



2017

ANNUAL REPORT

GÜBRE FABRİKALARI TÜRK A. Ş.

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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2017 - 31.12.2017

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

C. TRADE REGISTER NUMBER

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

D. CONTACT INFORMATION

HEADQUARTERS

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

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

Web address: www.gubretas.com.tr

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

YARIMCA FACILITIES

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

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 59

FOÇA FACILITIES

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

Phone: +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

TEKİRDAĞ REGIONAL OFFICE

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

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

Fax : +90 (282) 262 98 51

İSKENDERUN REGIONAL OFFICE

Address: Sarıseki Mah. E-5 Üzeri Cad. Port Center İş Merkezi No: 146/10-11 Sarıseki-İskenderun / HATAY

Phone : +90 (326) 626 14 42 - 44 - 49

Fax : +90 (326) 626 14 50

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 212 75 75

Fax : +90 (312) 231 92 99

İZMİR REGIONAL OFFICE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL OFFICE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

DİYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

ANTALYA REGIONAL OFFICE

Address: Yeşilbahçe Mah. Portakal Çiçeği Bulvarı Kepez Mehmet Sitesi A Blok No: 35 Kat: 2
Daire: 8 Muratpaşa/ANTALYA

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

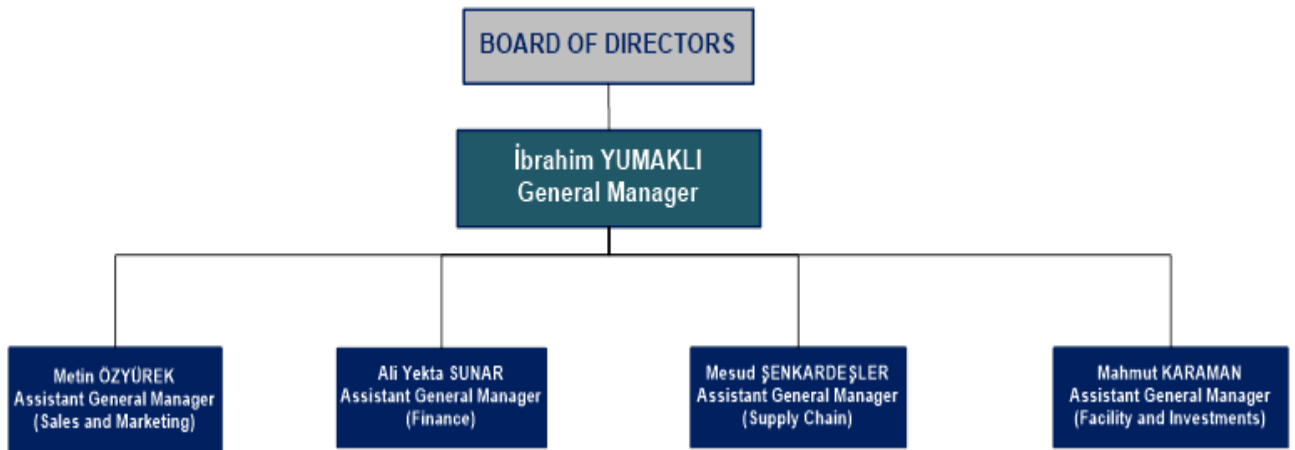
Fax : +90 (242) 311 43 93

ŞANLIURFA REGIONAL OFFICE

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

Phone : +90 (326) 626 14 44

Fax : +90 (326) 626 14 44

E. ORGANIZATION CHART

F. CAPITAL STRUCTURE

As of 31.12.2017 authorized capital of the company is 1.000.000.000 ₺ and issued capital is 334.000.000 ₺. There has not been any change in terms of capital and shareholder structure of Gübretas within the fiscal period.

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

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

Table 1 : CAPITAL STRUCTURE

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

G. MEMBERS OF THE BOARD OF DIRECTORS

Title	Name	Date of Appointment
Chairman	Fahrettin POYRAZ	19.12.2017
Vice Chairman	Mahmut GÜNGÖR	27.07.2016
Member	Ertekin ÇOLAK	24.06.2016
Member	Fatih Zekeriya YERLİKAYA	04.01.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Executive Member	Ali Yekta SUNAR	10.07.2017
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Seyfullah ARSLANTÜRK	28.02.2018

Members of the Board of Directors resigned during the period or after balance sheet date:

Title	Name	Date of Appointment	Date of Resignation
Member	Kazım AYDIN	17.06.2016	07.03.2017
Independent Member	Ali Yekta SUNAR	13.04.2016	05.05.2017
Executive Member	Tahir OKUTAN	13.04.2016	10.07.2017
Chairman	Ayhan KARAYAMA	13.04.2016	19.12.2017
Executive Member	Mesud ŞENKARDEŞLER	07.03.2017	04.01.2018
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016	28.02.2018
Independent Member	Bahattin YILDIZ	13.04.2016	03.03.2018

