



**2019 1st QUARTER
OPERATING REVIEW
REPORT**

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

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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2019 - 31.03.2019

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (“Gübretaş” or “the Company”)

C. TRADE REGISTER NUMBER

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

D. CONTACT INFORMATION

HEAD OFFICE

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

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

Web Address: www.gubretas.com.tr

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

YARIMCA FACILITIES

Address: Atalar Mahallesi Hayat Sokak No: 30 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

FOÇA FACILITIES

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

Phone: +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

ANTALYA REGIONAL OFFICE

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

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

Fax : +90 (242) 311 43 93

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

İSKENDERUN REGIONAL OFFICE

Address: 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 - Aliğa / İZMİR

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL OFFICE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

ŞANLIURFA REGIONAL OFFICE

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

Phone : +90 (414) 341 08 08

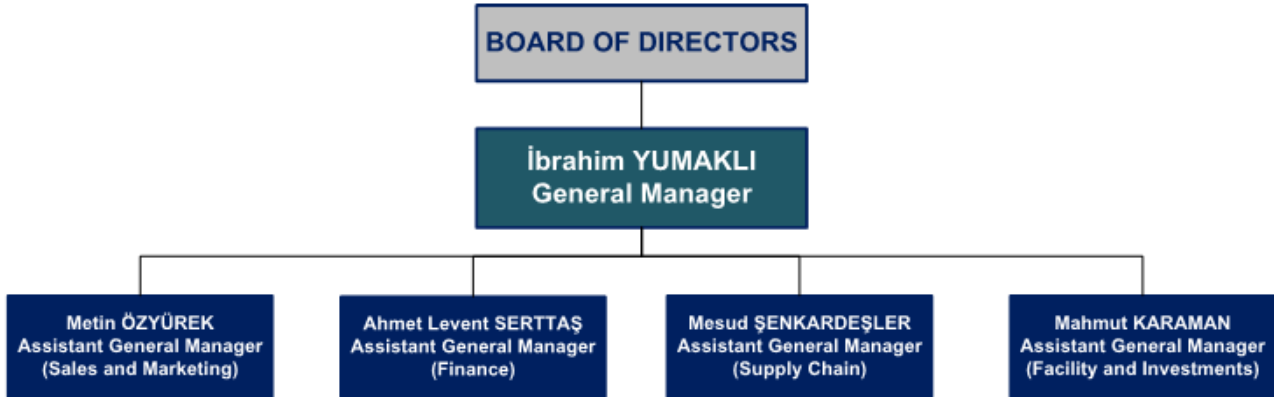
Fax : +90 (414) 381 08 10

TEKİRDAĞ REGIONAL OFFICE

Address: 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 31.03.2019 authorized capital of the company is 1.000.000.000 ₺ and issued capital is 334.000.000 ₺. There has not been any change in terms of capital and shareholder structure of Gübretas within the fiscal period.

There is no preferred shares in the Company's capital and the Company does not own any shares that it has acquired.

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

Tablo 1 : CAPITAL STRUCTURE

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

G. BOARD OF DIRECTORS

Title	Name	Date of Election
Chairman	Fahrettin POYRAZ	19.12.2017
Vice Chairman	Ahmet BAĞCI	03.05.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Member	Mehmet TUNÇAK	03.05.2018
Member	Selahattin KÜLCÜ	22.03.2019
Member	Mehmet Okan ATEŞ	02.05.2019
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Seyfullah ARSLANTÜRK	28.02.2018
Independent Member	Mehmet BULUT	30.03.2018

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

Title	Name	Date of Appointment	Date of Election
Member	Halim ALTUNKAL	03.05.2018	04.03.2019
Member	Ramazan BİLGİÇ	03.05.2018	02.05.2019

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

H. TOP MANAGEMENT

Title	Name	Date of Appointment
General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Facility and Investments	Dr. Mahmut KARAMAN	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Sales & Marketing	Metin ÖZYÜREK	10.07.2017
Assistant GM - Finance	Ahmet Levent SERTTAŞ	24.09.2018

I. ADMINISTRATIVE ACTIVITIES

Number of Personnel

As of 31.03.2019, the number of personel increased by 1,61% to 569 people compared to the same date a year before.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. Education activities of 720 hours with participation of 116 employees were carried out in the first three months of 2019.

Collective Labor Agreement

Collective bargaining agreement between the Company and Petrol-İş Sendikası, which will involve the years of 2019 and 2020, has been started as of 06.02.2019 and the negotiations are still in progress.

II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

A. PRODUCTION

Gübretaş produced 114.994 tons (2018/3: 129.587 tons) of compound fertilizers, 45.850 tons (2018/3: 67.165 tons) of nitrogen-based fertilizers, 8.790 tons (2018/3: 13.730 tons) of phosphate-based fertilizers, and a total of 169.634 tons (2018/3: 210.482 tons) in the first three months of 2019. In addition, 11.848 tons (2018/3: 9.108 tons) of liquid and powder fertilizers were produced.

Solid fertilizer production increased by 19,41% and liquid-powder production also increased by 31,12% in 2019 compared to 2018. Total fertilizer production including solid, liquid and powder increased by 17,33%.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 76% in the first three months of 2019.

Table 2: PRODUCTION BY GROUP -TON

Production	2019/3	2018/3	Change
Solid Fertilizer	169.634	210.482	(19,41%)
Liquid - Powder Fertilizer	11.848	9.108	31,12%
GRAND TOTAL	181.482	219.590	(17,33%)

B. SALES AND PURCHASES

The Company sold 676.341 tons (2018/3: 739.243 tons) of solid, 22.324 tons (2018/3: 18.113 tons) of liquid and powder fertilizers in the first three months of 2019.

The solid fertilizer sales decreased by 8,51% in the first three months of 2019, compared to the same period of the year before.

The volume of purchases was 554.508 tons in the first three months of 2018, and it increased by 3,90% to 576.115 tons in first three months of 2019. Export has been 15.679 tons in the first three months of 2019, while it was 500 tons in the same period of 2018.

Table 3: SALES, IMPORT AND DOMESTIC PURCHASES-TON

	2019/3	2018/3	Change
Raw Material	120.089	195.728	(38,64%)
Commodity	456.026	358.780	27,10%
Total Purchases	576.115	554.508	3,90%

Table 4: SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2019/3	2018/3	Change
Compound	200.622	241.396	(16,89%)
Nitrogen-based	448.642	454.784	(1,35%)
Phosphate-based and others	27.077	43.063	(37,12%)
Total Solid Fertilizer	676.341	739.243	(8,51%)
Total Liquid - Powder Fertilizer	22.324	18.113	23,25%
Grand Total	698.665	757.356	(7,75%)

C. INVESTMENTS

In Turkish operations, the Company spent 11.374.005 ₺ for capital expenditure in the first quarter of 2018, while this figure was 18.171.785 ₺ in the same period of 2019.

III. 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 March 2019.

IV. RAZİ PETROCHEMICAL CO. ACTIVITIES

A. PRODUCTION

In the first quarter of 2019, 402.919 tons (2018/3: 501.691 tons) of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. ("Razi") and its subsidiary Arya Phosphoric Jonoub Co. ("Arya"), capacity utilization rate was 44,26% (2018/3: 55,12%)

Table 5: RAZİ PRODUCTION-TON

PRODUCT	2019/3	2018/3	Değişim	Capacity	2018/3 CUR
Ammonia	196.497	229.305	(14,31%)	1.336.000	58,83%
Urea	131.796	124.399	5,95%	594.000	88,75%
Sulphur	55.425	66.595	(16,77%)	508.000	43,64%
Sulphuric Acid	15.292	51.827	(70,49%)	627.000	9,76%
Phosphoric Acid	3.909	16.174	(75,83%)	126.000	12,41%
DAP	-	13.391	(100,00%)	450.000	-
Total	402.919	501.691	(19,69%)	3.641.000	44,26%

B. SALES

In the first three months of 2019, 442.273 tons (2018/3: 397.608 tons) of fertilizer were sold and 524.066.042 ₺ (2018/3: 452.076.882 ₺) of revenue were achieved in Razi and its subsidiaries. Razi exported 351.963 tons and sold 90.310 tons in the domestic market in the first three months of 2019. Share of export in total sales was 79,58%.

