The mentioned assets and liabilities are not accounted in case that they arise from inclusion of temporary difference, goodwill related to transaction not affecting commercial or financial profit/loss or other assets and liabilities in the financial statement for the first time (except for business enterprise merger).

Deferred tax liabilities are calculated for all of taxable temporary differences which are associated with investments in subsidiaries and affiliates and shares in joint ventures except for the conditions under which Group is able to control removal of temporary differences and under which possibility of removal of these differences in near future is low. Deferred tax assets arising from taxable temporary differences which are associated with such kind of investments and shares are calculated provided that benefiting

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

2.3 Summary of the significant accounting policies (Continued)

from the differences in question is highly-likely by making sufficient profit subjected to tax in near future and removal of relevant differences in future is possible.

Recorded value of deferred tax asset is reviewed as of each balance sheet date. Recorded value of deferred tax asset is reduced at extend to which it is impossible to obtain financial profit which will enable to benefit from it partially or wholly.

Deferred tax assets and liabilities are calculated over tax rate which has become legal or become legal at a considerable extend (tax regulations) as of the date of balance sheet and which is expected to be valid in the period during which assets will realize or liabilities will be fulfilled. During the calculation of deferred tax assets and liabilities, tax results of methods anticipated for Group assets' regaining their book value or fulfilling its liabilities as of balance sheet date are taken into consideration.

2.3.17 Taxes calculated on the basis of the company's earnings

Deferred tax (Continued)

Deferred tax assets and liabilities are deducted in case that there is a legal right related to deducting current tax assets and current tax liabilities or assets and liabilities in question are associated with income tax collected by the same taxation authority or Group has the intention to pay it by way of clarifying its current tax assets and liabilities.

Current tax except for those which are associated with the items accounted as receivable or payable directly in equity (under these circumstances deferred tax related to relevant items are accounted directly in equity) or those which arises from first recording of business enterprise mergers as well as deferred tax of the period are accounted as income or expense in income statement. Tax effect is taken into account during business enterprise mergers, calculation of cost control or determination of purchase-cost exceeding part of share obtained by purchaser at the fair value of identifiable asset, liability and contingent payables of purchased subsidiary.

2.3.18 Benefits for employees

Termination indemnity liability

In accordance with provisions of current laws and collective labor agreements in Turkey, termination indemnity is made in case of retirement or displacement. In compliance with TAS 19 Employee Benefits Standard ("IAS 19") which has been updated, such payments in question are described as identified retirement benefit plans. In fact, Turkish and Iranian seniority indemnity systems are similar, there are not core differences between them. Moreover while period of Razi's privatization, the right of early retirement is given to employees and responsibility is accounted in the scope of TAS 19 by Razi.

Termination indemnity liability which was accounted in balance sheet was calculated according to net present value of estimated amount of liability which was expected to arise in future due to retirement of all employees and reflected on financial statements.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.18 Benefits for employees (Continued)

Seniority incentive premium

In accordance with the prevailing collective labor agreement, seniority incentive premium is paid to the staff within the scope of agreement in the years when they complete certain seniority incentive periods. The liability calculated for incentive premium in question is reflected on records. (Note 17)

Vacation pay provision

The company makes a provision for the wages corresponding to the unused portion of vacation allowances of its employees in the previous years. (Note 17)

2.3.19 Statement of cash flow

The cash flows pertaining to the period are classified and reported in a manner that will include the costs of main activities, investments and financing.

Cash flows originating from main activities indicate cash flow of Group arising from activities of fertilizer and petro chemical products sale.

Cash flows related to investment operations indicate Group's cash flow used in and obtained through investment operations (fixed investments and financial investments).

Cash flows related to finance operations indicate resources of Group used in finance operations and repayment of these resources.

Cash and cash equivalent values are the short term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity.

2.3.20 Capital and dividends

Ordinary shares are classified as equity capital. Dividends distributed on ordinary shares are recorded by deducting from the accumulated profit in the period that the dividend payment decision is reached.

2.3.21 Basis of consolidation

a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the year ended 31 December 2018 and include financial statements of Gübretaş and its Subsidiaries.

b) At 31 December 2018, 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 2017. The statement of financial position and statement of income of the subsidiaries are consolidated by full consolidation method 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.

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

2.3. Summary of the significant accounting policies (Continued)

2.3.20 Basis of consolidation (Continued)

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.

2.3.22 Critical accounting estimates and judgements

At the process of preparing of consolidated financial statements pursuant to Turkish Financial Reporting Standards, The Group's management should make critical accounting estimates and judgments that determines as date of reporting period, amount of income and expenses and amount of probable liabilities and guarantees that may be occurred as date of balance sheet. Although these forecasts and assumptions, is depend on the groups' well knowledge that is associated current event and transactions, may differ from actual results. Forecasts are reviewed on a regular basis, required adjustments is made and reflected to periods' income statement. In the next financial period, forecasts and assumptions that may risk of adjustment of assets and liabilities' registered values, are shown as follows:

<u>Net realizable value</u>

Stock is valued at lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

<u>Goodwill impairment</u>

The Group reviews goodwill for impairment annually. Razi has been identified as the cash generating unit since the goodwill balance has been recognized through the acquisition of Razi. The value in use calculations are based on post-tax Turkish Lira cash flow projections as approved the Group management. 14% discount rate and 4% growth rate (31 December 2017: discount 14%, growth 4%) have been used in calculations of the value in use. Discount rate before tax for presentation is about 14% (31 December 2017: 14%) The discount rate represents the risk associated with the entity. Based on the impairment analysis performed by Group management, no impairment of goodwill has been identified. As of 31 December 2018, the Group does not determine impairment in goodwill amount according to results of value impairment tests which was made by using the above assumptions

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

2.3 Summary of the significant accounting policies (Continued)

2.3.21 Critical accounting estimates and judgements (Continued)

Deferred tax

Group, recognized deferred tax asset and liability for temporary timing difference arising from difference between its financial statement which constitute the basis of Tax and financial statement is prepared according to TFRS. Deferred tax assets' partially or whole recoverable amount is estimated in current circumstances. While evaluating, projections of future profits, occurred loss in current period, deadline of use of inappropriate loss and other tax assets and tax planning strategies can be used if necessary has been taken into account. In the light of data obtained, if group's taxable profit will be obtained in future is not enough to meet all deferred tax assets, partially or whole of deferred tax is reserved. If operating results in future excess Group's expectations, it may be required to enroll unregistered/recorded deferred tax assets.

Fair value of properties

Fair value of the properties of the Group as of December 31, 2018 is established according to valuation performed by an independent expertise company which does not have relation with the Group. Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş, which is an independent valuation company authorized by Capital Markets Board of Turkey and Banking Regulation and Supervision Authority, has the appropriate quality and experience regarding the valuation of properties at aforementioned locations. It is established through Market Value Approach, Cost Approach and Capitalization of Revenues Approach which are appropriate to International Valuation Standards. Unit price is established following the performance of price adjustment in the framework of criteria which can affect Market value considering the similar properties which are put on sale or sold/rented recently in the Market Value Approach. Judgement on the valuation does not take deed liens into consideration and depends upon the acceptation that there is no case regarding the property. Cost approach is referenced upon reconstruction cost of the building in present conditions. Capitalization of Revenues Approach is the return capitalization calculating rate of return with an appropriate discount rate including potential income sources, cash flows, and rental losses deducting the operation expenses.

2.4 Mergers

On 5 March 2018, the Company signed a negotiation agreement with Negmar Denizcilik Yatırım A.Ş. and has transferred its shares of 40% to Etis Denizcilik Yatırım A.Ş. On the other hand, 100% of the shares of Nbulkgas Deniz İşletmeciliği Şirketi ("Nbulkgas") that is owned by Negmar were transferred to the Company. In this respect, the Company has %50 of indirect shares of IGLC Anka Shipping Investment S.A. ("IGLC Anka") and IGLC Dicle Shipping Investment S.A. ("IGLC Dicle"). Since the Company has control over Nbulkgas and the majority of board members of the IGLC Phoenix and IGLC Tigers is determined by Gübretaş, and again Gübretaş holds the control power in the operational management of these companies, all companies are evaluated as subsidiaries and included in the consolidated financial statements by full consolidation method. The Company has indirect shares of 50% in IGLC Anka and IGLC Dicle, and shares of 100% in Nbulkgas.

As of 31 December 2018, the fair values of the identifiable assets acquired and identifiable liabilities acquired under the aforementioned business combination are determined.

