



**2023 1st QUARTER
OPERATING REVIEW
REPORT**

**GÜBRE FABRİKALARI TÜRK A. Ş.
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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2023 - 31.03.2023

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (“Gübretaş”)

C. TRADE REGISTER NUMBER

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

D. CONTACT INFORMATION

HEAD OFFICE

The address of 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: Kırlar Mevkii Fatih Mah. Atatürk Cad. No: 28 Aliğa / İZMİR

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

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 88

WEST MEDITERRANEAN 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

EAST MEDITERRANEAN REGIONAL OFFICE

Address: Sariseki Mah. Atatürk Cad. No: 6 Sariseki İskenderun/HATAY

Phone : +90 (326) 626 14 42 - 44 – 49

Fax : +90 (326) 626 14 50

AEGEAN REGIONAL OFFICE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

GAP REGIONAL OFFICE

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

Phone : +90 (414) 341 08 08

Fax : +90 (414) 381 08 10

SOUTHEAST ANATOLIA 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

CENTRAL ANATOLIA 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

BLACK SEA REGIONAL OFFICE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

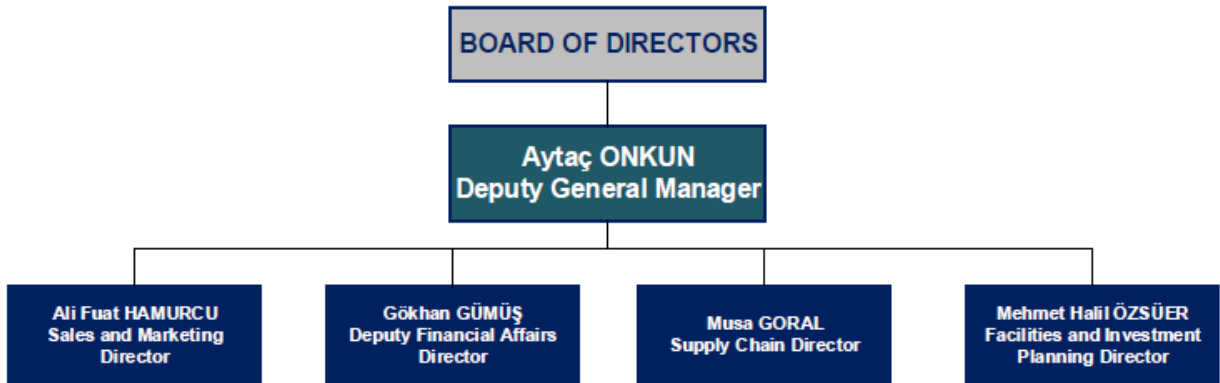
MARMARA REGIONAL OFFICE

Address: Hürriyet Mah. Dekanlar Sk. No: 2 Yaşam Plaza Kat:1 D:2 Süleymanpaşa/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 31.03.2023 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	253.684.607	75,95
Other	80.315.393	24,05
Total	334.000.000,00	100,00

G. VOTING RIGHTS AND MINORITY RIGHTS

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

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

H. BOARD OF DIRECTORS

Title	Name	Date of Election
Chairman	Hüseyin AYDIN	22.04.2022
Vice Chairman	Yasin AYZ	03.08.2022
Executive Member	Aytaç ONKUN	10.06.2022
Independent Member	Hasan DURSUN	19.08.2022
Independent Member	Dr. Vahit Ferhan BENLİ	10.04.2023

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

Title	Name	Date of Appointment	Date of Election
Independent Member	Mustafa HAMARAT	25.05.2022	22.03.2023

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.