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

H. EXECUTIVE MANAGEMENT

Title	Name	Date of Appointment
General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Facility and Investments	Mahmut KARAMAN, PhD.	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Sales & Marketing	Metin ÖZYÜREK*	18.10.2016
Assistant GM - Finance	Ali Yekta SUNAR	05.05.2017

**After the organizational change in our company, having worked as the Assistant General Manager in charge of Logistics and Support Services between 18.10.2016 and 10.07.2017, Metin ÖZYÜREK has been appointed as the Assistant General Manager in charge of Sales and Marketing as of 10.07.2017.*

Members of the executive management resigned during the period:

Title	Name	Date of Appointment	Date of Resignation
Assistant GM - Finance	İbrahim YUMAKLI	28.10.2016	05.05.2017
Assistant GM - Sales & Marketing	Tahir OKUTAN	20.01.2006	10.07.2017

Company Executive management

İbrahim YUMAKLI – General Manager

Manager

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

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

international operations director of Anadolu Agency.

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

İbrahim YUMAKLI, who speaks English, is married and he is the father of two children.

Mahmut KARAMAN, PhD. – Assistant General Manager

Ph.D. Mechanical Engineer, MBA - Manager

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

Mahmut KARAMAN, who speaks English, is married and he is the father of three children.

Metin ÖZYÜREK – Assistant General Manager

Geophysics Engineer-Manager

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

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

Metin ÖZYÜREK has been working as assistant general manager responsible from sales and marketing at Gübretaş and as board member at Etis Lojistik A.Ş.

He is married and is the father of two children.

Mesud ŞENKARDEŞLER – Assistant General Manager

Manager

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

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

Ali Yekta SUNAR - Assistant General Manager

Manager

Ali Yekta SUNAR, who completed his bachelor's degree at Finance division in Anadolu University, has completed his military service between years 1988-1991 as private guard at Çankaya Pavilion. In 1992 he started working in banking field at Türkiye Finans Bursa Branch. In 2001 under the name "Kutupyıldızı" he established Private Asiye Coşkun schools and he held the position of vice chairman till 2005.

Between years 2004-2013 he worked as manager of Kuveyttürk Osmangazi Branch and in 2013 he retired from the same bank. He has been working as assistant general manager responsible from finance at Gübretaş since 05.05.2017.

Ali Yekta SUNAR, who is interested in various sports, is married and he is the father of three children.

I. EMPLOYEE INFORMATION

Changes in employee as of 31.12.2017 are shown below in Table 2:

Table 2 : EMPLOYEE STATUS

EMPLOYEE	31/12/2017	31/12/2016	Change
Headquarters	106	91	16,48%
Yarımca Facilities	332	322	3,11%
Other Facilities and Reg. Off.	126	102	23,53%
TOTAL	564	515	9,51%

Collective Bargaining Agreement

Collective bargaining agreement, which is negotiated between our company and Petrol-İş Union and involves the years 2017 - 2018, ended up by an agreement in June 7, 2017. There has not been any negative situation observed regarding employer-union relations.

Training Activities

Training activities were held with the aim to develop managerial, personal and professional capabilities of the staff. Training activities of 4.873 hours with participation of 361 employees were carried out in 2017.