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

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

2.4 Mergers (Continued)

	Nbulkgas	IGLC Anka	IGLC Dicle	Fair Value at Purchase
				TL
Cash and cash equivalents	12.780	1.621.966	207.850	1.842.596
Trade receivables	-	5.458.471	1.195.157	6.653.628
Other receivables	3.842.780	12.157.879	32.329.635	48.330.294
Inventories	-	2.100.401	648.910	2.749.311
Other current assets	1.131	321.441	289.326	611.898
Tangible assets	233.141	160.889.024	180.031.669	341.153.834
Deferred tax asset	46.615	-	-	46.615
Total assets	**4.136.447**	**182.549.182**	**214.702.547**	**401.388.176**
Financial payables	39.313	45.158	45.158	129.629
Trade payables	53.381	2.028.094	829.702	2.911.177
Other payables	2.642.018	173.850.719	144.029.934	320.522.671
Other short term liabilities	169.808	1.030.057	3.677.603	4.877.468
Total liabilities	**2.904.520**	**176.954.028**	**148.582.397**	**328.440.945**
Net assets at purchase date	**1.231.927**	**5.595.154**	**66.120.150**	**72.947.231**
Minority shares at purchase date	**-**	**2.797.577**	**33.060.075**	**35.857.652**
Shareholders' equity	**1.231.927**	**2.797.577**	**33.060.075**	**37.089.579**
Purchase value				**37.089.579**
Goodwill				**-**

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

NOTE 3 - SHARES IN OTHER BUSINESSES

Consolidated balance sheet and income statement of subsidiaries recognizing accounting to equity methods is as follows:

	Negmar Denizcilik Yatırım A.Ş.		Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Current assets	**-**	39.869.994	**132.159.635**	60.793.636
Non- current assets	**-**	364.307.801	**11.036.353**	7.386.532
Short term liabilities	**-**	170.242.369	**58.460.427**	17.113.601
Long term liabilities	**-**	343.042.526	**37.474.724**	18.867.167
Net (liabilities)/assets		(109.107.100)	**47.260.837**	32.199.400

	Negmar Denizcilik Yatırım A.Ş.		Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Net sales	**-**	309.964.232	**100.826.721**	73.019.221
Net profit/(loss)	**-**	1.757.177	**13.235.317**	9.636.485
Non-controlling interests	**-**	(340.665)	**-**	-
Parent company share	**-**	2.097.842	**-**	-

Net assets in balance sheet statement of subsidiaries recognizing according to equity methods is as follows:

	31 December 2018	31 December 2017
Negmar Denizcilik Yatırım A.Ş. (Note 8)	**-**	(43.642.840)
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**18.904.335**	12.879.760
Total net liabilities	**18.904.335**	(30.763.080)

Current year operating results of subsidiaries recognizing accounting to equity methods is as follows:

	31 December 2018	31 December 2017
Negmar Denizcilik Yatırım A.Ş.		
-Net profit	**-**	839.137
-Foreign currency translation difference	**-**	(2.947.695)
Tarkim Bitki Koruma San. ve Tic. A.Ş.-net profit	**5.294.127**	3.854.594
Total	**5.294.127**	1.746.036

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

NOTE 3 - SHARES IN OTHER BUSINESSES (Continued)

	2018		2017	
	Negmar Denizcilik Yatırım A.Ş.	**Tarkim Bitki Koruma San. ve Tic. A.Ş.**	Negmar Denizcilik Yatırım A.Ş	Tarkim Bitki Koruma San. ve Tic. A.Ş.
Participation rate	**0%**	**%40**	%40	%40
Total equity	**-**	**47.260.837**	(109.107.100)	32.199.400
1 January	**-**	**12.879.760**	(38.760.174)	9.025.166
Current year comprehensive income/expense	**-**	**6.024.575**	(4.882.666)	3.854.594
31 December	**-**	**18.904.335**	(43.642.840)	12.879.760

NOTE 4 -SEGMENT REPORTING

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 TFRS, TFRS consolidated financial statements are used to prepare segment reporting.

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

	Turkey	**Iran**	**Consolidation adjustments**	**Total**
	31 December 2018	**31 December 2018**	**31 December 2018**	**31 December 2018**
Assets				
Current assets	**1.327.870.800**	**1.167.769.398**	**(67.755.747)**	**2.427.884.451**
Non-current assets	**1.761.234.691**	**474.018.940**	**(307.974.908)**	**1.927.278.723**
Total assets	**3.089.105.491**	**1.641.788.338**	**(375.730.655)**	**4.355.163.174**
Liabilities				
Short term liabilities	**1.877.474.178**	**736.003.872**	**(67.755.747)**	**2.545.722.303**
Long term liabilities	**421.593.387**	**130.395.478**	**-**	**551.988.865**
Equities	**790.037.927**	**775.388.987**	**(307.974.908)**	**1.257.452.006**
Total liabilities	**3.089.105.492**	**1.641.788.337**	**(375.730.655)**	**4.355.163.174**

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

NOTE 4 -SEGMENT REPORTING (Continued)

	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

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

	Turkey	**Iran**	**Consolidation adjustments**	**Total**
Operating income	**1 January 2018 - 31 December 2018**	**1 January 2018 - 31 December 2018**	**1 January 2018 – 31 December 2018**	**1 January 2018 – 31 December 2018**
Sales	**2.638.318.593**	**1.990.946.875**	**(70.178.800)**	**4.559.086.668**
Cost of sales (-)	**(2.219.675.317)**	**(1.129.812.765)**	**70.178.800**	**(3.279.309.282)**
Gross profit	**418.643.276**	**861.134.110**	**-**	**1.279.777.386**
Marketing, selling and distribution expense (-)	**(119.680.095)**	**(231.158.765)**	**-**	**(350.838.860)**
General and administrative expense (-)	**(38.854.592)**	**(113.039.456)**	**-**	**(151.894.048)**
Other operating income / expense (-)(net)	**(221.838.449)**	**(170.755.947)**	**-**	**(392.594.396)**
Operating profit	**38.270.140**	**346.179.942**	**-**	**384.450.082**
Income / (expense) from investments	**17.141.556**	**-**	**(28.376.207)**	**(11.234.651)**
Profit / (loss) from investments accounted by equity method	**6.024.575**	**-**	**-**	**6.024.575**
Operation profit before financial income / (expense)	**61.436.271**	**346.179.942**	**(28.376.207)**	**379.240.006**
Financial income / (expense)	**(316.576.863)**	**78.314.206**	**-**	**(238.262.657)**
Profit before tax	**(255.140.592)**	**424.494.148**	**(28.376.207)**	**140.977.349**
Tax expense	**-**	**(4.833.529)**	**-**	**(4.833.529)**
Deferred tax income / (expense)	**17.670.661**	**1.740.748**	**-**	**19.411.409**
Profit / (loss) for the period	**(237.469.931)**	**421.401.367**	**(28.376.207)**	**155.555.229**

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

NOTE 4 -SEGMENT REPORTING (Continued)

	Turkey	Iran	Consolidation adjustments	Total
Operating income	1 January 2017 - 31 December 2017	1 January 2017 - 31 December 2017	1 January 2017 – 31 December 2017	1 January 2017 – 31 December 2017
Sales (Net)	2.273.950.745	1.383.888.122	(170.577.417)	3.487.261.450
Cost of sales (-)	(2.045.439.490)	(1.093.935.723)	170.577.417	(2.968.797.796)
Gross profit	228.511.255	289.952.399	-	518.463.654
Marketing, selling and distribution expense (-)	(118.508.593)	(160.017.123)	-	(278.525.716)
General and administrative expense (-)	(27.431.271)	(142.696.964)	-	(170.128.235)
Other operating income / expense (-)(net)	21.321.546	(5.608.775)	(989.706)	14.723.065
Operating profit	103.892.937	(18.370.463)	(989.706)	84.532.768
Income / (expense) from investments	6.662.917	-	-	6.662.917
Profit / (loss) from investments accounted by equity method	4.693.731	-	-	4.693.731
Operation profit before financial income / (expense)	115.249.585	(18.370.463)	(989.706)	95.889.416
Financial income / (expense)	(100.147.832)	15.813.166	-	(84.334.666)
Profit before tax	15.101.753	(2.557.297)	(989.706)	11.554.750
Tax expense	-	(5.302.407)	-	(5.302.407)
Deferred tax income / (expense)	26.373.275	(6.802.950)	-	19.570.325
Profit / (loss) for the period	41.475.028	(14.662.654)	(989.706)	25.822.668

Investment expenditures:

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

	1 January - 31 December 2018	1 January – 31 December 2017
Gubre Fabrikaları T.A.Ş.	**57.503.480**	70.333.018
Razi Petrochemical Co. and its subsidiary	**9.774.848**	39.889.440
Total	**67.278.328**	110.222.458

Depreciation and amortization:

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

	1 January - 31 December 2018	1 January – 31 December 2017
Gubre Fabrikaları T.A.Ş.	**27.731.525**	20.074.771
Razi Petrochemical Co. and its subsidiaries	**42.421.433**	51.769.125
Total	**70.152.958**	71.843.896

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hands	**317.371**	455.770
Bank	**368.517.959**	223.009.623
- demand deposits	**106.160.602**	32.835.443
- time deposits	**262.357.357**	190.174.180
Other cash equivalents(*)	**15.745**	4.495.467
Total	**368.851.076**	227.960.860
Pledge cash and cash equivalents (**)	**(9.623.365)**	(4.772.785)
Cash and cash equivalents at the statement of cash flow	**359.227.711**	223.188.075

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

(**) As of 31 December 2018, pledge cash and cash equivalents include 9.623.365 TL, which is related with the letters of credit opened by Raintrade Petrokimya ve Dış Tic. A.Ş.