İ. TOP MANAGEMENT

Title	Name	Date of Appointment
Deputy General Manager	Aytaç ONKUN	10.06.2022
Supply Chain Director	Musa GORAL	10.01.2023
Sales and Marketing Director	Ali Fuat HAMURCU	10.01.2023
Deputy Financial Affairs Director	Gökhan GÜMÜŞ	06.02.2023
Facilities and Investment Planning Director	Mehmet Halil ÖZSÜER	28.03.2023

Members of the executive management resigned during and after the reporting period:

Title	Name	Date of Election	Date of Resignation
Facilities and Investment Planning Director	Dr. Ertuğrul KÖSE	12.08.2022	28.03.2023

J. HUMAN RESOURCES

Number of Personnel

As of 31.03.2023, the number of personnel decreased by 50 to 539 people compared to the same date a year before.

The breakdown of the number of employees is as follows:

EMPLOYEE	31/03/2023	31/12/2022	31/03/2022
Headquarters	92	104	109
Yarımca Facilities	326	342	344
Regional Offices	121	128	136
TOTAL	539	574	589

Collective Labor Agreement

The collective bargaining agreement negotiations between Petrol-İş (Turkish Petroleum, Chemical, Rubber and Plastics Industry Employers' Union), the workers' union, and KİPLAS (Turkish Chemical, Petroleum, Rubber and Plastics Industry Employers' Union), the employer's union, on 19.01.2023, covering the period between 2023 and 2024, were concluded with an agreement on 11.05.2023.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. Education activities of 254 hours with participation of 35 employees were carried out in the first three months of 2023.

II. FERTILIZER MARKET

The normalization process continues in commodity and raw material prices and freight rates, which rose to historic levels in global markets first due to the Covid-19 pandemic and then the Russia-Ukraine war. As of the first quarter of 2023, the price of natural gas, the most important raw material in the chemical fertilizer sector, has fallen to pre-pandemic levels.

The decline in commodity and raw material prices signaled that domestic demand will be more buoyant than last year. In the first quarter, when fertilizer consumption was high, companies, which had to stock up before the season to meet demand, tried to manage their supplies

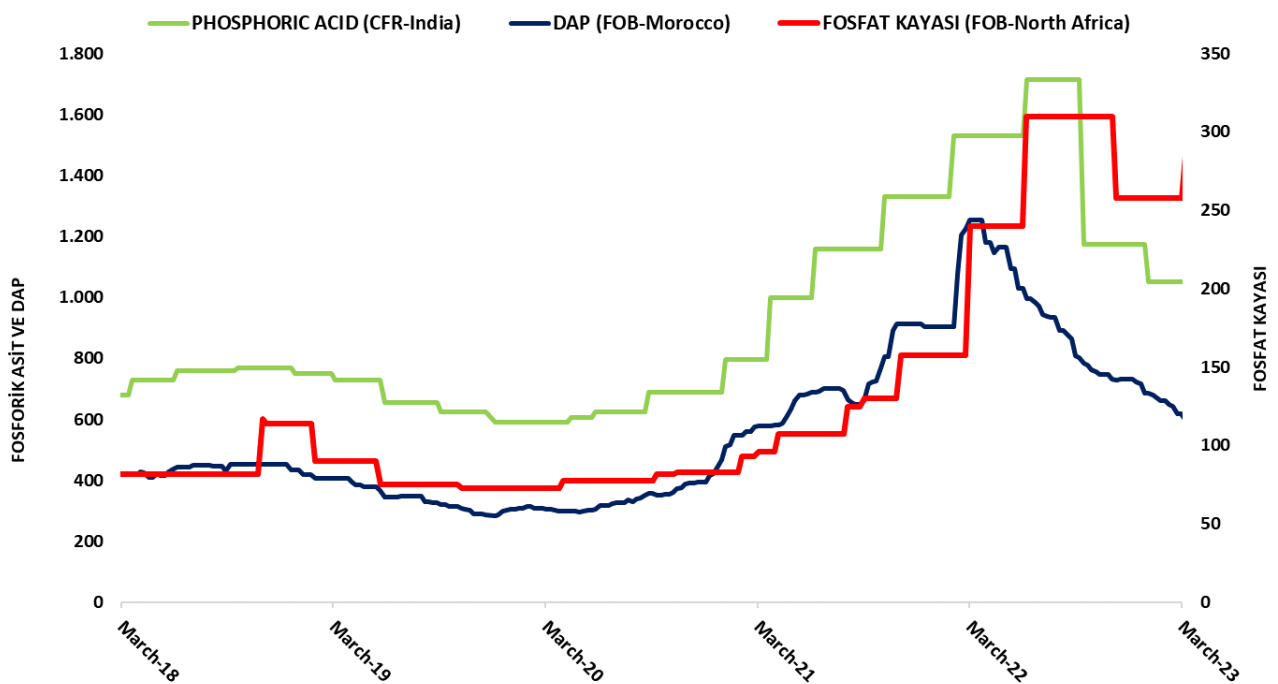
proactively in order to minimize their costs. However, continuously falling prices did not allow costs to be realized in line with expectations.