II. TURKISH FERTILIZER INDUSTRY AND GÜBRETAS

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

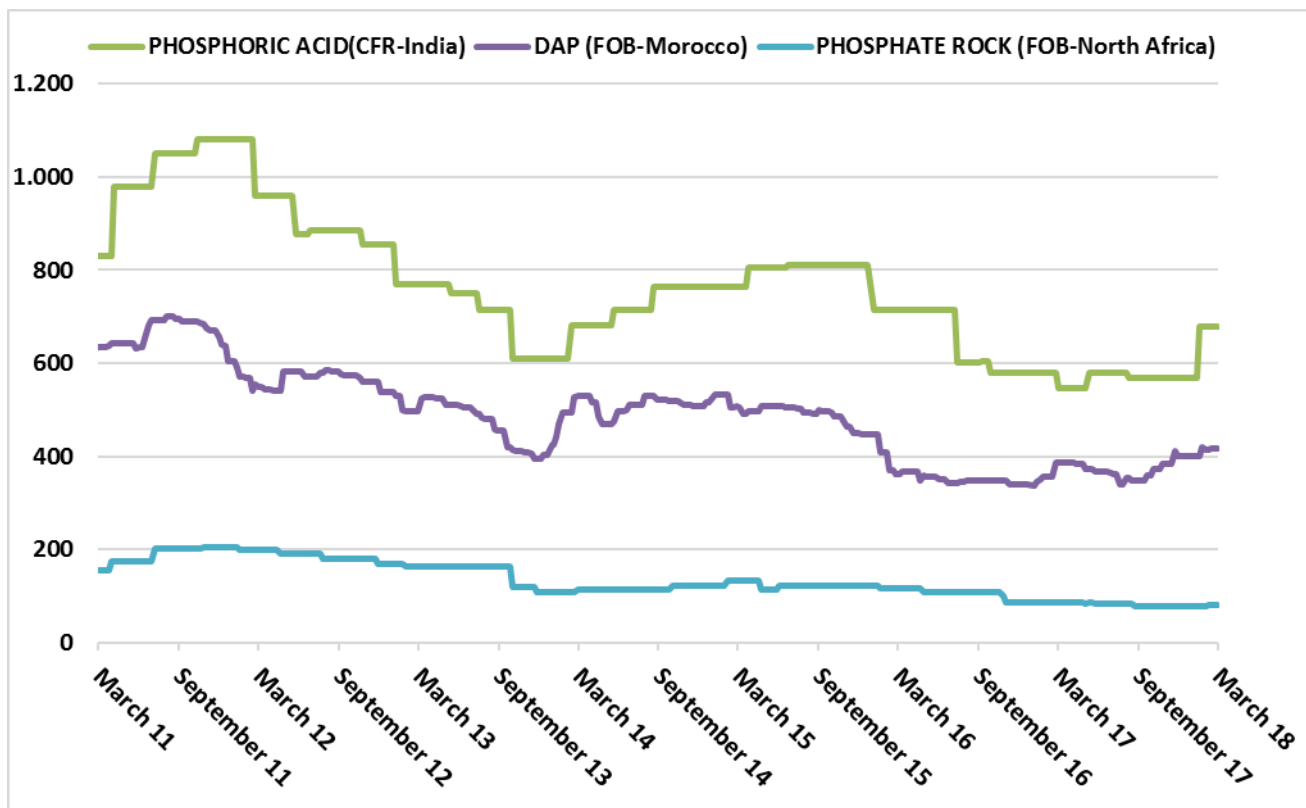
The nitrogen-based fertilizers and fertilizer raw materials are mostly procured from Black sea basin while phosphate-based ones are mostly procured from North Africa basin. Therefore, the prices in Turkish operations are usually set according to these basins' prices. Market prices are also affected by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