Time deposits

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

Time deposits (TL):

Interest rate (%)	**Maturity**	**31 December 2018**
18 - 24	**January 2019**	**48.484.587**
		48.484.587

Interest rate (%)	Maturity	31 December 2017
10	January 2018	2.000.000
		2.000.000

Time deposits (Foreign currency):

				31 December 2018
Interest rate (%)	**Maturity**	**Currency**	**Foreign currency amount**	**Amount in TL**
Euribor	**January 2019**	**EUR**	**3.188**	**19.220**
10	**January 2019**	**Mil. IRR**	**1.606.094**	**112.659.999**
1,80	**January 2019**	**USD**	**19.235.027**	**101.193.551**
				213.872.770

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

				31 December 2017
Interest rate (%)	Maturity	Currency	Foreign currency amount	Amount in TL
Euribor+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
				188.174.180

NOTE 6 – FINANCIAL BORROWINGS

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

	31 December 2018	31 December 2017
Short term borrowings	**1.350.135.187**	910.740.757
Short term portion of long term borrowings	**198.437.226**	54.914.049
Short-term finance lease liabilities	**1.880.657**	1.576.787
Total	**1.550.453.070**	967.231.593

Short and long term borrowings	**31 December 2018**	31 December 2017
Payable within 1 year	**1.550.453.070**	967.231.593
Payable within 1 – 5 years	**59.850.476**	72.295.391
Total	**1.610.303.546**	1.039.526.984

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

As 31 December 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	**May 2019**	**2,75 – 3,40**	**46.837.417**	**282.335.952**
USD	**March 2019**	**2,09**	**1.999.739**	**10.520.425**
TL	**December 2019**	**14,83 – 34,00**	**1.189.725.341**	**1.189.725.341**
Total				**1.482.581.718**

Other financial borrowings (*):

Currency	**Maturity**	**Average effective annual interest rate (%)**	**Original amount**	**Amount in TL**
Mil. IRR	**September 2019**	**18**	**940.771**	**65.990.695**
Total				**65.990.695**

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

NOTE 6 – FINANCIAL BORROWINGS (Continued)

Finance lease liabilities:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	**December 2019**	**21**	**1.880.657**	**1.880.657**
Total				**1.880.657**

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

Bank loans:

Currency	Maturity	Average effetive 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 financial borrowings (*):

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
EUR	January 2018	Euribor+0,5	36.398.268	164.356.380
Total				164.356.380

(*) 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.

Short-term finance lease liabilities:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	December 2018	21	1.576.787	1.576.787
Total				1.576.787

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

NOTE 6 – FINANCIAL BORROWINGS (Continued)

b) Long term borrowings

	31 December 2018	31 December 2017
Long term bank loans (Gübretaş)	**58.261.655**	68.741.400
Long term lease liabilities (Gübretaş)	**1.588.821**	3.553.991
Total	**59.850.476**	72.295.391

Bank loans:

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

Currency	**Maturity**	**Average effective annual interest rate (%)**	**Original amount**	**Amount in TL**
EUR	**2020**	**3,40**	**5.271.513**	**31.776.678**
TL	**2022**	**14,83**	**26.484.977**	**26.484.977**
Total				**58.261.655**

Finance lease liabilities:

Currency	**Maturity**	**Average effetive annual interest rate (%)**	**Original amount**	**Amount in TL**
TL	**2020**	**21**	**1.588.821**	**1.588.821**
Total				**1.588.821**

As 31 December 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

Finance lease liabilities:

Currency	Maturity	Average effetive annual interest rate (%)	Original amount	Amount in TL
TL	September 2020	21	3.553.991	3.553.991
Total				3.553.991

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:

	31 December 2018	31 December 2017
Trade receivables	**488.508.390**	256.058.016
Receivables from Subsidiaries of Oil Ministry	**64.381.842**	98.183.716
Notes Receivables	**465.012**	1.951.173
Short term trade receivables	**553.355.244**	356.192.905
Allowance for doubtful receivables (-)	**(10.088.498)**	(8.798.412)
Short term trade receivables (net)	**543.266.746**	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 December 2018**	31 December 2017
More than 9 months	**10.088.498**	8.798.412
Total	**10.088.498**	8.798.412

The movement of allowance for doubtful trade receivables as of 31 December 2018 and 2017 are as follows:

	2018	2017
Balance at 1 January	**8.798.412**	4.365.809
Period cost	**1.290.086**	4.432.603
Balance at 31 December	**10.088.498**	8.798.412

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

	31 December 2018	31 December 2017
Guarantee letters	**245.044.412**	268.519.609
Collateral cheques and notes	**790.001**	60.787.401
Total	**245.834.413**	329.307.010

Short term trade payables:

	31 December 2018	31 December 2017
Payables to NIOC	**435.870.054**	249.958.136
Creditors	**337.249.522**	538.327.857
Other trade payables	**5.081.207**	26.695.219
Total	**778.200.783**	814.981.212

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:

	31 December 2018	31 December 2017
VAT receivables (Razi)	**142.369.070**	110.967.323
Due from personnel	**8.849.346**	9.244.740
Other various receivables (Tabosan) (*)	**32.482.253**	25.078.121
Other various receivables (**)	**32.378.312**	53.418.414
Total	**216.078.981**	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 34.271.870 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 EUR 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 2017.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 2015. The registration of this record will be finalized. The Bankruptcy Administration has paid TL 5,548,880 to the Group on 4 August 2017, which is the principal amount receivable of the Group. The Bankruptcy Administration may pay the Group's balance receivables to the extent that it receives the dividend to be paid by Tabosan to Razi and to the bankruptcy table and to the extent that the Group's balance sheet receivables are met.

(**) As of 31 December 2018, 18.833.591 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns. (2017: 33.539.248 TL)

Other long term receivables:

	31 December 2018	31 December 2017
Deposits and guarantees given	**52.084.226**	10.381.720
Due from personnel (*)	**2.666.364**	3.738.013
Other long term receivables	**5.197.910**	-
Total	**59.948.500**	14.119.733

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

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other short term payables:

	31 December 2018	31 December 2017
Dividend payables to non-controlling interests	**1.518.717**	97.512.149
Payables from investments accounted by equity method	**-**	43.642.840
Other payables	**33.332.135**	80.342.843
Total	**34.850.852**	221.497.832

Other long term payables:

	31 December 2018	31 December 2017
Other payables to third parties (*)	**349.323.760**	-
Total	**349.323.760**	-

(*) Consists of payables of the consolidated subsidiaries of the Group; Anka and Dicle.

NOTE 9 – INVENTORIES

	31 December 2018	31 December 2017
Raw materials and supplies	**175.923.775**	307.564.906
Finished goods	**259.492.688**	190.011.290
Trade goods	**465.740.737**	407.533.261
Other inventories	**226.752.282**	75.888.398
	1.127.909.482	980.997.855
(-) Provision for inventories	**(18.930.577)**	(8.833.713)
Total	**1.108.978.905**	972.164.142

The Group carried out net realisable value analysis for inventories and the result of this analysis stock impairment of inventories has been made provisioned amounting to 18.930.577 TL. (2017: 8.833.713).