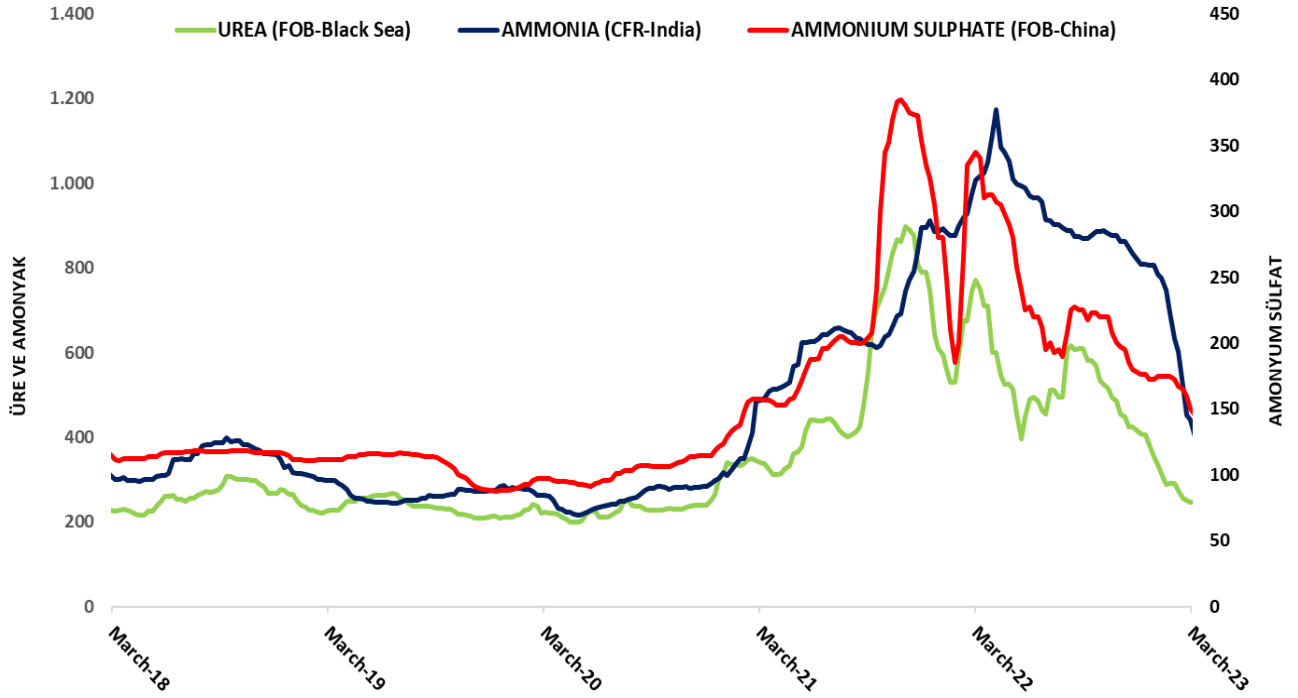
The drought in January and February postponed fertilizer consumption, and the earthquake disaster on February 6, 2023 made it difficult to deliver orders on time. During this period, firms that were unable to deplete their high-cost inventories engaged in fierce price competition, which adversely affected profitability in the sector.