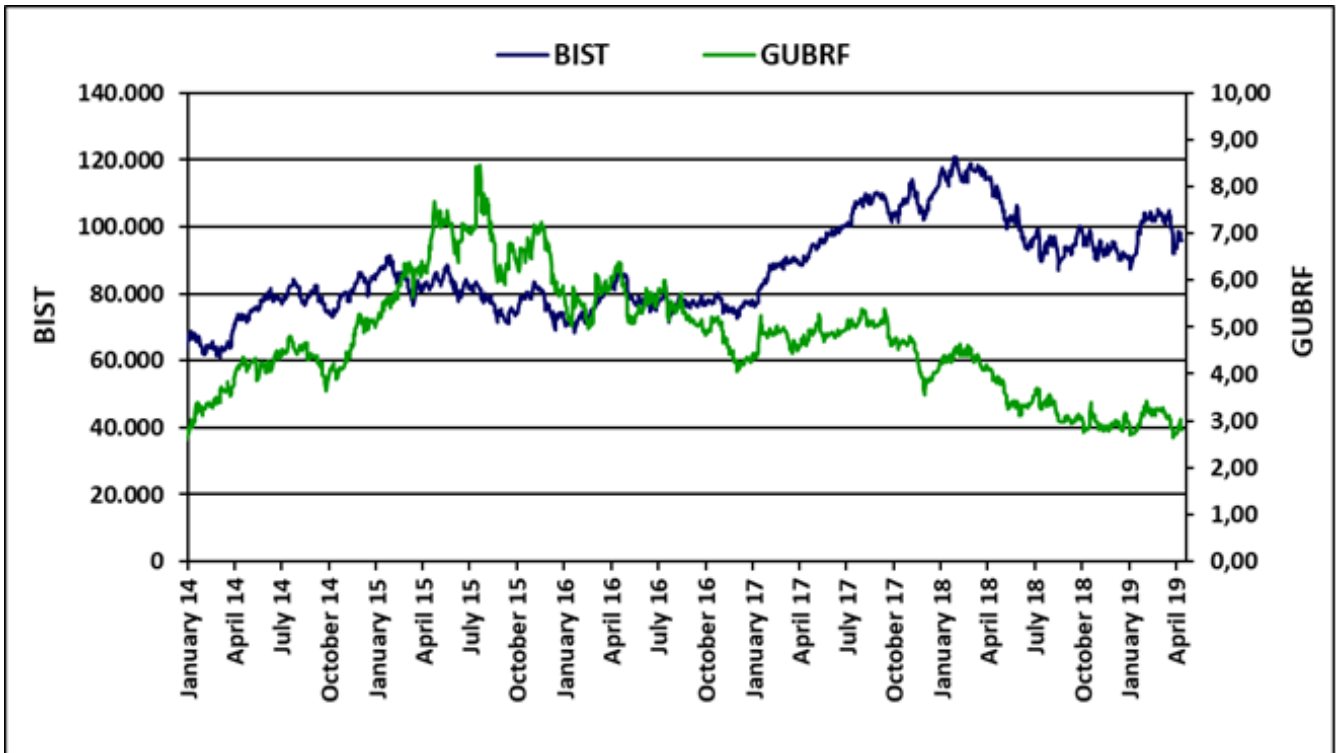
Table 6: RAZI SALES-TON

PRODUCT	2019/3	2018/3	Değişim
Urea	99.909	113.366	(11,87%)
Ammonia	89.971	167.947	(46,43%)
Sulphur	65.776	40.057	64,21%
Sulphuric Acid	8.529	7.515	13,50%
Phosphoric Acid	5.557	8.926	(37,75%)
DAP	221	12.095	(98,17%)
Subtotal	269.963	349.906	(22,85%)
Urea	118.960	47.702	149,38%
Ammonium Sulphate	44.000	-	-
Ammonia	9.350	-	-
TOTAL	442.273	397.608	11,23%

C. INVESTMENTS

In Iran operations, the Company spent 2.607.586 ₺ for capital expenditure in 2018, while this figure was 3.700.543 ₺ in 2019.

V. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK


VI. REVIEW

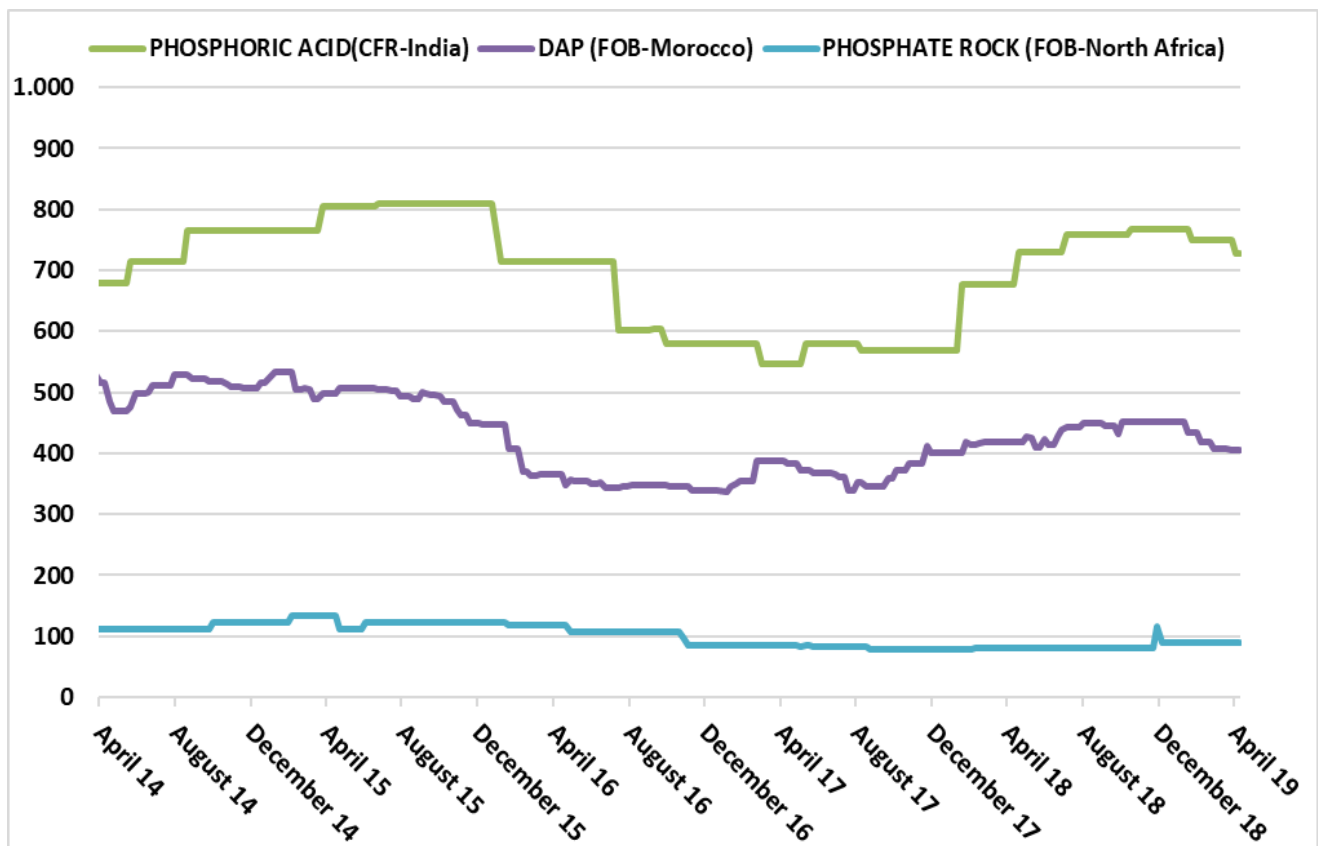
The downtrend, which began as of the end of 2018 in ammonia prices, which is the most important product for the company's foreign operations, continued in the first quarter of 2019. In the first quarter of the year, the average CFR prices in India region was around 315 USD. Ammonia prices, which showed a decrease of about 7% compared to the same period of the previous year, have emerged as a negative development for Iranian operations.