The movement of provisions for inventories as of 31 December 2018 and 2017 are as follows;

	2018	2017
Balance at 1 January	**(8.883.713)**	(539.074)
Period cost	**(10.046.864)**	(8.344.639)
Balance at 31 December	**(18.930.577)**	(8.883.713)

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

NOTE 10 - PREPAID EXPENSES VE DEFERRED INCOME

Short term prepaid expenses	**31 December 2018**	31 December 2017
Advance given for inventories	**13.620.570**	61.504.962
Prepaid expenses	**14.151.499**	6.727.500
Total	**27.772.069**	68.232.462

Long term prepaid expenses	**31 December 2018**	31 December 2017
Advance given for fixed asset	**19.573.127**	19.837.304
Total	**19.573.127**	19.837.304

Short term deferred income	**31 December 2018**	31 December 2017
Received order advances	**41.334.435**	16.541.386
Total	**41.334.435**	16.541.386

NOTE 11 - INVESTMENT PROPERTIES

	31 December 2018			31 December 2017		
	Lands and parcels	**Buildings**	**Total**	Lands and parcels	Buildings	Total
Net value at the beginning of period	**50.113.000**	**19.525.999**	**69.638.999**	42.762.000	14.266.000	57.028.000
Purchases	**-**	**-**	**-**	-	-	-
Transfer from property, plant and equipment (*)	**-**	**-**	**-**	-	6.100.522	6.100.522
Fair value increase / (decrease) (Note 25)	**(6.380.000)**	**550.826**	**(5.829.174)**	7.351.000	(840.523)	6.510.477
Total	**43.733.000**	**20.076.825**	**63.809.825**	50.113.000	19.525.999	69.638.999

The Company had rent income in the amount of 3.086.147 TL from its investment properties in the period ending on the date of 31 December 2018 (2017: 2.354.785 TL)

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

NOTE 12 –PROPERTY, PLANT AND EQUIPMENT

The depreciation cost and amortization of the company is 68.412.131 TL as of 31 December 2018 and 31 December 2017 details are given below;

			31 December 2018
	Gübretaş	**Razi**	**Total**
Amortization cost	**27.210.485**	**42.421.433**	**69.631.918**
Depreciation cost	**521.040**	**-**	**521.040**
Total	**27.731.525**	**42.421.433**	**70.152.958**

31 December 2018: Out of the total of 70.152.958 TL depreciation and amortization costs; 66.031.402 TL have been included in General Production Costs, 1.166.280 TL in Sales and Marketing Costs, 2.955.276 TL in General Management Costs

			31 December 2017
	Gübretaş	Razi	Total
Amortization cost	19.404.631	51.769.125	71.173.756
Depreciation cost	670.140	-	670.140
Total	20.074.771	51.769.125	71.843.896

31 December 2017: Out of the total of 71.843.896 TL depreciation and amortization costs; 67.291.153 TL have been included in General Production Costs, 610.046 TL in Sales and Marketing Costs, 3.942.697 TL in General Management Costs

Pledges and mortgages on assets

There is a precautionary measure due to the lawsuit filed by the NIOC with respect to the Ahwaz General and Revolutionary Court regarding the excessive gas consumption on Nazi's land amounting to 97.000.000.

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

NOTE 12 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvem ents	Construction in progress	Total
Cost Value									
Opening balance at 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	(47.653.693)	-	(38.406.589)	(299.311.680)	(3.191.807)	(6.131.851)	-	(12.078.762)	(406.774.382)
Valuation difference	57.697.786	1.250.663	40.118.362	-	-	-	-	-	99.066.811
Entries due to subsidiary purchases	-	-	-	3.544.582	566.856.606	449.668	-	-	570.850.856
Additions	9.809.076	922.984	792.676	9.259.320	1.610.083	3.756.139	-	41.128.050	67.278.328
Sales/Cancellations	(7.357.927)	-	(4.346.040)	(6.982.934)	(1.092.466)	(300.214)	-	-	(20.079.581)
Transfer from construction in progress	7.026.427	295.976	31.479.203	2.681.422	68.463	1.177.880	-	(42.729.371)	-
Closing balance on 31 December 2018	487.225.047	128.434.581	357.345.942	828.132.342	575.107.963	31.834.492	1.018.158	45.392.380	2.454.490.905
Accrued depreciation									
Opening balance at 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	-	-	19.986.858	218.864.022	2.199.130	3.460.201	-	-	244.510.211
Valuation difference	-	4.044.062	(28.677.724)	-	-	-	-	-	(24.633.662)
Entries due to subsidiary purchases	-	-	-	-	(140.423.970)	-	-	-	(140.423.970)
Period costs	-	(8.230.283)	(10.149.164)	(44.658.423)	(954.617)	(3.731.296)	(167.307)	-	(67.891.090)
Sales/Cancellations	-	-	695.265	6.638.361	209.558	319.687	-	-	7.862.871
Closing balance on 31 December 2018	-	(50.620.073)	(145.623.103)	(543.716.808)	(145.988.138)	(15.379.288)	(510.037)	-	(901.837.447)
Net book value on 31 December 2018	487.225.047	77.814.508	211.722.839	284.415.534	429.119.825	16.455.204	508.121	45.392.380	1.552.653.459

As of 31 December 2018, there is no capitalized interest and foreign currency exchange difference within construction in progress. (2017: 8.939.865 TL)

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

NOTE 12 –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 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	(5.689.177)	-	(4.337.125)	(34.232.559)	(322.310)	(675.347)	-	(2.886.996)	(48.143.514)
Additions	13.242.737	1.872.433	71.546	3.300.293	887.946	6.600.043	-	82.960.845	108.935.843
Sales/cancellations	-	(7.081.232)	(1.021.614)	(15.144.587)	(1.248.298)	(1.403.725)	-	-	(25.899.456)
Transfer to investment properties	-	-	(6.267.660)	-	-	-	-	-	(6.267.660)
Transfer from construction in progress	-	71.278.479	4.871.053	31.039.886	1.309.455	1.349.512	-	(109.848.385)	-
Closing balance on 31 December 2017	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
Accrued depreciation									
Opening balance on January 2017	-	(49.754.294)	(119.225.077)	(706.730.703)	(6.763.208)	(12.919.553)	(225.105)	-	(895.617.940)
Foreign currency translation differences	-	-	214.911	20.791.879	209.548	491.562	-	-	21.707.900
Expenses of the period	-	(3.760.577)	(8.869.106)	(52.725.033)	(1.391.882)	(4.309.533)	(117.625)	-	(71.173.756)
Sales/cancellations	-	7.081.019	233.796	14.103.089	927.303	1.309.644	-	-	23.654.851
Transfer to investment properties	-	-	167.138	-	-	-	-	-	167.138
Closing balance on 31 December 2017	-	(46.433.852)	(127.478.338)	(724.560.768)	(7.018.239)	(15.427.880)	(342.730)	-	(921.261.807)
Net book value on 31 December 2017	467.703.378	79.531.106	200.229.992	394.380.864	3.838.845	17.454.990	675.428	59.072.463	1.222.887.066

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

NOTE 13 – INTANGIBLE ASSETS

Rights:

	31 December 2018	31 December 2017
Opening balance on 1 January	**30.393.260**	29.129.804
Purchases	**2.562.095**	1.286.615
Sales/cancellations	**(39.232)**	(23.159)
Foreign currency translation differences	**(7.271.155)**	-
Closing balance on 31 December	**25.644.968**	30.393.260
Accrued depreciation:		
Opening balance on 1 January	**(1.442.953)**	(785.165)
Amortization expenses for current period	**(2.261.868)**	(670.140)
Sales/cancellations	**-**	12.352
Foreign currency translation differences	**(1.245.263)**	-
Closing balance on 31 December	**(4.950.084)**	(1.442.953)
Net book value	**20.694.884**	28.950.307

Goodwill:

	31 December 2018	31 December 2017
Opening balance on 1 January	**181.331.891**	188.461.258
Foreign currency translation differences	**(59.717.016)**	(7.129.367)
Balance as of 31 December	**121.614.875**	181.331.891

NOTE 14 - 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, transffering 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 changing 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.

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

NOTE 14 - COMMITMENTS (Continued)

Purchasing commitments

As of 31 December 2018 Group has USD 97.654.559,87 accredited purchasing commitment for raw materials and trade goods. (31 December 2017: USD 169.008.961).

NOTE 15 – GOVERNMENT GRANTS

The completion visa for the Investment Incentive Certificate numbered 110061 was made on 20 September 2018 by the Ministry of Trade of Turkish Republic. The fixed investment amount is 290.369.160 TL. The support elements to be utilized in the investments consist of Employer Share Support, Customs Duty Exemption, Tax Reduction Ratio (100%), Investment Contributions (40%) and VAT exemption. In 2018, the Company benefited from Insurance Premium Employer Share Support and VAT Exemption in the construction of twin NPK plants and ammonia tanks.

The Investment Incentive Certificate dated 16 May 2018 and numbered 136984 was obtained with regard to the application of the Company, dated 26 March 2018 and numbered 38928 to the Ministry of Trade. The mentioned Investment Incentive Certificate is valid until 26 March 2021 and includes fixed asset investment plans amounting to TL 84.000.000. The support elements to be utilized by the investments are Tax Reduction Ratio (70%), Investment Contribution Ratio (30%) and VAT exemption. In 2018, VAT exemption was utilized in the modernization processes of İskenderun Facilities.

The Investment Incentive Certificate dated 11 June 2019 and numbered 136984 was obtained with regard to the application of the Company, dated 26 March 2018 and numbered 38928 to the Ministry of Trade. The mentioned Investment Incentive Certificate is valid until 26 March 2022 and includes fixed asset investment plans amounting to TL 235.000.000. The support elements to be utilized by the investments are the Tax Reduction Ratio (50%), Investment Allowance Ratio (25%), Employer Share Support for Insurance Premium and VAT Exemption.