In 2023, the market is expected to grow compared to the previous year. The decline in commodity and raw material prices to long-term averages is important for forecasting the market and optimizing costs. The gradual reduction in the uncertainties that affect the formation of costs will have a positive impact on commercial activities, especially profitability, for the rest of the year.

As of the end of the first quarter, risks to the sustainability of agricultural production, particularly adverse climatic conditions, continue to diminish. Effective management of risks is important for our country in terms of achieving high agricultural output and increasing farmer incomes, while for our company, it will contribute to achieving operational and financial budget targets.

FERTILIZER PRICES IN INTERNATIONAL MARKETS - US\$/TON





III. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

Gübretaş is the first and pioneer company of Turkey in chemical fertilizer industry. An important portion of the sales of the company is realized through the Central Union of Agricultural Credit Cooperatives (“TACC”). There are 8 regional offices throughout Turkey. In approximately 2.700 sales locations (sum of cooperatives and other dealers) Gübretaş sells to every corner of Turkey where there is agricultural production.

A. INFORMATION ABOUT OUR FACILITIES

Gübretaş has real estate assets consisting of facilities, warehouses and administrative buildings totaling 445.470 m², of which 164.772 m² is closed area.

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

The total capacity of our warehouses is 450.000 tons.

B. PRODUCTION

Within the scope of Turkey's operations, a total of 186.048 tons of chemical fertilizers were produced in the first quarter of 2023, including 162.167 tons of solid fertilizers and 23.881 tons of liquid and powder fertilizers.

Solid fertilizer production increased by 6,9% and liquid and powder fertilizer production increased by 6,2% in the first quarter of 2023 compared to the same period of 2022. Total production increased by 6,8%. Capacity utilization rate (CUR) in solid fertilizer production in the first quarter of 2023 was 66%.

PRODUCTION BY GROUP -TON

Production	2023/3	2022/3	Change
Solid Fertilizer	162.167	151.720	6,9%
Liquid - Powder Fertilizer	23.881	22.481	6,2%
GRAND TOTAL	186.048	174.201	6,8%

C. SALES AND PURCHASES

In the first quarter of 2023, a total of 597.803 tons of chemical fertilizers, including 559.172 tons of solid fertilizers and 38.631 tons of liquid and powder fertilizers, were sold in Turkey.

Solid fertilizer sales decreased by 18,7% and liquid and powder fertilizer sales decreased by 9,6% in the first quarter of 2023 compared to the same period of the previous year. The rate of decline in total sales was 18,2%.

SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2023/3	2022/3	Change
Compound	148.893	194.713	(23,5%)
Nitrogen-based	382.399	469.314	(18,5%)
Phosphate-based and others	27.880	23.602	18,1%
Total Solid Fertilizer	559.172	687.629	(18,7%)
Total Liquid - Powder Fertilizer	38.631	42.748	(9,6%)
Grand Total	597.803	730.377	(18,2%)

In the first quarter of 2023, raw material and commodity purchases decreased by 16,6% year-on-year to 432.906 tons.

IMPORT AND DOMESTIC PURCHASES-TON

	2023/3	2022/3	Change
Raw Material	128.371	147.739	(13,1%)
Commodity	304.535	371.065	(17,9%)
Total Purchases	432.906	518.804	(16,6%)

D. INVESTMENTS

Gübretaş made capital expenditures amounting to 32.626.351 ₺ in the first quarter of 2023 in Turkey chemical fertilizer production activities. This amount was realized as 23.291.090 ₺ in the same period of 2022.

Our Company's investment activities continue within the scope of the following studies.

- The installation of the Super Pearl fertilizer production line at Tekirdağ facilities was completed.
- Ground improvement works have started for the new warehouse investment at Yarımca facilities.
- The project for the investment in acid tanks at Yarımca facilities has been completed. Permit processes related to the investment are ongoing.
- Project design and design studies are ongoing for the İskenderun Akçay Storage Facility investment.