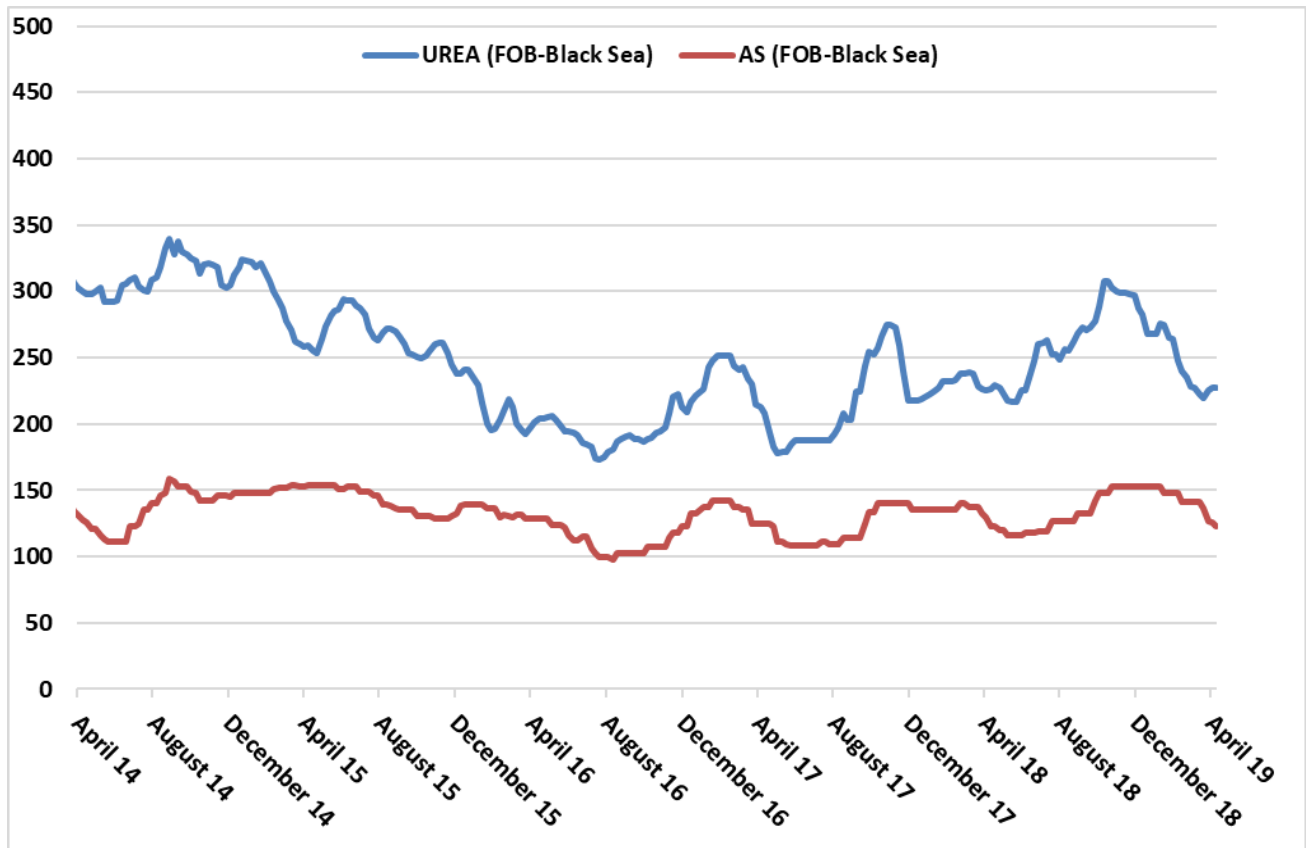
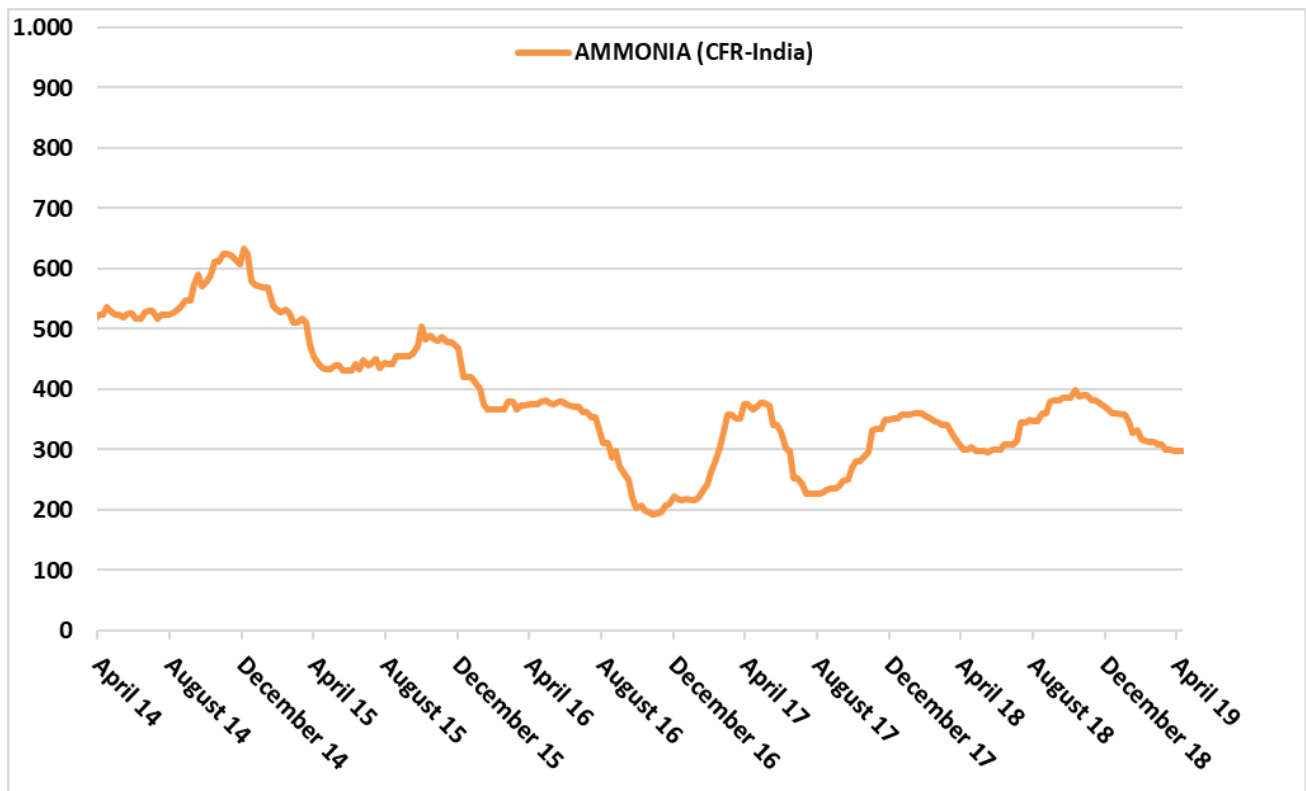
For the nitrogen fertilizers, it was observed that Urea and AS prices in terms of FOB in the Black Sea basin generally display a downward trend in the first quarter.

In phosphate fertilizers and fertilizer raw materials, a period with predominantly horizontal movements has been left behind except for DAP product with a downward trend.

The Company continues its activities in line with budget targets in operational indicators.

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



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

Graph 4 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON


VII. FINANCIAL STRUCTURE

A. CONSOLIDATED BALANCE SHEET

ASSETS	31 March 2019	31 December 2018
Current Assets	2.643.040.903	2.427.884.451
Fixed Assets	1.938.575.116	1.927.278.723
TOTAL ASSETS	4.581.616.019	4.355.163.174
LIABILITIES	31 March 2019	31 December 2018
Short-term Liabilities	2.885.391.421	2.545.722.303
Long-term Liabilities	553.114.836	551.988.865
Total Liabilities	3.438.506.257	3.097.711.168
Equity	1.143.109.762	1.257.452.006
TOTAL LIABILITIES AND EQUITY	4.581.616.019	4.355.163.174

B. CONSOLIDATED INCOME STATEMENT

CONTINUING OPERATIONS	1 Jan - 31 March 2019	1 Jan - 31 March 2018
Sales (net)	1.460.342.074	1.257.606.490
Costs of Sales	(1.204.139.601)	(995.464.509)
GROSS PROFIT	256.202.473	262.141.981
Operating Expenses	(159.700.747)	(141.588.995)
OPERATION PROFIT/(LOSS)	96.501.726	120.552.986
Financial Income/(Expenses)	(90.072.187)	(104.496.869)
Other Income/(Expenses)	991.643	(5.356.721)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	7.421.182	10.699.396
Total Tax Income / Expense	(5.810.921)	4.433.087
PERIOD PROFIT/ (LOSS)	1.610.261	15.132.483
Distribution of Period Profit / (Loss)	1.610.261	15.132.483
Minority Shares	7.419.395	23.920.669
Parent Company's Shares	(5.809.134)	(8.788.186)
Earnings / (Loss) Per Share (kr)	(0,0002)	(0,0003)

VIII. EVENTS AFTER BALANCE SHEET DATE

There are no events after the reporting period.

IX. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 3.1.2014, within the first three months of 2019 covering the dates of 1.1.2019 - 31.3.2019, the following works have been realized by the Company in order to be compliant with the principles issued in the related communique:

1. About the fertilizer sales which will be realized by the Company, Gübre Fabrikaları T.A.Ş, within the year of 2018 to the related party, Central Union of Turkish Agriculture Credit Cooperatives, the conclusion part of the Board of Directors' report which was prepared due to the Article 10 under the heading of Common and Continuous Transactions of Communiqué on Corporate Governance numbered II-17.1 was submitted for public information on January 31, 2018.
2. Regarding to the article 11/1 of Corporate Governance Communiqué, Investor Relations Department prepared "Investor Relations 2018 Operating Report" related to activities within the year of 2018, and submitted it for the Board's information.
3. Regarding to the article 2.1.3, under the title of "Public Disclosure and Transparency", in Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communiqué, our disclosure of 2018 financial statements excluding footnotes was announced in the Public Disclosure Platform both in Turkish and English.

X. CONCLUSION

DEAR SHAREHOLDERS,

In the first three months of 2019, 576.115 tons (*2018/3: 554.508 tons*) of fertilizers and raw materials were procured from domestic and foreign markets and 169.634 tons (*2018/3: 210.482 tons*) of various types of chemical solid fertilizer were produced at facilities. On the other hand, 698.665 tons (*2018/3: 757.356 tons*) of solid, liquid and powder fertilizers were sold in the first three months of 2019. Net sale revenues realized as 1.240.812.788 ₺ (*2018/3: 894.547.297 ₺*).

Also 402.919 tons (*2018/3: 501.691 tons*) of fertilizer and fertilizer raw materials were produced and 524.066.042 ₺ (*2018/3: 452.076.882 ₺*) sale revenues were realized by the sale of 442.273 tons (*2018/3: 397.608 tons*) of fertilizer and fertilizer raw material in Razi and its subsidiaries.

The Company reached to 1.460.342.074 ₺ (*2018/3: 1.257.606.490 ₺*) consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 7.421.182 ₺ (*2018/3: 10.699.396 ₺*) profit realized before tax. 1.610.261 ₺ (*2018/3: 15.132.483 ₺*) consolidated loss occurred after adding 5.810.921 ₺ (*2018/3: 4.433.087 ₺ tax income*) net tax expenses. 5.809.134 ₺ (*2018/3: 8.788.186 ₺ consolidated loss*) consolidated loss to shareholders has occurred after deducting 7.419.395 ₺ (*2018/3: 23.920.669 ₺*) shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding the first three months of 2019 activities.