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term debt provision:

	31 December 2018	31 December 2017
Provision for cost expenses	**54.068.584**	39.485.509
Provisions for pending claims and law suits	**5.214.629**	8.984.280
Other short term debt provisions	**7.081.944**	670.492
Other short term debt provision	**66.365.157**	49.140.281

Law suit provision:

	31 December 2018	31 December 2017
As of 1 January	**8.984.280**	3.378.518
Addition / cancellation	**(3.769.651)**	5.605.762
As of 31 December	**5.214.629**	8.984.280

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 received legal opinion but it has made 5.214.629 TL (2017: 8.984.280 TL) provision for other lawsuits.

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

NOTE16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 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**	**18.353.334**	**18.353.334**	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 3rd parties for the performance of ordinary business activities	**USD**	**-**	**-**	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	**-**	**-**	**-**	-	-	-
Total		**18.353.334**	**18.353.334**			124.001.899

Contingent liabilities

The Joint Comprehensive Plan of Action (JCPOA) signed between Iran and P5 + 1 countries (five permanent members of the United Nations Security Council and Germany) and the European Union in July 2015, comprises of the abolition of the economic sanctions imposed by the European Union, United States and the United Nations Security Council in return of Iran to limit its nuclear activities and the interruption of the implementation of certain sanctions. The agreement has been adopted by the International Atomic Energy Agency after Iran has fulfilled its obligations under the agreement as of January 2016 and the sanctions of United Nations against Iran due to its nuclear activities, have been abolished.

However, on of the parties of the agreement, the United States has stated that it had withdrawn from the agreement on 8 May 2018 and would reapply the sanctions that had been repealed in two parts of 90 and 180 days. The first part of the sanctions was put into effect on August 6, 2018 and the second group sanctions, which were put into operation on November 4, 2018, will be the subject of sanctions for the petroleum, petroleum products and petrochemical products of Iran.

On 5 November 2018, the Office of the Foreign Assets Control (OFAC) of the US Treasury Department updated the list of person and organization subject to sanctions, and any of the companies within the Group have been included in the list as of the date of these financial statements.

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 m^2 located in Hatay, Iskenderun, Sarıseki 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 99.936.706 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 2018, Iskenderun 3.Civil Court partially accepted the case opened by the Property Directorate and decided to cancel the title deed registration of 78.674,76 m^2 of the immovable property of the Company located in Hatay, İskenderun and Sarıseki 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

NOTE16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Group has applied for the appeal law, the group has accepted the appeal and the Gaziantep Regional Court of Justice has removed the decisions given by the Law Department of the 15th Law Department and the Group actions and returned the case to the local court for reconsideration.The Group Management has not recorded any provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors.

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. Under this surety, the Group paid the debt of Tabosan to the Banks and Iran Privatization Administration amounting to TL 43.780.597 in the title of guarantor and the receivable arising from these transactions recorded in the 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 the reporting date. The Group has filed a lawsuit regarding the fact that the Bankruptcy Administration has not accepted this request, as a result of this lawsuit on June 27, 2013, a precautionary injunction was issued in order to prevent 1.31% of the shares of Razi, which are owned by Tabosan, from being distributed to the table creditors and to avoid any savings. The Group's transfer of share was rejected and the Group appealed, but the Supreme Court upheld the court's decision. The application for rectification of the decision of the Supreme Court of Appeals regarding the transfer of shares by the Group was also rejected by the Supreme Court. The group then applied for the registration of the amount subject to the transfer of shares to the bankruptcy desk as a receivable. In addition, the Group has filed a lawsuit against the bankruptcy administration, as the request for registration of other receivables due to payments made by the Group was rejected by the bankruptcy administration. The Bankruptcy Administration has accepted the filing of the receivables filed by the Group at 15 July 2017. The Bankruptcy Administration has paid the principal amount of 25.278.225 TL on 8 July 2017 to the Group since the accumulated dividend receivable which belongs to Tabosan's 10.88% stake in Razi has been transferred to the administration. The bankruptcy administration has paid TL 5,548,880 to the Group on 4 August 2017, which is the principal amount receivable of the Group. The principal receivable arising from the payments made by the Group and the interest receivable as of the date of the report is TL 24,952,165. The Bankruptcy Administration may pay the Group's balance receivables to the extent that it receives the dividend to be paid by Tabosan to Razi and to the bankruptcy table and to the extent that the Group's balance sheet receivables are met.

The Group management has not recorded any provision for this receivable neither in the prior years nor the current period by considering the dividend share of Tabosan on the Razi shares and the mortgages and collaterals transferred to it by the bank.

There is a lawsuit filed against Razi by the NIOC with the amount of TL 43,8 million due to excessive gas consumption at Ahwaz General and Revolutionary Court. In 2018, the court put mortgages on the land of Razi which was carried in financial statements for TL 97 million. In accordance with the opinions of the legal advisors, the Group Management has not recognized any provision for this matter in the consolidated financial statements at this stage.

The Company's subsidiary Razi has a value added tax of TL 127, 9 million. Despite the fact that there is an exemption for value added tax based on export sales in accordance with the current tax regime in Iran and the tax is required to be returned in case of declaration of necessary documents, the demand for Razi Administration has not been accepted as of the report date yet. There is uncertainty regarding the collection time of this receivable amount accounted under short term other receivables and Group Management has not provided any provision in consolidated financial statements.

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

NOTE 17 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2018	31 December 2017
Due to the personnel	**30.065.223**	32.561.241
Social security premiums payable	**1.140.181**	1.101.890
Total	**31.205.404**	33.663.131

Provision for Short Term employee benefits:

	31 December 2018	31 December 2017
Provision for allowance and employee termination benefits	**13.523.316**	4.322.749
Provision for premium	**4.996.550**	13.614.672
Provision for early retirement salary (*)	**13.976.949**	24.313.715
Total	**32.496.815**	42.251.136

Long Term:

	31 December 2018	31 December 2017
Allowance for retirement pay (Gübretaş)	**12.419.151**	11.931.478
Allowance for retirement pay (Razi)	**54.203.094**	105.968.113
Provision for early retirement salary(*)	**49.663.878**	78.420.566
Total	**116.286.123**	196.320.157

(*) While period of Razi's privatization, the right of early retirement is provided to employees and responsibility is accounted in the scope of TAS 19 by Razi.

As of 31 December 2018, termination indemnity liability of the company has been calculated with and annual inflation of 10% and discount rate of 15,40%, and by using 4,91% real discount rate (31 December 2017; 4,67%). As the termination indemnity cap of the company's provision for termination indemnities is adjusted on every six months basis, it is calculated as 5,434 TL, which is valid as of the date of 31 December 2018 onwards (31 December 2017: 4.732 TL).

The movement of provision for termination indemnity throughout the year is as follows

	1 January – 31 December 2018	1 January – 31 December 2017
Provisions as of 1 January	**196.320.157**	185.422.202
Adjustments on opening balance	**(27.749.915)**	-
Service cost	**65.992.585**	93.305.757
Interest cost	**8.140.299**	19.545.388
Payment termination indemnity	**(59.812.558)**	(73.298.837)
Foreign currency translation differences	**(65.953.541)**	(29.295.873)
Actuarial gain/loss	**(650.904)**	641.520
Provision as of 31 December	**116.286.123**	196.320.157

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

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2018	31 December 2017
Deferred VAT	**18.705.655**	19.404.299
Job advances	**1.712.572**	7.912.030
Other various current assets	**954.906**	285.931
Total	**21.373.133**	27.602.260

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

Paid-in capital

The equity structure as of 31 December 2018 and 31 December 2017 is as follows:

	%	31 December 2018	%	31 December 2017
Central Union of Agricultural Credit Cooperatives of Turkey	**75,95**	**253.684.607**	75,95	253.684.607
Other	**24,05**	**80.315.393**	24,05	80.315.393
Total	**100**	**334.000.000**	100,00	334.000.000

Company's capital is formed 33.400.000.000 pieces stocks. (2017:33.400.000.000 pieces) Stocks' nominal value is 0,01 TL. (2017: 0,01 TL)

Reserves on retained earnings

The legal reserves consist of first and second composition of legal reserves according to the Turkish Code of Commerce. The first composition of legal reserves is composed of 5% of the previous period's commercial profits until the date it reaches 20% of the paid capital. The second composition of legal reserves is allocated as 10% of the total cash dividend distributions following the first composition of legal reserves and dividends.

The retained earnings that were reclassified consist of the below items as of 31 December 2018 and 31 December 2017:

	31 December 2018	31 December 2017
Legal reserves	**50.912.456**	50.912.456
Real estate sales gain to be added to capital	**1.382.652**	1.382.652
Total	**52.295.108**	52.295.108

Regarding to legal records of company, there is no resource available for distribution. (2017: 246.840.174 TL).