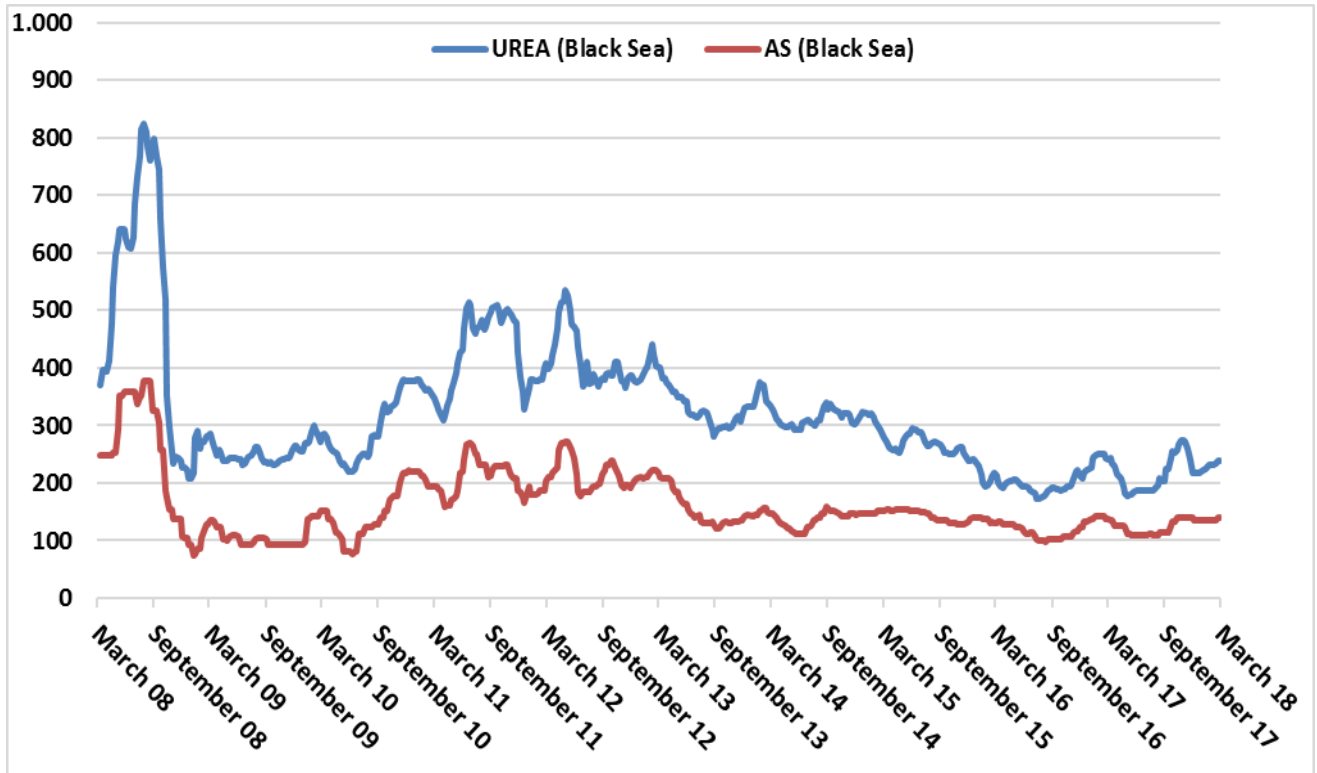
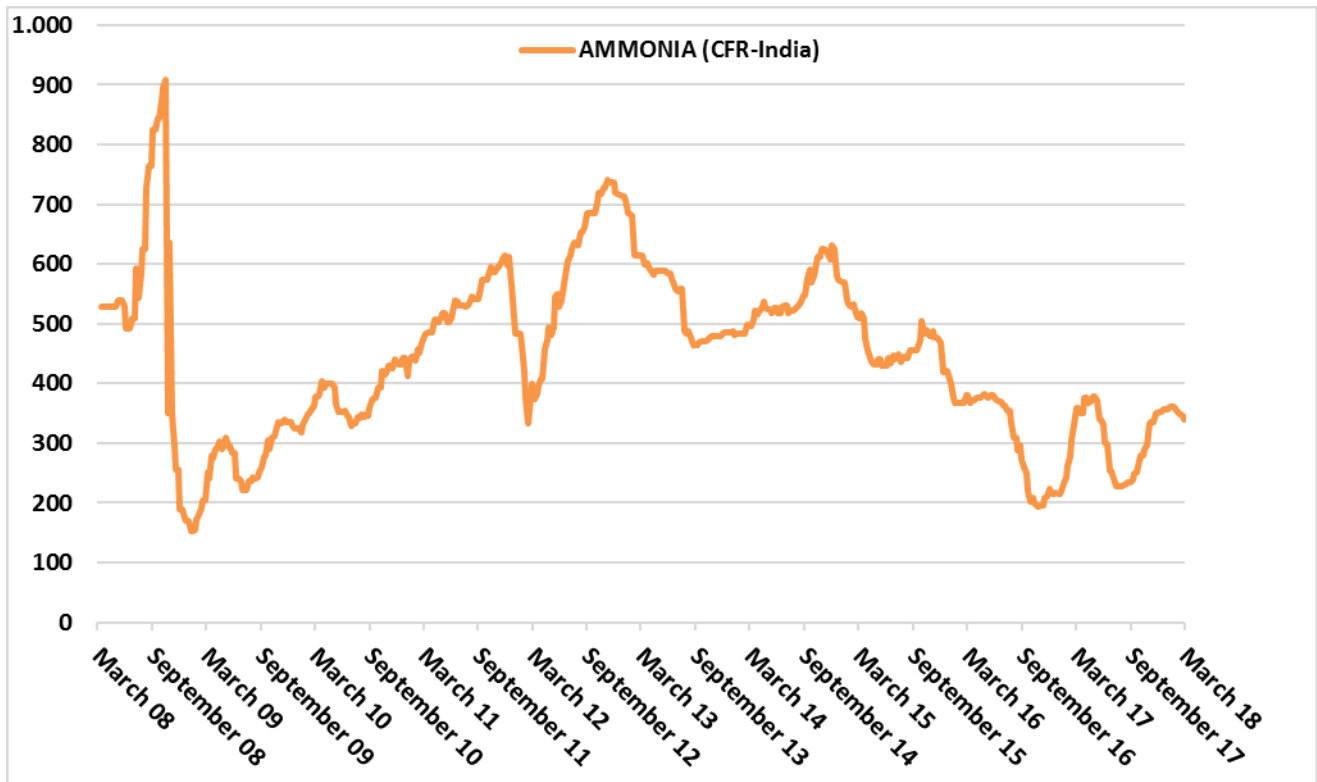
In 2017, nitrogen fertilizer prices were stronger in the first and last quarters of the year as a result of the seasonal effects.