Best Regards,

BOARD OF DIRECTORS

**GÜBRE FABRİKALARI TÜRK
ANONİM ŞİRKETİ
INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
JANUARY 1-MARCH 31, 2019**

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of financial position as of March 31, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Audited	
	Notes	March 31, 2019	December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	4	669.496.994	368.851.076
Financial investments		59.906.461	35.397.720
Trade receivables			
-Trade receivables from related parties	16	139.490.020	104.052.340
-Trade receivables from third parties	6	590.042.331	543.266.746
Other receivables			
- Other receivables from third parties	7	230.482.996	216.078.981
Inventories	8	847.637.318	1.108.978.905
Prepaid expenses		58.955.955	27.772.069
Derivative financial instruments		4.280.940	--
Assets related to the current period taxes		2.925.317	2.113.481
Other current assets		39.822.571	21.373.133
Total current assets		2.643.040.903	2.427.884.451
Non-current assets			
Financial investments		5.651.223	6.662.887
Other receivables			
- Other receivables from third parties	7	66.031.042	59.948.500
Investments valued by equity method		19.792.332	18.904.335
Investment properties		63.809.825	63.809.825
Property, plant and equipment	9	1.564.469.409	1.552.653.459
Intangible assets	10		
- Goodwill		117.011.257	121.614.875
- Other intangible assets		21.975.026	20.694.884
Prepaid expenses		20.720.375	19.573.127
Deferred tax assets		59.114.627	63.416.831
Total non-current assets		1.938.575.116	1.927.278.723
Total assets		4.581.616.019	4.355.163.174

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of financial position as of March 31, 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notlar	March 31, 2019	Audited December 31, 2018
LIABILITIES			
Current liabilities			
Short term borrowings	5	1.598.088.282	1.352.015.844
Current portion of long-term borrowings	5	82.815.557	198.437.226
Trade payables			
- Trade payables to related parties	16	1.146.043	1.431.632
- Trade payables to third parties	6	952.604.718	778.200.783
Employee benefit obligations		20.832.963	31.205.404
Other payables			
- Other payables to third parties	7	125.420.534	34.850.852
Deferred income		16.227.501	41.334.435
Current income tax liability		4.467.301	4.680.658
Derivative financial instruments		--	4.703.497
Short-term provisions			
-Short-term provisions for employee benefits		12.502.266	32.496.815
- Other short term provisions	12	71.286.256	66.365.157
Total current liabilities		2.885.391.421	2.545.722.303
Non-current liabilities:			
Long-term borrowings	5	28.199.418	59.850.476
Other borrowings			
-Other borrowings from third parties		363.594.640	349.323.784
Long-term provisions			
- Long-term provisions for employee benefits		135.612.868	116.286.123
Deferred tax liability		25.707.910	26.528.482
Total non-current liabilities		553.114.836	551.988.865
Total liabilities		3.438.506.257	3.097.711.168
Shareholders' equity			
Share Capital		334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
-Impairment on property, plant and equipment		328.930.319	328.930.319
-Defined benefit plans re-measurement losses		(1.012.950)	(937.828)
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
-Foreign currency translation differences		(226.092.261)	(213.293.368)
Restricted reserves from profit			
- Legal reserves		53.838.737	52.295.108
Prior year profit		368.154.821	434.038.586
Current year profit or loss		(5.809.134)	(64.340.136)
Shareholders' Equity		852.009.532	870.692.681
Non-controlling interests		291.100.230	386.759.325
Total shareholders' equity		1.143.109.762	1.257.452.006
Total liabilities and equity		4.581.616.019	4.355.163.174

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Consolidated statement of profit or loss and other comprehensive income as of March 31, 2019 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	January 1, – March 31, 2019	January 1, – March 31, 2018
Sales	13	1.460.342.074	1.257.606.490
Cost of sales (-)	13	(1.204.139.601)	(995.464.509)
Gross profit		256.202.473	262.141.981
General and administrative expense (-)		(38.469.850)	(38.631.001)
Marketing, selling and distribution expense (-)		(84.647.811)	(92.036.516)
Other operating income	14	66.115.070	53.741.896
Other operating expenses (-)	14	(102.698.156)	(64.663.374)
Operating profit		96.501.726	120.552.986
Income((expenses) from investment activities		103.646	(6.672.840)
Profit / (loss) from investments accounted by equity method		887.997	1.316.119
Financial income / (expense) before operating profit		97.493.369	115.196.265
Financial income / (expense)		(90.072.187)	(104.496.869)
Profit before tax from continuing operations		7.421.182	10.699.396
- Current period tax (expense)		(1.335.902)	--
- Deferred tax (expense) / income		(4.475.019)	4.433.087
Total tax (expense) / income		(5.810.921)	4.433.087
Net profit		1.610.261	15.132.483
Distribution of income for the period			
Non-controlling interests		7.419.395	23.920.669
Attributable to equity holders of the parent		(5.809.134)	(8.788.186)
Loss per share (kr)	15	(0,0002)	(0,0003)
Other Comprehensive Income:			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans		(93.903)	23.030
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss		18.781	(4.606)
Items to be reclassified to profit or loss			
Changes in currency translation differences		(25.744.860)	(1.497.376)
Other comprehensive (expense)		(25.819.982)	(1.478.952)
Total comprehensive (expense) / income		(24.209.721)	13.653.531
Distribution of total comprehensive income /(income)			
Non-controlling interests		(5.526.572)	23.123.774
Equity holders of the parent		(18.683.149)	(9.470.243)

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of changes in equity as of March 31, 2019

(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		Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	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			
January 1, 2018	334.000.000	261.940.485	(1.458.551)	(28.376.207)	(68.388.089)	52.295.108	387.155.939	33.317.912	970.486.597	237.024.490	1.207.511.087
Transfers	--	--	--	--	--	--	33.317.912	(33.317.912)	--	--	--
Acquisition and disposal of Subsidiary	--	--	--	28.376.207	--	--	--	--	28.376.207	17.046.002	45.422.209
Total comprehensive income/ (expense)	--	--	18.424	--	(700.481)	--	--	(8.788.186)	(9.470.243)	23.123.774	13.653.531
March 31, 2018	334.000.000	261.940.485	(1.440.127)	-	(69.088.570)	52.295.108	420.473.851	(8.788.186)	989.392.561	277.194.266	1.266.586.827
January 1, 2019	334.000.000	328.930.319	(937.828)	-	(213.293.368)	52.295.108	434.038.586	(64.340.136)	870.692.681	386.759.325	1.257.452.006
Transfers	--	--	--	--	--	1.543.629	(65.883.765)	64.340.136	--	--	--
Profit shares	--	--	--	--	--	--	--	--	--	(90.132.523)	(90.132.523)
Total comprehensive income / (expense)	--	--	(75.122)	--	(12.798.893)	--	--	(5.809.134)	(18.683.149)	(5.526.572)	(24.209.721)
March 31, 2019	334.000.000	328.930.319	(1.012.950)	--	(226.092.261)	53.838.737	368.154.821	(5.809.134)	852.009.532	291.100.230	1.143.109.762

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Interim consolidated statement of cash flows as of March 31, 2019 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	January 1, - March 31, 2019	January 1,- March 31, 2018
Cash flows from operating activities			
Period income /loss		1.610.261	15.132.483
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	9-10	22.951.302	17.977.912
Gain on equity investments		(887.997)	(1.316.119)
Retirement pay provision, early retirement pay liability		17.120.800	44.016.113
Adjustments related to interest expense		83.158.127	43.799.636
Adjustments related to Impairment of inventories	8	(4.713.930)	--
Adjustments related to trade receivables	7	70.048	511.480
Deferred financial income		8.139	1.807.876
Lawsuit provision / cancellation	12	(193.386)	--
Current year tax income / (expense)		5.810.921	(4.433.087)
Adjustments related to losses (gains) on sale of property, plant and equipments	9-10	--	(48.070)
Adjustments related to fair value losses (gains) on derivative financial instruments		(4.280.940)	(8.892.753)
Cash flows from the operating activities before changes in the assets and liabilities		120.653.345	108.555.471
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		(82.283.313)	(139.097.399)
Adjustments related to increase / (decrease) in other receivables		(20.486.557)	(39.476.972)
Adjustments related to increase / (decrease) in inventories		275.368.467	288.403.316
Adjustments related to increase / (decrease) in trade payables		183.685.705	(162.743.796)
Employee benefit obligations		(10.372.441)	11.437.595
Increase / (decrease) in deferred income		(25.106.934)	3.623.781
Increase / (decrease) in prepaid expenses		(32.331.134)	41.128.449
Increase / (decrease) in other payables		437.159	206.154.922
Adjustments related to other increases / (decreases) in working capital		(20.354.674)	(5.630.016)
Cash flows from the operations after the changes in working capital		389.209.623	312.355.351
Interest paid		(17.718.881)	(57.625.903)
Taxes refunds/(payments)		(6.572.582)	15.439.441
Payment termination indemnity		(14.584.083)	(19.785.203)
Cash flow regarding investment activities		350.334.077	250.383.686
Cash flows from investment activities			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9-10	(21.872.328)	(13.981.591)
Proceeds from sales of property, plant and equipment	9-10	12.820	3.393.368
Cash outflows from purchases of subsidiary share		--	(33.591.602)
Other cash inflows / (outflows)		(23.497.077)	(3.802.797)
Cash flows from investment activities		(45.356.585)	(47.982.622)
Cash flows from financing activities			
Cash inflows from financial borrowings		718.390.710	1.263.292.854
Cash outflows from financial borrowings payments		(685.030.245)	(1.398.431.625)
Cash flows from financing activities		33.360.465	(135.138.771)
Net change in cash and cash equivalents before effect of foreign currency translation difference		338.337.957	67.262.293
Cash and cash equivalents as of January 1		359.227.711	223.188.075
Foreign currency translation difference		(28.171.323)	(3.892.398)
Cash and cash equivalents as of March 31		669.394.345	286.557.970

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1- GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

The number of employees of the Company and its subsidiaries for the year ended March 31, 2019 is 1.482 (December 31, 2018: 1. 639)

25,40% of the shares of the Company are traded in the Istanbul Stock Exchange and is registered to the Capital Market Board (CMB).