NOT 20 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge against foreign currency risk and the fair value difference is classified as profit or loss. Derivative financial instruments are initially recognized at cost, which reflects their fair value at the date of contract, and are remeasured at fair value in subsequent periods. A financial instrument is classified in this group if it has been acquired for the purpose of being sold or repurchased at a later date. Derivative financial instruments are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative.

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

NOT 20 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments that reflect that profit/loss the fair value difference of the Group are composed of forward foreign currency purchase and sale contracts.

If the economic features and risks of the articles of association and embedded derivative are not closely related, another instrument with the same terms as the embedded derivative can be identified as a derivative, and if the financial instrument is combined with its fair value and is not an instrument associated with the income statement, the embedded derivative is is recognized.

The Group does not have derivative transactions within the scope of hedge accounting. For this reason, derivative financial instruments are measured at their fair value after they are initially recorded and are reflected in profit or loss when changes in their fair value are realized.

As of 31 December 2018 detail of derivative financial instruments of the company as below:

Forward contracts:

	Maturity	**Nominal value (USD)**	**Fair value (TL)**
USD buying / USD selling	**March 2019**	**56.485.000**	**(4.703.497)**
Total		**56.485.000**	**(4.703.497)**

As of 31 December 2017 financial instruments of the Company as below.

Option contracts:

	Maturity	Nominal value (USD)	Fair value (TL)
EUR buying / EUR selling	April 2018	32.500.000	1.990.676
USD buying / USD selling	January 2018	10.000.000	1.402.826
Total		42.500.000	3.393.502

Forward contracts:

	Maturity	Nominal value (USD)	Fair value (TL)
USD	February 2018	32.000.000	(3.307.586)
Total		32.000.000	(3.307.586)

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

NOTE 21 – REVENUE AND COST OF SALES

Sales	**31 December 2018**	31 December 2017
Domestic sales	**2.780.154.361**	2.754.735.056
Foreign sales	**1.896.554.004**	804.532.340
Service sales	**3.255.281**	2.361.373
Sales returns(-)	**(56.664.436)**	(5.887.340)
Sales discounts(-)	**(61.541.338)**	(65.062.948)
Other discounts from sales(-)	**(2.671.204)**	(3.417.031)
Total	**4.559.086.668**	3.487.261.450

Cost of sales (-)	**31 December 2018**	31 December 2017
Cost of good produced	**1.845.386.215**	1.593.176.726
Change in the good inventory	**5.269.327**	(47.881.644)
-Goods at the beginning of the period	**190.011.290**	142.129.647
-Goods at the end of the period	**(184.741.963)**	(190.011.290)
Cost of good sold	**1.827.337.782**	1.545.295.083
-Merchandise inventory at the Beginning of the period	**407.533.261**	408.573.898
-Purchases	**1.439.057.036**	1.415.695.458
-Merchandise inventory at the end of the period	**(465.740.737)**	(407.533.261)
Cost of merchandise sold	**1.380.849.560**	1.416.736.094
Cost of other sales	**66.564.920**	5.123.977
Cost of services sold	**4.557.020**	1.642.642
Total	**3.279.309.282**	2.968.797.796

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES

	31 December 2018	31 December 2017
General administrative expenses	**151.894.048**	170.128.235
Marketing and selling expenses	**350.838.860**	278.525.716
Total	**502.732.908**	448.653.951

General administrative expenses	**31 December 2018**	31 December 2017
Personnel expenses	**104.553.501**	121.716.534
Outsourced services (*)	**3.687.431**	8.125.752
Depreciation and amortisation expenses	**2.955.276**	3.942.697
Taxes and duties	**2.924.520**	652.377
Other expenses	**37.773.320**	35.690.875
Total	**151.894.048**	170.128.235

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

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES (Continued)

Marketing and selling expenses	31 December 2018	31 December 2017
Outsourced services (*)	**316.338.288**	252.151.691
Personnel expenses	**16.247.098**	15.912.022
Depreciation and amortisation expenses	**1.166.280**	610.046
Taxes and duties	**199.603**	90.449
Other expenses	**16.887.591**	9.761.508
Total	**350.838.860**	278.525.716

(*) The benefits and services providing from the outside are formed mainly by the transportation costs, maintenance-repair expenses, energy, fuel, water and communication costs.

NOTE 23 - OPERATING EXPENSES (BASED ON THEIR NATURE)

	31 December 2018	31 December 2017
Outsourced services	**320.025.719**	260.277.443
Personnel expenses	**120.800.599**	137.628.556
Amortization	**70.152.958**	71.843.896
Taxes and duties	**3.124.123**	742.826
Cost of goods sold (*)	**1.827.337.782**	1.478.003.931
Cost of trade goods sold	**1.380.849.560**	1.416.736.094
Cost of other sales	**66.564.920**	5.123.977
Cost of services sold	**4.557.020**	1.642.642
Several costs	**28.689.973**	45.452.383
Total	**3.822.102.654**	3.417.451.748

(*) Cost of goods sold are presented by subtracting the amortization amount.

NOTE 24 – OTHER OPERATING INCOME AND EXPENSES

Other operating income:	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange gain from trade receivables	**694.173.315**	283.236.953
Credit finance gains from trade receivables	**-**	29.044.719
Interest income	**4.788.368**	4.000.836
Other income	**21.956.831**	9.222.733
Total	**720.918.514**	325.505.241

Other operating expense:	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange gain from trade receivables	**956.125.981**	254.445.324
Credit finance gains from trade receivables	**4.863.908**	6.856.153
Interest income	**51.634**	2.571.866
Other income	**152.471.387**	46.908.833
Total	**1.113.512.910**	310.782.176

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

NOTE 25 – INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

	31 December 2018	31 December 2017
Value increase/(decrease) of investment property	**(5.829.174)**	6.510.478
Loss on sales of associates	**(4.753.298)**	-
Loss related to sales of fixed assets	**(652.179)**	152.439
Total	**(11.234.651)**	6.662.917

NOTE 26 - FINANCIAL INCOME and EXPENSES

	31 December 2018	31 December 2017
Interest expenses on bank loans	**163.565.525**	86.109.641
Total interest expenses	**163.565.525**	86.109.641
Net foreign exchange (income)/expenses	**(18.320.282)**	(10.950.451)
Income from derivative instruments	**4.703.497**	(85.916)
Other financial (income)/expenses	**88.313.919**	9.261.392
Total financial expenses	**238.262.659**	84.334.666

NOTE 27 – ANALYSIS of OTHER COMPREHENSIVE INCOME

Revaluation funds

	31 December 2018	31 December 2017
Fixed assets revaluation fund	**328.866.720**	261.876.886
Inflation adjustment on equity	**63.599**	63.599
Total	**328.930.319**	261.940.485

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Current and deferred income tax (Continued)

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2018 and 2017, income tax provisions have been accrued in accordance with the prevailing tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Tax assets and liabilities

Corporate tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate tax (Continued)

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2018 and 2017, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Tax provision included in the balance sheet belonging to the period 31 December 2018 and 2017 is as follows:

			31 December 2018
	Gübretaş	**Razi**	**Total**
Provision for current period corporate tax	**-**	**(4.833.529)**	**(4.833.529)**
Prepaid tax	**2.113.481**	**7.135.348**	**9.248.829**
Prior years corporate tax liabilities		**(6.982.477)**	**(6.982.477)**
Total	**2.113.481**	**(4.680.658)**	**(2.567.177)**

			31 December 2017
	Gübretaş	Razi	Total
Provision for current period corporate tax	-	(5.302.407)	(5.302.407)
Prepaid tax	482.023	3.249.259	3.731.282
Prior years corporate tax liabilities	-	(15.230.259)	(15.230.259)
Foreign currency translation effect	-	139.620	139.620
Total	482.023	(17.143.787)	(16.661.764)

Deferred tax assets and liabilities

Group is accounting deferred tax assets and liabilities on the basis of the temporary timing differences arising from the difference between financial statements that are prepared in accordance with TFRS and the statements prepared as setting the basis for tax obligations. In general the subject matter differences result from some income and expense amounts included in the tax based statements to take place in different periods in the financial statements that are prepared in accordance with TFRS.