Although the prices of phosphate rock and phosphoric acid declined gradually quarter-by-quarter in 2017, an increase in prices is being observed by the beginning of 2018.

Price of ammonia, which is an important indicator especially for our subsidiary Razi Co., started 2017 with an upward trend. In the middle of the year, the prices declined dramatically and they have increased with the beginning of the last quarter.

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



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

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


Gübretaş is the first and pioneer company of Turkey in chemical fertilizer industry. An important portion of the sales of the company is realized through the Central Union of Agricultural Credit Cooperatives. There are 8 regional offices throughout Turkey. In 2.725 sales locations (sum of cooperatives and other dealers) Gübretaş sells to every corner of Turkey where there is agricultural production.

A. INFORMATION ABOUT OUR FACILITIES

Gübretaş owns a total real estate area of 427.080 m² that consists warehouses, business buildings and lands and 161.621 m² of this area is closed.

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

The total capacity of our warehouses is 405.000 tons.

Table 3 : REAL ESTATES

Office	Closed Area m ²
Headquarters	2.700
Yarımca Facilities - Office	2.410
İzmir Facilities - Office	570
Ankara Office	120
Samsun - Tekkeköy OIZ Office	210
Samsun - Kamalı Office	426
Total	6.436
Production Facilities	Closed Area m ²
Kocaeli Yarımca Facilities	23.616
İskenderun Facilities	15.581
İzmir Facilities	2.525
Foça Facilities	200
Total	41.922

Warehouses	Closed Area (m ²)
Kocaeli Yarımca	22.381
Samsun Tekkeköy OIZ	6.211
Samsun Kamalı	15.775
Kocaeli Köseköy	6.424
İzmir Helvacı	21.896
İskenderun Akçay	10.923
İskenderun Sarıseki	18.474
Tekirdağ	7.189
İzmir Foça	2.400
Total	111.673
Former Headquarters	1.590
Grand Total	161.621

Table 4 : GÜBRETAS FERTILIZER PRODUCTION AND WAREHOUSE CAPACITY - TONS

Yarımca Facilities	Capacity-Tons	Region	Capacity-Tons
TSP	185.000	İzmir Warehouses	107.000
NPK 1A (Compound Fertilizer)	250.000	Samsun Warehouses	105.000
NPK 1B (Compound Fertilizer)	250.000	Yarımca Warehouses	100.000
NPK 2 (Compound Fertilizer)	300.000	İskenderun Warehouses	60.000
Total	985.000	Tekirdağ Warehouses	30.000
İzmir Facilities	Capacity-Tons	İzmir Liquid Warehouses	3.000
Liquid and Powder Fertilizer	100.000	Total	405.000
Grand Total	1.085.000		