IV. 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 2023.

A. RAZI PETROCHEMICAL CO. ACTIVITIES

PRODUCTION

In the first quarter of 2023, Razi Petrochemical Co. ("Razi") produced 277.142 tons of various types of products and the capacity utilization rate was realized as 29,3%.

RAZI PRODUCTION-TON

PRODUCT	2023/3	2022/3	Change
Ammonia	111.587	112.901	(1,2%)
Urea	73.487	94.569	(22,3%)
Sulphuric Acid	41.774	65.701	(36,4%)
Sulphur	38.604	45.868	(15,8%)
DAP	11.690	16.628	(29,7%)
Total	277.142	335.667	(17,4%)

SALES

Razi sold 109.250 tons of products in the first quarter of 2023.

RAZI SALES-TON

PRODUCT	2023/3	2022/3	Change
Ammonia	47.564	46.115	3,1%
Urea	45.354	84.503	(46,3%)
DAP	14.618	17.509	(16,5%)
Sulphuric Acid	1.714	13.372	(87,2%)
Sulphur	-	30.081	-
Total	109.250	191.580	(43,0%)

Note: The difference between production and sales figures at Razi is due to the use of some of the ammonia and sulfur products as intermediate products and inventory changes due to the fully integrated production structure of Razi.

INVESTMENTS

In Iran operations, the Company spent 11.320.969 ₺ for capital expenditure in 2022, while this figure was 11.136.063 ₺ in 2023.

B. GÜBRETAŞ MADEN YATIRIMLARI A.Ş. ACTIVITIES

Gübretaş Maden Yatırımları A.Ş. Söğüt Gold mine phase 1 facility construction was completed in December 2022 and gold production activities started on January 27, 2023 with the participation of our President Mr. Recep Tayyip Erdoğan.

Until this period, in addition to the construction of the Phase 1 facility, the construction of the first stage mine waste storage facility, high voltage power line displacement operations and the installation of the power line required for the use of the mine site, excavation of infrastructure and facility areas, and on-site building and office construction works were carried out. In addition, it is aimed to complete the construction of the 2nd stage of the mine waste storage facility, the construction of the Korudanlık underground portal area, and the construction of on-site buildings and offices in 2023.

With the completed phase 1 facility, the oxidized upper parts of the Akbaştepe ore vein will be produced and processed by open pit operation method in the first stage. In addition, progress has started in the underground main ramp and ventilation galleries in order to produce the Korudanlık ore vein, and it is aimed to produce the first ore in the middle of 2024 within the scope of underground works and process it in the phase 1 facility.

In 2023, drilling activities have been carried out around the existing mineralizations within the mine site until today. The main purpose of the drilling activities is to prevent ore loss within the scope of ongoing open pit production activities and to excavate the optimum pit, to evaluate the expansion possibilities of the existing open pits and to sterilize the areas to be excavated within the construction areas.

The necessary engineering studies for the Phase 2 plant investment are ongoing.

In the first quarter of 2023, 333.930.091 ₺ investment expenditures were made at Gübretaş Maden Yatırımları A.Ş. facilities.

As of March 31, 2023, Gübretaş Maden Yatırımları A.Ş. has 322 employees.