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred tax assets and liabilities (Continued)

	31 December 2018		31 December 2017	
Deferred tax reflected to the income statement	**Temporary differences**	**Deferred tax, assets and liab.**	Temporary differences	Deferred tax, assets and liab.
Investment incentive	**224.461.068**	**44.892.214**	152.284.355	60.913.743
Losses for usable tax	**320.197.800**	**64.039.560**	-	-
Stock adjustment	**2.680.964**	**589.812**	4.028.682	886.310
Trade and other receivables	**13.836.858**	**3.044.109**	14.693.785	3.232.633
Tangible/Intangible assets and investment property	**155.217.391**	**31.043.478**	19.376.643	3.875.329
Other	**1.009.859**	**222.169**	10.793.634	2.374.599
Provisions for termination indemnity	**17.150.385**	**3.464.077**	16.254.227	3.250.845
Receivables rediscount	**3.286.039**	**722.929**	6.383.315	1.404.329
Derivative financial instruments	**4.703.497**	**940.699**	-	-
Expense accruals	**14.713.837**	**3.237.044**	-	-
Deferred tax assets	**757.257.698**	**152.196.091**	223.814.641	75.937.788
Tangible/intangible assets/investment property	**351.636.981**	**70.327.396**	299.751.195	20.267.698
Expense accruals (net)	**1.972.773**	**361.108**	441.659	97.164
Derivative financial instruments	**-**	**-**	85.916	18.902
Payables rediscount	**-**	**-**	3.045.642	670.041
Other	**180.907.551**	**18.090.756**	830.411	182.691
Deferred tax liabilities	**534.517.305**	**88.779.260**	304.154.823	21.236.496
Net deferred tax asset		**63.416.831**		54.701.291
Razi Co. deferred tax asset / (liability) (*)		**(26.528.482)**		(40.715.292)
Total deferred tax asset / (liability)		**36.888.349**		13.986.000

(*) 26.528.482 TL is arise from the deferred tax effect of the Property valuation adjustment of the Razi. (2017: 39.091.392 TL).

Information related to deferred tax transaction table:

	31 December 2018	31 December 2017
Opening balance on 1 January	**13.986.000**	(12.994.298)
Impact of foreign currency translation of deferred tax of Razi	**10.934.255**	7.211.630
Sub Total	**24.920.255**	(5.782.668)
Deferred tax income /(expense)	**19.411.409**	19.570.325
Tax revenue recognized in other comprehensive income	**(7.443.315)**	198.343
Closing balance on 31 December	**36.888.349**	13.986.000

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES) (Continued)

Tax provision agreement:

	1 January - 31 December 2018	1 January - 31 December 2017
Pre-tax profit/(loss)	**140.977.347**	11.554.748
	%22	%20
Calculated tax	**(31.015.016)**	(2.310.950)
Impact of foreign subsidiaries subjected to different tax rates	**(380.744)**	(1.522.671)
Disallowable expenses	**(2.415.806)**	(115.440.247)
Tax effects of discount and exemptions	**2.548.010**	126.082.193
Previous period tax expenditure of Razi	**(6.982.477)**	(15.230.259)
Total discounts of ınvestment incentives	**44.892.214**	28.462.248
Other differences	**7.931.699**	2.673.589
Tax base increases and penalties	**-**	(8.445.985)
Tax income/ expense	**14.577.880**	14.267.918

NOTE 29 - 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 is as follows.

	1 January- 31 December 2018	1 January- 31 December 2017
Net profit for the period	**(64.340.136)**	33.317.912
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) (*)	**(0,0019)**	0,0010

(*) 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.

As of December 31, 2017, the total dividend distributed is TL 1,081,548 and dividend per share is decreased by 0,00003 TL.

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

NOTE 30 - RELATED PARTIES TRANSACTIONS

(i) Balances due from related parties

(a) Trade and other receivables

	31 December 2018	31 December 2017
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	**99.019.932**	66.765.089
Other related parties	**5.032.408**	
Total	**104.052.340**	66.765.089
Affiliates and other related parties (short term)		
Negmar Denizcilik A.Ş.	**-**	132.977
Total	**-**	132.977
Affiliates and other related parties (long term)		
Negmar Denizcilik A.Ş.	**-**	60.276.145
Total	**-**	60.276.145

(b) Trade payables:

	31 December 2018	31 December 2017
Affiliates and other related parties		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**1.204.133**	16.770.652
Tarnet	**194.774**	354.966
Türkiye Tarım Kredi Kooperatif Merkez Birliği	**32.725**	-
Negmar Denizcilik A.Ş.	**-**	253.706
Other related parties	**-**	38.010
Total	**1.431.632**	17.417.334

Average maturity of sales to Central Union of Turkish Agricultural Credit Cooperatives are 15 days.

Sales of goods and services:

	1 January- 31 December 2018	1 January- 31 December 2017
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	**1.996.671.714**	1.604.057.144
Affiliates		
Negmar Denizcilik A.Ş.	**-**	1.854.354
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**1.566.014**	1.113.926
Tarnet A.Ş.	**256.125**	403.359
Total	**1.998.493.853**	1.607.428.783

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

NOTE 30 - RELATED PARTIES TRANSACTIONS (Continued)

(ii) Transactions with related parties

Purchase of goods and services:

	1 January-31 December 2018	1 January-31 December 2017
Main parent		
Tarım Kredi Koop. Merkez Birliği	**25.285.851**	5.631.300
Affiliates		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**3.719.801**	65.415.867
Tarnet A.Ş.	**3.419.872**	2.671.302
Negmar Denizcilik A.Ş.	**-**	126.313.212
Total	**32.425.524**	200.031.681

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 December 2018 and 2017 shown below table:

	31 December 2018		31 December 2017	
	Gübretaş	**Razi**	Gübretaş	Razi
Short-term employee benefits (*)	**2.577.102**	**6.145.198**	2.034.271	6.106.759
Total	**2.577.102**	**6.145.198**	2.034.271	6.106.759

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

NOTE 31 - FINANCIAL INSTRUMENTS

Financial investments

Short term financial investments:

As 31 December 2018 details of short term financial investments are as follows:

	Maturity	**Interest rate (%)**	**31 December 2018**
Private sector debts and bonds	**March 2019**	**15**	**35.397.720**
Total			**35.397.720**

As 31 December 2017 details of short term financial investments are as follows:

	Maturity	Interest rate (%)	31 December 2017
Private sector debts and bonds	April 2018	18	5.229.453
Private sector debts and bonds	May 2018	18	24.017.205
Private sector debts and bonds	August 2018	15	13.596.578
Private sector debts and bonds	September 2018	15	6.275.344
Private sector debts and bonds	October 2018	15	20.917.813
Private sector debts and bonds	December 2018	15	9.935.961
Total			79.972.354

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

NOTE 31 - FINANCIAL INSTRUMENTS (Continued)

Long term financial investments:

As 31 December 2018 details of long term financial investments are as follows:

	Maturity	Interest rate (%)	31 December 2018
Government securities and treasury bonds	**2020**	**24,5**	**3.925.372**
Total			**3.925.372**

	Maturity	Interest rate (%)	31 December 2017
Government securities and treasury bonds	2020	24,5	39.848.433
Total			39.848.433

		31 December 2018		31 December 2017	
Title	**Subject of activities**	**% Share**	**Amount of participant**	% Share	Amount of participant
Tarnet	Internet Service Provider etc.	**15,78**	**2.537.515**	15,78	2.537.515
Tareksav	Agricultural Credit Cooperative Education Foundation	**24,10**	**200.000**	24,10	200.000
Total			**2.737.515**		2.737.515

Financial investments ready for sale are valued with cost since they do not have an active market. Group does not expect a value decrease in financial investments.

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group focus on the manage of the various financial risks which includes price, fx rates and interest rate changes on monetary and capital markets as a result of its own activity. Besides the Group aimed to decrease potential negative effects of market fluctuations with its risk management programme.

Capital management

In capital management, the Group tries to ensure the continuity of its activities, while it, on the other hand, aims at increasing its profit by using its payable and equity capital balance in the most effective way. The capital structure of the company is comprised of equity capital items such as payables, cash and cash equivalents and other equity capital items including issued capital, capital reserves and profit reserves, which are defined in footnote 19.

Top management of the Group continuously evaluates the risks associated with each capital level together with capital cost and manages capital by trying to ensure the most appropriate payable/equity capital balance. Payables/equity capital ratio is calculated dividing net payables by total capital. Net payable is calculated by deducting cash and cash equivalent values from total payable amount.

Net payable/total capital ratio as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Total debt	**3.097.711.168**	2.490.476.077
Cash and cash equivalents (-)	**368.851.076**	227.960.860
Net debt	**2.728.860.092**	2.262.515.217
Total equity	**1.257.452.006**	1.207.511.087
Net debt / total equity	**%227**	%187

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Hedging activities and derivative instruments

Liquidity risk

The management of the company has formed an appropriate liquidity risk management for the short-, mid- and long-term funding and liquidity requirements. The company manages the liquidity risk by providing the continuation of sufficient funds and borrowing reserves by regularly following up the estimated and actual cash flows and by matching the maturities of financial assets and liabilities.