B. PRODUCTION

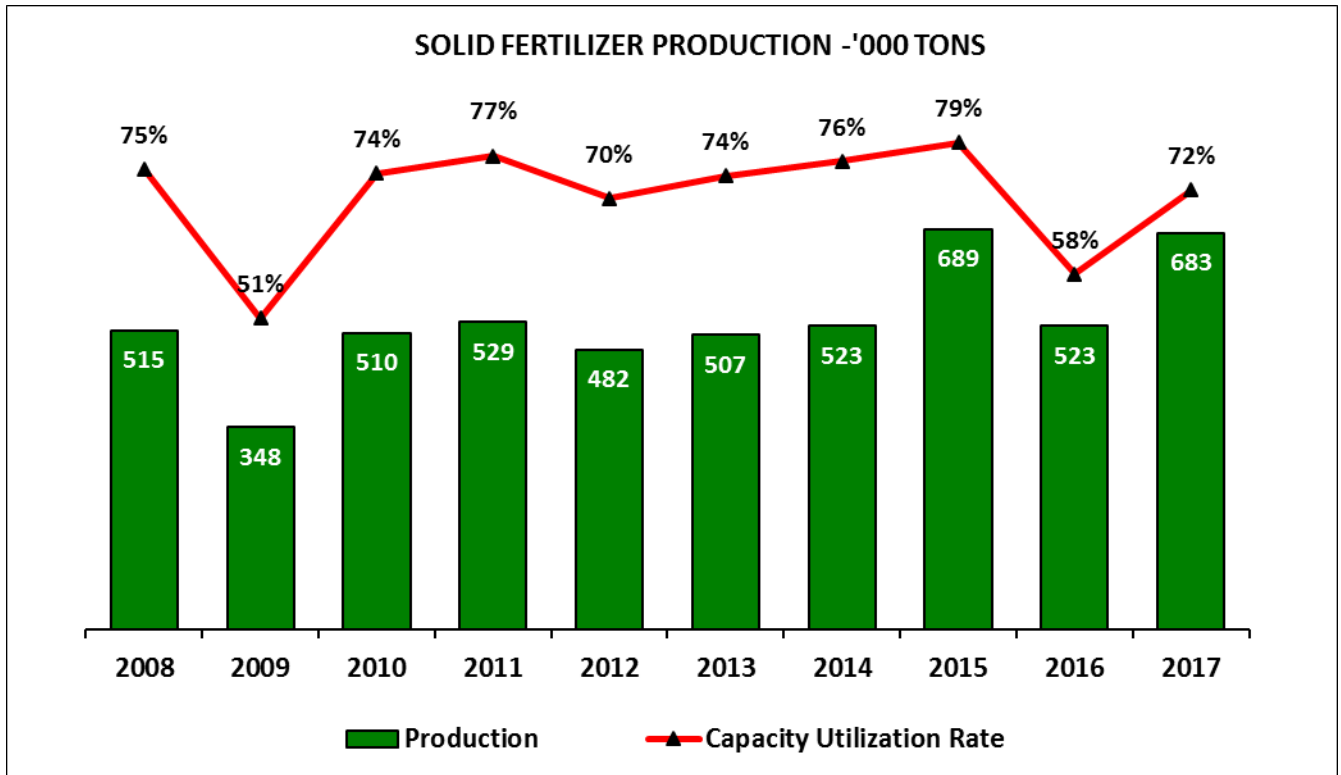
Gübretas produced 85.795 tons of TSP and 597.433 tons of compound fertilizers, totaling 683.228 tons in 2017. In addition, 22.496 tons of liquid and powder fertilizers were also produced.

Solid fertilizer production increased by 30,60% in 2017 compared to 2016. Total fertilizer production including solid, liquid and powder increased by 32,12% in 2017 compared to 2016.

Some of the finished products were used as intermediate goods in the production process. Capacity utilization rate was 71,69% in 2017.

Table 5 : PRODUCTION BY PRODUCT-TONS

Product	2017	2016	Change
Solid Fertilizer	683.228	523.163	30,60%
Liquid and Powder Fertilizer	22.496	10.980	104,88%
Grand Total	705.724	534.143	32,12%

Graph 4 : PRODUCTION AND CAPACITY UTILIZATION RATES BY YEARS


C. SALES AND PROCUREMENT

Our Company sold 1.946.833 tons of solid, 43.693 tons of liquid and powder fertilizer in 2017. In comparison, 1.809.270 tons of solid and 25.502 tons of liquid and powder fertilizer were sold in 2016.

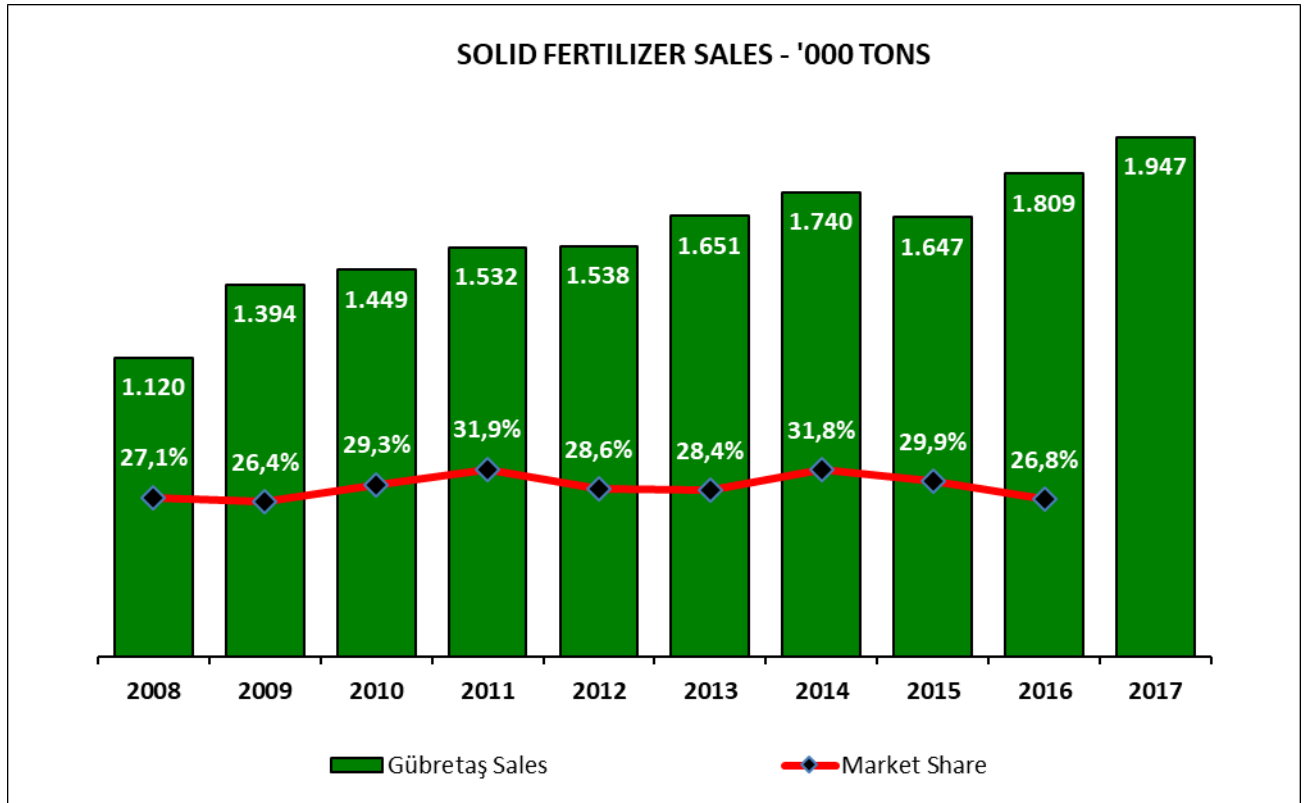
While the volume of procurement were 1.514.763 tons in 2016, it increased by 34,14% to 2.031.923 tons in 2017. 10.815 tons of products were exported in 2017 while this figure was 7.229 tons in 2016.