V. FINANCIAL STRUCTURE AND STOCK PERFORMANCE

A. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

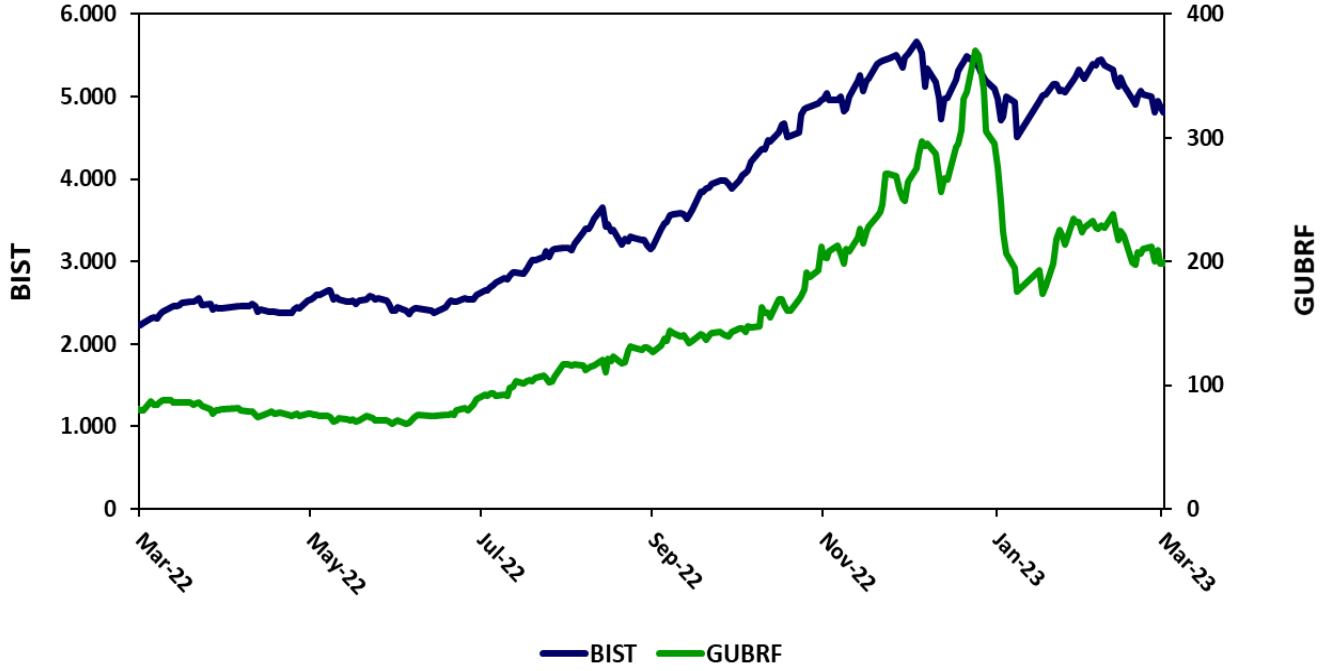
ASSETS	31 March 2023	31 December 2022
Current Assets	14.839.140.526	12.104.405.761
Fixed Assets	8.730.891.314	8.753.011.965
TOTAL ASSETS	23.570.031.840	20.857.417.726
LIABILITIES	31 March 2023	31 December 2022
Short-term Liabilities	15.868.574.483	12.257.800.744
Long-term Liabilities	668.669.591	721.902.719
Total Liabilities	16.537.244.074	12.979.703.463
Equity	7.032.787.766	7.877.714.263
TOTAL LIABILITIES AND EQUITY	23.570.031.840	20.857.417.726

CONSOLIDATED INCOME STATEMENT

CONTINUING OPERATIONS	1 Jan - 31 March 2023	1 Jan - 31 March 2022
Sales (net)	7.141.220.142	7.923.039.262
Costs of Sales	(6.490.029.084)	(6.411.119.173)
GROSS PROFIT	651.191.058	1.511.920.089
Operating Expenses	(604.926.907)	(741.141.807)
OPERATION PROFIT/(LOSS)	46.264.151	770.778.282
Financial Income/(Expenses)	(100.953.220)	(9.927.288)
Other Income/(Expenses)	27.130.894	21.992.045
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	(27.558.175)	782.843.039
Total Tax Income / Expense	19.910.570	(92.500.476)
PERIOD PROFIT/ (LOSS)	(7.647.605)	690.342.563
Distribution of Period Profit / (Loss)		
Minority Shares	202.421.494	114.595.761
Parent Company's Shares	(210.069.099)	575.746.802
Earnings / (Loss) Per Share (kr)	(0,629)	1,724

B. STOCK PERFORMANCE

The performance graph of the stock traded on Borsa Istanbul compared to Borsa Istanbul is as follows:



VI. EVENTS AFTER BALANCE SHEET DATE

- Within the scope of the public offering process, our subsidiary Tarkim Bitki Koruma A.Ş. has applied to the Capital Markets Board on 04.04.2023.
- At the Ordinary General Assembly Meeting of Gübretaş Maden Yatırımları A.Ş., a subsidiary of our Company, for the year 2022, it was decided to increase its capital from 40.000.000 ₺ to 140.000.000 ₺.