The shareholders who hold 10% and above shareholding in the Company’s share capital are listed below:

Name	March 31, 2019		December 31, 2018	
	Share %	Share amount	Share %	Share amount
TKK	%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

1.1 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 share capital of Razi as of the date of balance sheet is 48,88% (December 31, 2018: 48,88). Razi is considered a subsidiary because Gübretaş has the right to select and nominate three of the five-member Board of Razi. Also, it has the controlling power over the operational management of Razi.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

1.1 Subsidiaries (Cont’d)

At the year end of 2010, Razi has established Raintrade Petrokimya ve Dış Ticaret A.Ş. (“Raintrade”) in Turkey in order to conduct its sales activities outside Iran. Raintrade has commenced its operations in April 2011. Razi has 100% 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. The Group’s indirect ownership is 48,88%.

In accordance with a sharing agreement signed on March 5, 2018, the Company has transferred its 40% shareholding in Negmar Denizcilik Yatırım A.Ş. (“Negmar”) to Etis Denizcilik Yatırım A.Ş. Thus, 100% of the shares of Nbulkgas Marine Company Limited (Limited Nbulkgas) owned by Negmar were transferred to the Company. Hence, the Company acquired indirect shareholding of 50% of the shares of IGLC Anka Shipping Investment S.A. (“IGLC Anka”) and IGLC Dicle Shipping Investment S.A. (“IGLC Dicle”). Since the Company has control over Nbulkgas and the majority of the board members of IGLC Anka ile IGLC Dicle are appointed by Gübretaş and Gübretaş controls the operating activities of IGLC Dicle these entities were considered as subsidiaries and consolidated in the accompanying consolidated financial statements. Since the Company has control over IGLC Anka and IGLC Dicle companies, all companies are considered as subsidiaries. The indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50%, whereby the Group has control over the operating activities and ownership ratio on Nbulkgas is 100%.Nbulkgas who was founded in December 26, 2014, in Turkey and IGLC Anka and IGLC Dicle who were founded in September 19, 2013 in Panama are engaged in carrying out maritime transport activities.

1.2 Affiliates

The Company has also participated in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş., which operates in Agricultural Pesticide sector on April 13, 2009. As of the balance sheet date, the share of Gübretaş on Tarkim A.Ş is 40% percentage (December 31, 2018: 40%).

1.3 Other financial investments

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

1.4 The approval of the financial statements

The interim condensed consolidated financial statements have been approved by the Board of Directors and instructed to be issued on May 10, 2019. The General Assembly has the power to amend the financial statements.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

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 (“TCC”) and accounting principles stated by the tax legislation. The subsidiaries in Iran keep their its books and accounting entries as per the Iranian legislation in the currency of Iranian Rial (“IRR”).

The accompanying condensed consolidated financial statements of the Group have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) on June 13, 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards (“TFRS”) and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards (“IFRS”).

The companies are free to prepare their interim financial statements either as full set or in condensed form as per the Turkish Accounting Standard no. 34 “Interim Financial Reporting”. In this regard, the Group has selected to prepare interim consolidated financial statements. Therefore, these interim condensed and consolidated financial statements should be evaluated together with the consolidated financial statements of the Group as of March 31, 2019.

For the interim period ended March 31, 2019, the accounting policies of the interim condensed consolidated financial statements, which were stated on Note 2.2, are in compliance with the accounting policies used in prior year consolidated financial statements except the impact of new and amended standards and interpretations.

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

Going concern

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

Functional currency

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation (Cont’d)

Functional currency (Cont’d)

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 TAS 21 Changes in Exchange Rates, the assets and liabilities of the subsidiaries in foreign countries are converted to Turkish Lira with the parity on the balance sheet day. Income and expense items are translated into Turkish Lira with the average exchange rate in the period. The exchange differences occurred as a result of application of the closing and average rates are followed under the equity in the foreign currency translation reserve account. The translation differences occurred is recorded as income or expense at the end of the operation period.

The conversion rates used are as follows:

Currency	March 31, 2019		December 31, 2018	
	Period End	Period Average	Period End	Period Average
IRR/TL	0,000067490	0,000065348	0,000070145	0,000089246
USD/TL	5,6284	5,3580	5,2609	4,8378

2.2 Changes in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 2019 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, 2019. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i. 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The new standards, amendments and interpretations which are effective as at January 1, 2019
(Cont’d)

i. TFRS 16 Leases (Cont’d)

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.

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 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 end 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.

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;
- (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.

Interpretation, January 1, 2019 has been applied and has not had any effect on the consolidated financial statements of the Group

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

iii. Other changes effective as of January 1, 2019 that have no impact on the consolidated financial statements of the Group:

1. Amendment to TFRS 9: Prepayment Features with Negative Compensation
2. Amendments to TAS 28: Investments in Associates and Joint Ventures
3. Amendment to TAS 19: Plan Amendment, Curtailment or Settlement
4. Annual Improvements – 2015–2017 Cycle

Standards and amendments issued but not yet effective

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.

1. Amedment to TFRS 3: Definition of a Business
2. Amendments to TAS 1 and TAS 8: Definition of Material
3. TIFRS 17 - The new Standard for insurance contracts

2.3 Basis of consolidation

a) The consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended 31 March 2019 and include financial statements of Gübretaş and its Subsidiaries.

b) As of March 31, 2019, 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 December 31, 2018.

The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the year, respectively.

c) The Group’s significant interest in affiliates is accounted for with equity method. Affiliates accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The comprehensive income statement presents shares of financial results of the Group’s affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group’s share. The share of the Group from these changes is directly accounted under the Group’s equity.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.3 Basis of consolidation (Cont’d)

d) The non-controlling shareholders’ share of the net assets and results for the period for the subsidiaries are classified separately in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.

2.4 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, the Group will recognise a right-of-use asset and a lease liability.

At the commencement date, the right-of-use asset at cost will be measured at cost and recognized after deducting the accumulated depreciation and impairment losses. The Group will apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset and TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments will be discounted using the interest rate implicit in the lease, if that rate can be readily determined. After the commencement date, the Group will measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

2.5 Mergers

In accordance with a sharing agreement signed on March 5, 2018, the Company has transferred its 40% shareholding in Negmar Denizcilik Yatırım A.Ş. (“Negmar”) to Etis Denizcilik Yatırım A.Ş. Thus, 100% of the shares of Nbulkgas Marine Company Limited (Limited Nbulkgas) owned by Negmar were transferred to the Company. Hence, the Company acquired indirect shareholding of 50% of the shares of IGLC Anka Shipping Investment S.A. (“IGLC Anka”) and IGLC Dicle Shipping Investment S.A. (“IGLC Dicle”). Since the Company has control over Nbulkgas and the majority of the board members of IGLC Anka ile IGLC Dicle are appointed by Gübretaş and Gübretaş controls the operating activities of IGLC Dicle these entities were considered as subsidiaries and consolidated in the accompanying consolidated financial statements. Since the Company has control over IGLC Anka and IGLC Dicle companies, these entities are considered as subsidiaries. The indirect ownership ratio of the Group on IGLC Anka and IGLC Dicle is 50 % each, whereby the Group has control over their operating activities and the ownership rate on Nbulkgas is 100%.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.5 Mergers (Cont’d)

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

	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				--

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 3 -SEGMENT REPORTING

The Group’s competent authority of making decision reviews the results and activities based on geographical divisions in order to make decision on resources to be allocated to departments and evaluate the performance of these departments. The Parent Company operates in Turkey; whereas Razi, a subsidiary, operates in Iran.