Table 6 : SALES, IMPORTS AND DOMESTIC PROCUREMENT - TONS

	2016	2015	Change
Raw Materials	586.618	413.008	42,04%
Finished Products	1.445.305	1.101.755	31,18%
Total Procurement	2.031.923	1.514.763	34,14%
Sales (Solid Fertilizer)	1.946.833	1.809.270	7,60%

Table 7 : SALES BY PRODUCT GROUPS-TONS

Solid Chemical Fertilizers	2017	2016	Change
Compound	651.276	588.081	10,75%
Nitrogen-based	982.784	900.639	9,12%
Phosphate-based and others	312.773	320.550	-2,43%
Solid Fertilizer Total	1.946.833	1.809.270	7,60%
Liquid and Powder Fertilizer	43.693	25.502	71,33%
Grand Total	1.990.526	1.834.772	8,49%

Graph 5 : SALES AMOUNTS AND MARKET SHARE BY YEARS


D. INVESTMENTS

In Yarımca Facility, ammonia tank investment, which has a capacity of 25.000 tons, was completed and trial productions started within the year.

In Turkey operations, our company spent 70.112.909 ₺ for capital expenditures in 2017, while this figure was 68.710.410 ₺ in 2016.

Government Incentive and Grants

With the application no. 29099 dated March 27th 2013 to the Ministry of Economy of the Republic of Turkey, investment incentive certificate no. 110061 dated May 03rd 2013 was obtained. The investment incentive certificate was valid until September 26, 2017 and included 210.000.000 ₺ worth fixed assets investment plans. The support elements for the investment are support for employer's share of the insurance premium payment, exemption of the custom duty, tax deduction (50%), contribution to the investment (40%) and VAT exemption. In 2017, as a result of the construction of twin NPK-DAP plants and ammonia tank, our company benefited from tax deductions, customs duty and VAT exemption.

E. RESEARCH AND DEVELOPMENT ACTIVITIES

Turkey Soil Productivity Map

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

Product and Quality Development Studies

Within the scope of product development studies, the production of granule ammonium sulphate started.

In 2017, operations were carried out for the establishment of the R&D center within our Yarımca Facilities; infrastructure works for organic fertilizer production were realized.

Following the audits conducted by Turkish Accreditation Agency, 17025 ISO/EN quality certificate of İzmit Yarımca Laboratory was renewed.

F. PRIVATE AND PUBLIC AUDITS

Our company did not undergo any private audit during the period. Besides the independent auditing of consolidated financial statements, our company is also receiving full confirmation service for corporate tax declaration.

G. LAWSUITS BROUGHT AGAINST OUR COMPANY AND OTHER MATTERS

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

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

H. ORDINARY AND EXTRAORDINARY GENERAL ASSEMBLIES AND DISTRIBUTION OF DIVIDENDS

65th general assembly meeting for 2016 fiscal period was held on 11th of May, 2017 on Thursday and the details are presented in corporate governance principles compliance report. Within the period, there has not been any extraordinary general assembly meetings held.