The increased capital amount was paid in cash by Gübretaş. In accordance with the application made in accordance with the Turkish Commercial Code, the capital increase of our subsidiary was registered and announced in the Turkish Trade Registry Gazette dated April 7, 2023 and numbered 10807.

- Our independent member of the Board of Directors, Mr. Following the resignation of Mr. Mustafa HAMARAT, our independent member of the Board of Directors, as of 22.03.2023, our Board of Directors appointed Mr. Vahit Ferhan BENLİ to serve until the first General Assembly to be held in accordance with the approval of the CMB and Article 363 of the Turkish Commercial Code. Mr. Vahit Ferhan BENLİ was appointed as an Independent Member of the Board of Directors. At the General Assembly meeting held on 19.04.2023, Mr. BENLİ was re-appointed as an Independent Board Member. Mr. BENLİ was re-elected as an Independent Board Member.
- It was communicated to our employer union that in the event of failure to reach an agreement in the collective bargaining agreement negotiations between Petrol-İş, the labor union of our Company covering the 2023 - 2024 period, and KİPLAS, the employer union, Petrol-İş union has decided to implement a strike at our Kocaeli Yarımca Facilities to start on 12.05.2023.

Following this decision, the collective labor agreements between the labor and employer unions were concluded with an agreement on 11.05.2023.

- In line with the decision of our Board of Directors dated 05.05.2023, it has been decided to increase our issued capital by 1.002.000.000 ₺ with an increase of 300% to 1.336.000.000 ₺, all of which will be covered from internal resources, in accordance with Article 6.6 of the Capital Markets Board Registered Capital System Communiqué.

VII. 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 2023 covering the dates of 01.01.2023 - 31.03.2023, the following works have been realized by the Company in order to be compliant with the principles issued in the related communique:

- 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 February 28, 2023.
- 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.
- Upon the resignation of Mr. Mustafa HAMARAT on 22.03.2023, in order to ensure that the minimum number of independent members of the Board of Directors is re-established in accordance with Article 4.3.8 of Annex-1 Corporate Governance Principles included in the Corporate Governance Communiqué, the Corporate Governance Committee made an evaluation for the election of an independent member for the vacant membership to serve until the first general assembly meeting to be held and reported the result of the evaluation to the board of directors in writing. Within the framework of the Corporate Governance Committee report, the board of directors notified the CMB of the nomination of Dr. Vahit Ferhan BENLİ within the 30-day legal period.

VIII. CONCLUSION

DEAR SHAREHOLDERS,

In the first three months of 2023, 432.906 tons of fertilizers and raw materials were procured from domestic and foreign markets and 186.048 tons of various types of chemical solid fertilizer were produced at facilities. On the other hand, 597.803 tons of solid, liquid and powder fertilizers were sold in the first three months of 2023. Net sale revenues realized as **6.886.520.896 ₺**.

Our subsidiary Razi produced 277.142 and sold 109.250 tons of chemical fertilizer and fertilizer raw materials.

In addition, our subsidiary Gübretaş Maden Yatırımları A.Ş., which started gold production activities on January 27, 2023, generated sales revenue of ₺ **56.859.680** in the first quarter of the year.

The Company reached to **7.141.220.142 ₺** consolidated sales revenue. Our company's loss is **7.647.605 ₺** for the period. **210.069.099 ₺** consolidated loss to shareholders has occurred after deducting **202.421.494 ₺** shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding the first three months of 2023 activities.

Best Regards,
BOARD OF DIRECTORS