The Company is engaged in carrying out the production and sales of chemical fertilizer within Turkey. Razi, is engaged in carrying out the production and trading of chemical fertilizers and fertilizer raw materials. Since 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 March 31, 2019 and December 31, 2018 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	March 31, 2019	March 31, 2019	March 31, 2019	March 31, 2019
Assets				
Current assets	1.614.167.198	1.110.261.213	(81.387.508)	2.643.040.903
Non-current assets	1.784.729.342	465.826.929	(311.981.155)	1.938.575.116
Total assets	3.398.896.540	1.576.088.142	(393.368.663)	4.581.616.019
Liabilities				
Short term liabilities	2.219.351.114	831.725.565	(165.685.258)	2.885.391.421
Long term liabilities	405.088.725	148.026.111	--	553.114.836
Equities	774.456.701	596.336.466	(227.683.405)	1.143.109.762
Total liabilities	3.398.896.540	1.576.088.142	(393.368.663)	4.581.616.019
	Turkey	Iran	Consolidation Adjustments	Total
	December 31, 2018	December 31, 2018	December 31, 2018	December 31, 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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOT 3 - SEGMENT REPORTING (Cont'd)

The distribution of income statements by segments for the periods ending on March 31, 2019 and 2018 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	January 1,- March 31, 2019	January 1,- March 31, 2019	January 1,- March 31, 2019	January 1,- March 31, 2019
Sales (Net)	1.240.812.788	524.066.042	(304.536.756)	1.460.342.074
Cost of sales (-)	(1.088.150.245)	(418.633.642)	302.644.286	(1.204.139.601)
Gross profit	152.662.543	105.432.400	(1.892.470)	256.202.473
Marketing, selling and distribution expense (-)	(48.061.090)	(36.586.721)	--	(84.647.811)
General and administrative expense (-)	(9.902.751)	(28.567.099)	--	(38.469.850)
Other operating income / expense (-) (net)	(19.410.532)	(17.172.554)	--	(36.583.086)
Operating profit	75.288.170	23.106.026	(1.892.470)	96.501.726
Income / (expense) net from investments	103.646	--	--	103.646
Profit / (loss) from investments accounted by equity method	887.997	--	--	887.997
Operation profit before financial income / (expense)	76.279.813	23.106.026	(1.892.470)	97.493.369
Financial income / (expense)	(89.264.572)	(807.615)	--	(90.072.187)
Profit before tax	(12.984.759)	22.298.411	(1.892.470)	7.421.182
Deferred tax income / (expense)	(5.285.107)	(942.157)	416.343	(5.810.921)
Profit / (loss) for the period	(18.269.866)	21.356.254	(1.476.127)	1.610.261

	Turkey	Iran	Consolidation Adjustments	Total
	January 1,- March 31, 201	January 1,- March 31, 2018	January 1,- March 31, 2018	January 1,- March 31, 2018
Sales (Net)	894.547.297	452.076.882	(89.017.689)	1.257.606.490
Cost of sales (-)	(805.835.279)	(278.646.919)	89.017.689	(995.464.509)
Gross profit	88.712.018	173.429.963	--	262.141.981
Marketing, selling and distribution expense (-)	(45.552.625)	(46.483.891)	--	(92.036.516)
General and administrative expense (-)	(12.159.351)	(26.471.650)	--	(38.631.001)
Other operating income / expense (-)	(5.358.910)	(5.562.568)	--	(10.921.478)
Operating profit	25.641.132	94.911.854	--	120.552.986
Income / (expense) net from investments	(6.672.840)	--	--	(6.672.840)
Profit / (loss) from investments accounted by equity method	1.316.119	--	--	1.316.119
Operation profit before financial income / (expense)	20.284.411	94.911.854	--	115.196.265
Financial income / (expense)	(46.990.473)	(57.506.396)	--	(104.496.869)
Profit before tax	(26.706.062)	37.405.458	--	10.699.396
Tax expense	(2.255.483)	6.688.570	--	4.433.087
Profit / (loss) for the period	(28.961.545)	44.094.028	--	15.132.483

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

**Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)**

NOTE 3 -SEGMENT REPORTING (continued)

Investment expenditures pertaining to segment assets for the periods ending on March 31, 2019 and 2018 are as follows:

	January 1,- March 31, 2019	January 1,- March 31, 2018
Turkey	18.171.785	11.374.005
Iran	3.700.543	2.607.586
Total	21.872.328	13.981.591

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on March 31, 2019 and 2018 are as follows:

	January 1,- March 31, 2019	January 1,- March 31, 2018
Turkey	15.497.994	6.954.864.
Iran	7.453.308	10.735.110
Total	22.951.302	17.689.974

NOTE 4 - CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018
Cash on hands	855.284	317.371
Bank	668.504.230	368.517.959
- demand deposits	90.799.722	106.160.602
- time deposits	577.704.508	262.357.357
Other cash equivalents (*)	137.480	15.746
Total	669.496.994	368.851.076
Pledge cash and cash equivalents (**)	(102.649)	(9.623.365)
Cash and cash equivalents at the statement of cash flow	669.394.345	359.227.711

(*) As of March 31, 2019 and December 31, 2018 other cash equivalents consist of Gübretaş’s receivables from credit card sales.

(**) As of March 31, 2018, pledge cash and cash equivalents include TL 102.649 (December 31, 2018. TL 9.623.365), which is related with the letters of credit opened by Raintrade Petrokimya ve Dış Tic. A.Ş.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOT 4 - CASH AND CASH EQUIVALENTS (Continued)

4.1 Time deposits (TL):

Interest rate (%)	Maturity	March 31, 2019
19,50 – 20,50	1-3 days	142.383.404
Total		142.383.404
Interest rate (%)	Maturity	December 31, 2018
18 - 24	1-3 days	48.484.587
Total		48.484.587

4.2 Time deposits (Foreign currency):

Interest rate (%)	Maturity	Currency	March 31, 2019	
			Foreign currency amount	Amount in TL
1,5	1-3 days	EUR	31.192.258	188.026.930
10	1-3 days	Mil. IRR	684.419	46.191.441
3,75	1-3 days	USD	38.225.918	201.102.732
Total				435.321.104
Interest rate (%)	Maturity	Currency	December 31, 2018	
			Foreign currency amount	Amount in TL
Euribor	1-3 days	EUR	3.188	19.220
10	1-3 days	Mil. IRR	1.606.094	112.659.999
1,80	1-3 days	USD	19.235.027	101.193.551
Total				213.872.770

NOTE 5 – FINANCIAL BORROWINGS

Short -Long term borrowings	March 31, 2019	December 31, 2018
Payable within 1 year	1.680.903.839	1.550.453.070
Payable within 1 – 5 years	28.199.418	59.850.476
Total	1.709.103.257	1.610.303.546

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOT 5 – FINANCIAL BORROWINGS (Continued)

As of March 31, 2019, and December 31, 2018, details of short- and long-term borrowings are as follows:

Short term borrowings	March 31, 2019	December 31, 2018
Short term borrowings	1.596.139.809	1.350.135.187
Short term portion of long-term borrowings	82.815.557	198.437.226
Short-term finance lease liabilities	1.948.473	1.880.657
Total	1.680.903.839	1.550.453.070

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

Bank loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
EUR	January 2020	2,75 – 3,40	46.929.208	296.536.279
USD	February 2020	3,44	10.030.056	56.453.169
TL	March 2022	14,83 – 34,00	1.263.511.370	1.263.511.370
Total				1.616.500.818

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

Other financial borrowings

As March 31, 2019 details of other financial borrowings are as follows:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
Mil. IRR	September 2019	18	925.389	62.454.548
Total				62.454.548

As December 31, 2018 details of other financial borrowings are as follows:

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

(*) 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.

5.2 Finance lease liabilities

March 31, 2019		Average effective annual interest rate (%)	Original amount	Amount in TL
Currency	Maturity			
TL	March 2020	21	1.948.473	1.948.473
Total				1.948.473

December 31, 2018		Average effective annual interest rate (%)	Original amount	Amount in TL
Currency	Maturity			
TL	December 2019	21	1.880.657	1.880.657
Total				1.880.657

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

5.3 Long term borrowings

	March 31, 2019	December 31, 2018
Long term bank loans	27.127.920	58.261.655
Long term lease liabilities	1.071.498	1.588.821
Total	28.199.418	59.850.476

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

Bank loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	2022	14,83	27.127.920	27.127.920
Total				27.127.920

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

Bank loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
EUR	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:

March 31, 2019		Average effective annual interest rate (%)	Original amount	Amount in TL
Currency	Maturity			
TL	September 2020	21	1.071.498	1.071.498
Total				1.071.498

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 5 – FINANCIAL BORROWINGS (Cont’d)

5.3 Long term borrowings (Cont’d)

December 31, 2018		Average effective annual interest rate (%)	Original amount	Amount in TL
Currency	Maturity			
TL	September 2020	21	1.588.821	1.588.821
Total				1.588.821

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

6.1 Short term trade receivables:

	March 31, 2019	December 31, 2018
Trade receivables	536.659.540	488.508.390
Receivables from Subsidiaries of Oil Ministry	63.512.522	64.381.842
Notes Receivables	28.815	465.012
	600.200.877	553.355.244
Allowance for doubtful receivables (-)	(10.158.546)	(10.088.498)
Total	590.042.331	543.266.746

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

Vadeden sonra geçen süre	March 31, 2019	December 31, 2018
More than 9 months	10.158.546	9.309.892
Toplam	10.158.546	9.309.892

For the three months period ended March 31, 2019 and 2018, the movement of doubtful trade receivables provision is as follows:

	March 31, 2019	March 31, 2018
Balance at beginning of the period	10.088.498	8.798.412
Period cost	70.048	511.480
Balance at end of the period	10.158.546	9.309.892

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

As March 31, 2019 and December 31, 2018 guarantees obtained to not receivables not due yet are as follows:

	March 31, 2019	December 31, 2018
Guarantee letters	260.250.736	245.044.412
Collateral cheques and notes	790.001	790.001
Total	261.040.737	245.834.413

6.2 Short term trade payables

	March 31, 2019	December 31, 2018
Payables to NIOC	439.270.650	435.870.054
Creditors	500.195.041	337.249.522
Other trade payables	13.139.027	5.081.207
Total	952.604.718	778.200.783

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

7.1 Other short term receivables:

	March 31, 2019	December 31, 2018
VAT receivables (Razi)	120.103.601	142.369.070
VAT receivables - Türkiye	19.684.171	18.833.591
Due from personnel	3.799.653	8.849.346
Other various receivables (Tabosan) (*)	33.273.552	32.482.253
Other various receivables	53.622.019	13.544.721
Total	230.482.996	216.078.981

(*) The total receivables of the Group arising from principal payments made as co-guarantor and accrued interest receivable thereon amounted to TL33.273.552 as of report date. 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 EUR 5.439.402 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 June 27, 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
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NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Cont’d)

7.1 Other short term receivables (Cont’d)

The lawsuit filed by the Group for share transfer has been rejected and then appealed by the Group. However the court ruling was approved by the Supreme Court upon which the Group has made a request for the overturn of the decision. The lawsuit filed by the Group against the Bankruptcy Administration for request made for share transfer was rejected by the court.