The management of the medium-term and long-term liquidities are realize with sector dynamics, and cashflow cycle is also followed and tested according to various scenarios by Group.

31 December 2018	**Book value**	**Total of contractual cash outflows**	**Shorter than 3 months**	**Between 3-12 months**	**Longer than 5 years**
Non-derivative financial liabilities					
Financial payables	**1.610.303.546**	**1.733.862.058**	**1.613.258.162**	**49.525.890**	**71.078.006**
Trade payables	**779.632.415**	**779.632.415**	**779.632.415**	**-**	**-**
Other payables	**34.850.852**	**34.850.852**	**34.850.852**	**-**	**-**
Total	**2.424.786.813**	**2.548.345.325**	**2.427.741.429**	**49.525.890**	**71.078.006**

31 December 2017	Book value	Total of contractual cash outflows	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivatives financial liabilities					
Financial payables	1.039.526.984	1.055.935.716	627.966.336	353.452.969	74.516.411
Trade payables	832.398.546	833.367.089	649.442.730	183.924.359	-
Other payables	221.497.832	223.283.565	223.283.565	-	-
Total	2.093.423.362	2.112.586.370	1.500.692.631	537.377.328	74.516.411

Interest rate risk

The Group because of its activities is being subjected to financial risks regarding the changes on exchange rate and interest rate. In order to control the risks associated with exchange rate and interest rate, company uses the financial instruments.

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

	31 December 2018	31 December 2017
Fixed interest financial instruments		
Financial assets		
Time deposits	**236.033.637**	190.160.479
Financial investments	**42.060.607**	122.558.302
Financial liabilities	**1.610.303.546**	1.039.526.984
Floating rate financial instruments		
Time deposits	**19.220**	13.701

Funding risk

Risk of funding for existing and possible loan requirements in future is managed by perpetuated the access with adequate and high quality credit provider.

Credit risk

The Group is subject with credit risk as a result of trade receivables of Credit sales and bank deposits.

The Group aimed the highest possible guarantee for the management of collection risk of trade receivables.

In this context the methods are;

- Bank Guarantee (Guarantee Letter, Letters of Credit, etc.),
- Credit Insurance (Global Insurance Policy, Eximbank and Factoring Insurance, etc.),
- Mortgage,

Risk control for receivables not covered by bank guarantees The individual limits are determined as a result of the evaluation of the customer's credit quality by taking into account the customer's financial position, past experiences and other factors and the use of these credit limits are continuously monitored.

Credit risk management

The Group is subjected to credit risk because of its trade receivables arising from the forward sales of the Group. Management decreases the credit risk to minimum level regarding its receivables by taking securities (such as bank letter of guarantee, mortgage, etc.) from customers (except for related parties). These credit risks are monitored continuously by the Group and evaluated by considering the quality of the trade receivables, past experiences and current economic condition and expressed in the balance sheet by its net amount after allowance for doubtful receivables is allocated for the receivables not to be collected. (Note: 7). Approximately 72% of Group sales are related to the main shareholder Turkish Agricultural Credit Cooperatives Central Union.

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (Continued)

The credit risks being subjected by the financial instrument types as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018	Receivables						
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party	Deposit in bank	Derivative financial instruments	Financial investments
Minimum credit risk exposed as of reporting date (A+B+C+D)	104.052.340	543.266.746	-	276.027.481	368.517.959	-	42.060.607
-part of maximum risk secured by guarantee,etc.	-	158.417.957	-	-	-	-	-
A) Net book value of financial assets which are undue or not exposed to depredation	104.052.340	543.266.746	-	276.027.481	368.517.959	-	42.060.607
B) Net book value of assets which are overdue but not exposed to depredation	-	19.343.666	-	-	-	-	-
C) Net book value of assets which are exposed to depredation							
-Overdue (gross book value)	-	10.088.498	-	-	-	-	-
- Value decrease (-)	-	(10.088.498)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net value secured by guarantee, etc	-	-	-	-	-	-	-
D) Off-balance sheet elements carring credit risk	-	-	-	-	-	-	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

31 December 2017	Receivables				Deposit in bank	Derivative financial instruments	Financial investments
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D)	66.765.089	347.394.493	60.409.122	212.828.331	223.009.623	85.916	119.820.787
-part of maximum risk secured by guarantee,etc.	-	141.112.128	-	-	-	-	-
A) Net book value of financial assets which are undue or not exposed to depredation	66.765.089	337.356.421	60.409.122	212.828.331	223.009.623	85.916	119.820.787
B) Net book value of assets which are overdue but not exposed to depredation	-	10.038.072	-	-	-	-	-
C) Net book value of assets which are exposed to depredation	-	-	-	-	-	-	-
-Overdue (gross book value)	-	8.798.412	-	-	-	-	-
- Value decrease (-)	-	(8.798.412)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-		-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net value secured by guarantee, etc	-	-	-	-	-	-	-
D) Off-balance sheet elements carring credit risk	-	-	-	-	-	-	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The details of overdue trade receivables are as follows:

31 December 2018	**Trade receivables**	**Total**
1-30 days overdue	**9.081.712**	**9.081.712**
1-3 months overdue	**9.297.761**	**9.297.761**
3-12 months overdue	**225.800**	**225.800**
1-5 years overdue	**738.393**	**738.393**
Total	**19.343.666**	**19.343.666**

31 December 2017	Trade receivables	Total
1-30 days overdue	2.690.386	2.690.386
1-3 months overdue	4.027.308	4.027.308
3-12 months overdue	2.864.121	2.864.121
1-5 years overdue	456.257	456.257
Total	10.038.072	10.038.072

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

NOTE 32- 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 2018 is as follows;

				31 December 2018
		TL (functional currency)	USD	EURO
1	Trade receivables	373.850.389	69.095.689	1.716.137
2	Monetary financial assets (cash and bank accounts included)	159.982.999	11.091.566	16.859.884
3	Other current assets	11.645.169	227.058	1.733.683
4	Current assets (1+2+3)	545.478.557	80.414.313	20.309.704
5	Trade payables	(428.272.123)	(467.873)	(70.638.801)
6	Financial liabilities	(350.205.991)	(51.736.524)	(12.943.814)
7	Other short term liabilities, net	(88.624)	(60)	(14.650)
8	Short term liabilities (5+6+7)	(778.566.738)	(52.204.457)	(83.597.265)
9	Trade payables	-	-	-
10	Financial liabilities	-	-	-
11	Long term liabilities (9+10)	-	-	-
12	Total liabilities (8+11)	(778.566.738)	(52.204.457)	(83.597.265)
13	Net foreign exchange asset/ (liability) position (4-12)	(233.088.181)	28.209.856	(63.287.561)
14	Monetary items net foreign exchange asset/(liability) (4-12)	(233.088.181)	28.209.856	(63.287.561)
15	Fair value of derivative instruments classified as risk protection	-	-	-

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

NOTE 32- 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)
15	Fair value of derivative instruments classified as risk protection	-	-	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

In the years ending on 31 December 2018 and 31 December 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 December 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	**14.840.924**	**(14.840.924)**
2- The part hedged for USD risk (-)	**-**	**-**
3- The impact of TL net profit for the period	**14.840.924**	**(14.840.924)**
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	**(38.149.742)**	**38.149.742**
2- The part hedged for EUR risk (-)	**-**	**-**
3- The impact of TL net profit fort the period	**(38.149.742)**	**38.149.742**

		31 December 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	(30.194.512)	30.194.512
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(30.194.512)	30.194.512
The part hedged for risk		
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(45.106.54)	45.106.542
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit fort the period	(45.106.542)	45.106.542

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING)

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.
The fair value of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities are valued over stock exchange prices used in active market for assets and liabilities which are similar.

- Second level: Financial assets and liabilities are valued over the inputs used to find out observable price of relevant asset or liability directly or indirectly in the market other than its stock exchange price specified in first level.

- Third level: Financial assets and liabilities are valued over the inputs not based on an observable data in the market, which is used to find out fair value of asset and liability.

The fair value classification of financial assets measured at fair value as of 31 December 2018 and 31 December 2017 is as follows:

31 December 2018	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets / (liabilities)	**-**	**(4.703.497)**	**-**

31 December 2017	Level 1	Level 2	Level 3
Derivative financial assets / (liabilities)	-	85.916	-

NOTE 34 - SUBSEQUENT EVENTS

SOCAR Group Companies which SOCAR Turkey Enerji A.Ş. ("STEAŞ") is a subsidiary of, signed a letter of intent dated 31.01.2019 which includes the intention of the Parties to realize a "Potential Cooperation", to initiate the negotiation process with Gübretaş, in order to import carbamide/urea from petrochemical facilities and geographically near producers and to execute the sales of the imported carbamide/urea in the Turkish Republic market as well as overseas markets, which comprises a Joint Venture, which both sides would have a 50% of shares in each other.