Additionally, since the request of the Group regarding the recording of its other receivables arising 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 July 15, 2017. Since the accumulated dividend receivables striking to 10,88% shares of Tabosan at Razide reverted to bankruptcy estate, the Bankruptcy administration paid its principal receivable at an amount of TL 25.278.225 on July 8, 2015. The registration of this record will be finalized. The Bankruptcy Administration has paid TL 5.548.880 to the Group on August 4, 2017, which is the principal amount receivable of the Group. The Bankruptcy Administration will be able to pay the Group's remaining receivables to the extent that there will be dividend receivable of Tabosan from Razi provided those receivables will be registered to the bankruptcy table and will be sufficient to cover the remainder of the outstanding receivables of the Group.

7.2 Other short term payables

	March 31, 2019	December 31, 2018
Deposits and guarantees given	55.722.476	52.084.226
Due from personnel (*)	2.380.391	2.666.364
Other long-term receivables	7.928.175	5.197.910
Total	66.031.042	59.948.500

7.3 Other short term payables

	March 31, 2019	December 31, 2018
Dividend payables to non-controlling interests	90.132.523	1.518.717
Other payables	35.288.011	33.332.135
Total	125.420.534	34.850.852

7.4 Other long-term payables

	March 31, 2019	December 31, 2018
Other payables to third parties (*)	363.594.640	349.323.760

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

Total	363.594.640	349.323.760
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(*) Consists of payables of the consolidated subsidiaries of the Group; Anka and Dicle.

NOTE 8 - INVENTORIES

	March 31, 2019	December 31, 2018
Raw materials and supplies	165.478.533	175.923.775
Finished goods	172.357.057	259.492.688
Trade goods	371.416.370	465.740.737
Other inventories	152.602.005	226.752.282
	861.853.965	1.127.909.482
(-) Provision for inventories	(14.216.647)	(18.930.577)
Total	847.637.318	1.108.978.905

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

The details of the depreciation and amortization expenses of the Group as of March 31, 2019 and 2018 are given below.

	March 31, 2019		
	Gübretaş	Razi	Total
Amortization cost	15.200.643	7.453.374	22.654.017
Depreciation cost	297.285	--	297.285
Total	15.497.928	7.453.374	22.951.302

March 31, 2019: Out of the total of TL 22.951.302 depreciation and amortization costs; TL 21.792.142 have been included in Cost of Goods Sold, TL 346.387 in Marketing and Selling Expenses, TL 812.773 in General Administrative Expenses.

	March 31, 2018		
	Gübretaş	Razi	Total
Amortization cost	6.435.066	11.138.978	17.574.044
Depreciation cost	403.868	--	403.868

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

Total	6.838.934	11.138.978	17.977.912
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March 31, 2019: Out of the total of TL 17.977.912 depreciation and amortization costs; TL 17.452.595 have been included in Cost of Goods Sold, TL 147.389 in Marketing and Selling Expenses, TL 377.928 in General Administrative Expenses.

There are no pledges or mortgages on the property, plant and equipment of the Group as of March 31, 2019 and December 31, 2018.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance at January 1, 2019	487.225.047	128.434.581	357.345.942	828.132.342	575.107.963	31.834.492	1.018.158	45.392.380	2.454.490.905
Foreign currency translation differences	(3.673.649)	--	(2.908.039)	(22.057.583)	35.955.409	(511.218)	--	(607.625)	6.197.295
Additions	--	183.104	177.333	142.976	146.338	630.700	--	18.562.494	19.842.945
Sales/Cancellations	--	--	--	--	(47.730)	(22.088)	--	--	(69.818)
Transfer from construction in progress	--	228.836	4.967	518.354	--	48.859	--	(801.016)	--
Closing balance on March 31, 2019	483.551.398	128.846.521	354.620.203	806.736.089	611.161.980	31.980.745	1.018.158	62.546.233	2.480.461.327
Accumulated depreciation									
Opening balance at January 1, 2019	--	(50.620.073)	(145.623.103)	(543.716.808)	(145.988.138)	(15.379.288)	(510.037)	--	(901.837.447)
Foreign currency translation differences	--	--	1.405.610	17.142.975	(10.442.628)	344.729	--	--	8.450.686
Period costs	--	(2.667.189)	(2.921.693)	(8.451.143)	(7.696.089)	(874.599)	(43.304)	--	(22.654.017)
Sales/Cancellations	--	--	--	--	39.775	9.085	--	--	48.860
Closing balance on March 31, 2019	--	(53.287.262)	(147.139.186)	(535.024.976)	(164.087.080)	(15.900.073)	(553.341)	--	(915.991.918)
Net book value on March 31, 2019	483.551.398	75.559.259	207.481.017	271.711.113	447.074.900	16.080.672	464.817	62.546.233	1.564.469.409

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance at January 1, 2018	467.703.378	125.964.958	327.708.330	1.118.941.632	10.857.084	32.882.870	1.018.158	59.072.463	2.144.148.873
Foreign currency translation differences	51.134	--	44.400	321.818	3.414	6.892	--	41.550	469.208
Additions	3.674.036	223.694	858.734	202.795	545.200	878.389	--	7.598.743	13.981.591
Entries due to subsidiary purchases	--	--	--	--	395.533.868	449.668	--	--	395.983.536
Sales/Cancellations	--	--	(3.383.305)	--	(342.389)	576.153	--	--	(3.149.541)
Transfer from construction in progress	--	--	87.369	927.641	--	--	--	(1.015.010)	--
Closing balance on March 31, 2018	471.428.548	126.188.652	325.315.528	1.120.393.886	406.597.177	34.793.972	1.018.158	65.697.746	2.551.433.667
Accumulated depreciation									
Opening balance at January 1, 2018	--	(46.433.852)	(127.478.338)	(724.560.768)	(7.018.239)	(15.427.880)	(342.730)	--	(921.261.807)
Foreign currency translation differences	--	--	(481.595)	(1.573.813)	97.934	(858.682)	--	--	(2.816.157)
Period costs	--	(2.424.934)	(2.139.564)	(11.704.416)	(226.490)	(1.040.488)	(38.153)	--	(17.574.044)
Entries due to subsidiary purchases	--	--	--	--	(86.021.359)	--	--	--	(86.021.359)
Sales/Cancellations	--	(1.309.643)	288.195	(55.525)	229.782	1.309.643	--	--	462.452
Closing balance on March 31, 2018	--	(50.168.429)	(129.811.302)	(737.894.522)	(92.938.372)	(16.017.407)	(380.883)	--	(1.027.210.915)
Net book value on March 31, 2018	471.428.548	76.020.223	195.504.226	382.499.364	313.658.805	18.776.565	637.275	65.697.746	1.524.222.752

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 10 – INTANGIBLE ASSETS

10.1 Rights

	March 31, 2019	March 31, 2018
Cost		
Opening balance on 1 January	25.644.968	30.393.260
Purchases	2.029.383	--
Foreign currency translation differences	(451.956)	--
Sales/cancellations	--	(243.827)
Closing balance on 31 December	27.222.395	30.149.433

Accumulated Amortisation

Opening balance on 1 January	(4.950.084)	(1.442.953)
Amortization expenses for current period	(297.285)	(115.930)
Foreign currency translation differences	--	--
Sales/cancellations	--	403.868
Closing balance on 31 December	(5.247.369)	(1.155.015)
Net book value	21.975.026	28.944.418

10.2 Goodwill

	March 31, 2019	March 31, 2018
Opening balance on the beginning of the period	121.614.875	194.572.934
Foreign currency translation differences	(4.603.618)	(13.176.964)
Subsidiary acquisition	--	19.587.610
Balance as of end of the period	117.011.257	200.983.580

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 11 – COMMITMENTS

11.1 Razis’ share purchase

Related to Razis’ purchase agreement, all shares of Razi are put in pledge by Iranian Privatization Organisation until Group and other consortium members will pay all of their debts. Group and consortium members have agreed that they have no right to make any implement or change within period of pledge. Moreover, Group and consortium members gave right to Iran Privatization Organisation for selling or taking over companys’ shares without any condition if any contrary to the agreement like abusing companys’ rights and harm to collection of its receivables happens, with an unsubmitted notarised letter of attorney. Group and consortium members have no right for changing articles of association of company, transferring and selling assets unless they pay all of debts or have written permission from Iranian Privatization Organization. Group and other consortium members has disclaimed to their rights about 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.

11.2 Purchasing commitments

As of March 31, 2019, the Group has USD 125.774.148 accredited purchasing commitment for raw materials and trade goods. (December 31, 2018: USD 97.654.560).

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

12.1 Short term debt provision

	March 31, 2019	December 31, 2018
Provision for cost expenses	63.649.121	54.068.584
Provisions for pending claims and lawsuits	1.309.364	1.502.750
Other short-term debt provisions	6.327.771	10.793.823
Total	71.286.256	66.365.157

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

	March 31, 2019	December 31, 2018
As of January 1	1.502.750	8.984.280
Addition / cancellation	(193.386)	--
As of March 31	1.309.364	8.984.280

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

12.1 Short term debt provision (Cont’d)

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued the Group for claims about profit losses amounting to TL 785.193. The Group Management has not made any provision for this lawsuit in the accompanying consolidated financial statements according to the opinion of the legal counsel. The Group recorded a provision of TL 1.309.364 TL (2018: TL 1.502.750) for other lawsuits.

12.2 Gurantees given

As from March 31, 2019 and December 31, 2018, the tables related to the Group’s tables related to Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position are as follows:

	March 31, 2019			December 31, 2018		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
CPMB given by the company						
A. CPMB’s given for Company’s own legal personality	TL	82.979.079	82.979.079	TL	18.353.334	18.353.334
B. CPMB’s given on behalf of fully consolidated companies	--	--	--	--	--	--
C. CPMB’s given on behalf of third parties for ordinary course of business	--	--	--	--	--	--
D. Total amount of other CPMB’s	--	--	--	--	--	--
i) Total amount of CPMB’s given on behalf of the majority shareholder	--	--	--	--	--	--
ii) Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C	--	--	--	--	--	--
iii) Total amount of CPMB’s given on behalf of third parties which are not in scope of C	--	--	--	--	--	--
Total		82.979.079	82.979.079		18.353.334	18.353.334

12.3 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

12.3 Contingent liabilities (Cont’d)

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 lawsuit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m² located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 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 m² of the immovable property of the Company located in Hatay, İskenderun and Sariseki borders, the court ruled that the applicant had been denied the registration with the abandonment as a line and rejected the request concerning the surplus and rejected the case against the group. Within the legal period, the Group has applied for the appeal law, the group has accepted the appeal and the Gaziantep Regional Court of Justice has removed the decisions given by the Law Department of the 15th Law Department and the Group actions and returned the case to the local court for reconsideration. The Group Management has not 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

12.3 Contingent liabilities (Cont’d)

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 33.273.552. The Bankruptcy Administration may pay the Group's balance receivables to the extent these may be sufficient to settle the remainder of the group's receivables.

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 120 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.

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
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NOTE 13 - REVENUE

13.1 Sales	January 1, - March 31, 2019	January 1, - March 31, 2018
Domestic sales	1.243.003.520	999.917.493
Foreign sales	222.048.966	334.051.778
Service sales	14.696.231	--
Sales returns (-)	(1.715.356)	(50.755.315)
Sales discounts (-)	(15.530.877)	(24.437.309)
Other discounts from sales (-)	(2.160.410)	(1.170.157)
Total	1.460.342.074	1.257.606.490
13.2 Cost of sales (-)	January 1, - March 31, 2019	January 1, - March 31, 2018
Cost of Good Produced	470.453.641	466.668.699
Change in the Good Inventory	106.436.206	42.774.239
- Goods at the beginning of the Period	184.741.963	199.847.013
- Goods at the end of the Period	(78.305.757)	(157.072.774)
Cost of Good sold	576.889.847	509.442.938
-Merchandise Inventory at the beginning of the Period	465.740.737	407.233.500
- Purchases	512.206.837	288.078.663
- Merchandise Inventory at the end of the Period	(369.645.594)	(211.665.930)
Cost of Merchandise Sold	608.301.980	483.646.232
Cost of Other Sales	1.715.974	2.192.329
Cost of Services Sold	17.231.800	183.010
Total	1.204.139.601	995.464.509

NOTE 14 - OTHER OPERATING INCOME AND EXPENSES

14.1 Other Operating Income

	January 1, - March 31, 2019	January 1, - March 31, 2018
Foreign exchange gain from trade receivables	54.348.525	38.153.226
Interest Income	4.923.751	794.161
Other income	6.842.794	14.794.509
Total	66.115.070	53.741.896

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

14.2 Other Operating Expenses

	January 1, - March 31, 2019	January 1, - March 31, 2018
Foreign exchange loss from trade payables	89.248.323	52.182.552
Other expenses	13.449.833	12.480.822
Total	102.698.156	64.663.374

NOTE 15 - EARNINGS PER SHARE

Earnings per share stated in the income statement are calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the year. The gross dividend per share and earnings per share is as follows:

	January 1, - March 31, 2019	January 1, - March 31, 2018
Net profit for the period	(5.809.134)	(8.788.186)
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) (*)	(0,0002)	(0,0003)

The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

NOTE 16 - RELATED PARTIES TRANSACTIONS

16.1 Balances due from related parties

Trade Receivables	March 31, 2019	December 31, 2018
Türkiye Tarım Kredi Kooperatif Merkez Birliği	131.639.791	99.019.932
Other related parties	7.850.229	5.032.408
Total	139.490.020	104.052.340

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 16 - RELATED PARTIES TRANSACTIONS (Cont’d)

16.1 Balances due from related parties

Trade payables	March 31, 2019	December 31, 2018
Tarkim Bitki Koruma San. ve Tic. A.Ş.	1.140.493	1.204.133
Tarnet A.Ş.	5.550	194.774
T. Tarım Kredi Koop. Merkez Birliği	--	32.725
Total	1.146.043	1.431.632

16.2 Related party transactions

Sales of goods and services	January 1, - March 31, 2019	January 1, - March 31, 2018
T. Tarım Kredi Koop. Merkez Birliği	812.614.420	656.661.792
Tarım Kredi Birlik Tarım Ürünleri	7.409.415	--
Tarkim Bitki Koruma San. ve Tic. A.Ş.	102.426	191.598
Tarnet A.Ş.	6.773	50.564
Total	820.133.034	656.903.954

Purchase of Goods and Services	1 January- 31 March 2019	1 January - 31 March 2018
T. Tarım Kredi Koop. Merkez Birliği	5.186.819	4.407.756
Tarnet A.Ş.	571.520	811.558
Tarkim Bitki Koruma San. ve Tic. A.Ş.	16.706	823.959
Total	5.775.045	6.043.273

16.3 Remuneration of board of directors and executive management:

The total benefits provided to the board of directors and executive management as of March 31, 2019 and 2018 are shown in the table below:

	March 31, 2019		March 31, 2018	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	738.524	1.525.410	626.415	1.183.538
Total	738.524	1.525.410	626.415	1.183.538

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

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
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NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The currencies other than the functional currencies of the countries in which the Group operates are valid according to their economies are considered as foreign currencies.

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of March 31, 2019 is as follows;

		March 31, 2019	
	TL (functional currency)	USD	EURO
1 Trade receivables	356.063.493	56.116.585	6.364.643
2 Monetary financial assets (cash and bank accounts included)	409.640.363	38.768.471	30.296.243
3 Other current assets	11.719.300	1.624.162	407.968
4 Current assets (1+2+3)	777.423.156	96.509.218	37.068.854
5 Trade payables	(601.551.279)	(106.345.075)	(474.562)
6 Financial liabilities	(451.377.291)	(35.730.000)	(39.607.925)
7 Other short-term liabilities, net	(94.991)	(16.877)	--
8 Short term liabilities (5+6+7)	(1.053.023.560)	(142.091.952)	(40.082.487)
9 Trade payables	--	--	--
10 Financial liabilities	(47.391.000)	--	(7.500.000)
11 Long term liabilities (9+10)	(47.391.000)	--	(7.500.000)
12 Total liabilities (8+11)	(1.100.414.560)	(142.091.952)	(47.582.487)
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(322.991.404)	(45.582.734)	(10.513.633)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(322.991.404)	(45.582.734)	(10.513.633)
15 Fair value of derivatives classified for hedging purposes	4.280.940	--	--

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
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NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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

		December 31, 2018	
	TL (functional currency)	USD	EUR
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 derivatives classified for hedging purposes	(4.703.497)	--	--

GÜBRE FABRİKALARI TÜRK ANONİM ŞİRKETİ

Notes to the interim condensed consolidated financial statements as of March 31, 2019
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NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

17.5 Foreign currency risk (Cont’d)

As of March 31, 2019 and 2018, if the related currencies had gained / decreased by 10% against TL and all other variables had remained constant, profit / loss and other comprehensive income before tax due to foreign exchange net position pre-tax) effect is shown in the table below .The foreign currency hedges contain the effects of derivative instruments.

	March 31, 2019	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(25.655.786)	25.655.786
2- The part hedged for USD risk (-)	428.094	(428.094)
3- The impact of TL net profit for the period	(25.227.692)	25.227.692
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(6.643.354)	6.643.354
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(6.643.354)	6.643.354
	March 31, 2018	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(65.197.156)	65.197.156
2- The part hedged for USD risk (-)	897.867	(897.867)
3- The impact of TL net profit for the period	(64.299.289)	64.299.289
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(37.535.033)	37.535.033
2- The part hedged for EUR risk (-)	--	--
3- The impact of TL net profit for the period	(37.535.033)	37.535.033

NOTE 18 - SUBSEQUENT EVENTS

None.