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

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

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

Cash dividend (gross) ratios paid per 1 ₺ nominal shares for last 5 years are shown in Table 8:

Table 8 : DIVIDEND RATIO PER SHARES IN YEARS

2016	2015	2014	2013	2012
-	10 %	15 %	20 %	-

İ. DONATIONS AND AIDS

In 2017, the payment of scholarship was 834.300 ₺. In addition to scholarship, Gübretas provided 107.224 ₺ aids to various educational institutions. Therefore the total amount of donations and aids became 941.524 ₺ in 2017.

J. AFFILIATION REPORT

The conclusion of the “Affiliation Report” prepared in accordance with 199th article of the Turkish Commercial Code No. 6102 for the period of 01.01.2017-31.12.2017 is presented below:

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

- In the previous fiscal year, there has not been any judicial action taken in favor of the controlling shareholder, a company affiliated with the controlling shareholder or by the directions of the controlling shareholder beneficial to it or one of its affiliates.*
- In the previous fiscal year, there has not been any precautions taken or avoided in favor of the controlling shareholder or a company affiliated with it,*
- The implementations such as premiums, discounts, campaigns, etc. for fertilizer sales that the company plans to make to the controlling shareholder are also valid for other customers, there are no significant price differences between the controlling shareholder and other customers during sales and the prices that are foreseen for sales are fair and reasonable.”*

K. AFFILIATES AND SUBSIDIARIES

Razi Petrochemical Co. (RAZI)

Razi Petrochemical Co., which is established in 1968, is one of the leading companies in Iran and produces fertilizers and fertilizer raw materials. Razi, which has a total of 3.515.000 tons/year production capacity of both fertilizers and fertilizer raw materials, exports most of its products.

With its 48.88% share, Gübretas has been reporting its financial statements as fully consolidated with Razi since June 2008.

Raintrade Petrokimya ve Dış Ticaret A.Ş., which is based in İstanbul and 100% subsidiary company of Razi Petrochemical Co., manages Razi's foreign trade.

Arya Phosphoric Jonoub Co., which is also 100% subsidiary of Razi, has 126.000 tons/year of production capacity and produces phosphoric acid.

Negmar Denizcilik Yatırım A.Ş.

Established in 2008, Negmar Denizcilik Yatırım A.Ş. operates in shipping industry.

In addition, İstanbul Lines Denizcilik Yatırım A.Ş., operating in Ro-Ro and ferry shipping, and Etis Lojistik A.Ş., operating in logistics business are also Negmar Denizcilik ve Yatırım A.Ş.' subsidiaries.

Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş.

Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. was established in 2009 and is operating in the field of plant protection products. Tarkim has a production capacity of 12.080 tons/year.

Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş.

Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. was established in 1996 and it operates in information technologies industry.

As a result of decisions taken at 06.09.2016 in the extraordinary general assemblies of Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. and İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş., where our company was a shareholder with 15% of shares;

İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş. company merged into Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. without liquidation and as a whole by taking assets and liabilities as basis, within the frame of related “merger” provisions of Turkish Commercial Code and other regulation and our company continues to be shareholder at Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş.

Table 9 : SUBSIDIARIES

Company Name	Share %
Razi Petrochemical Co.	48,88

Table 10 : AFFILIATES

Company Name	Share %
Negmar Denizcilik Yatırım A.Ş.	40,00
Tarkim Bitki Koruma San. ve Tic. A.Ş.	40,00
Tarnet Tar. Kre.Bil .Hiz.San Tic .A.Ş.	15,78

III. ACTIVITIES OF IRAN

A. PRODUCTION

Razi Petrochemical Co. is one of the largest fertilizer and fertilizer raw materials production facilities in Iran with 877.000 m² total area. Total capacity of Razi is 3.641.000 tons/year including its own 3.515.000 tons/year and its subsidiary Arya Phosphoric Jonoub Co. which has 126.000 tons/year.

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

Table 11: RAZI PETROCHEMICAL CO. PRODUCTION-TONS

Product	2017	2016	Change	Capacity	2017 CUR
Ammonia	861.873	799.390	7,82%	1.336.000	64,51%
Urea	338.461	369.003	-8,28%	594.000	56,98%
Sulphur	263.622	265.349	-0,65%	508.000	51,89%
Sulphuric Acid	204.145	208.185	-1,94%	627.000	32,56%
Phosphoric Acid	58.356	61.757	-5,51%	126.000	46,31%
DAP	50.213	46.008	9,14%	450.000	11,16%
Total	1.776.670	1.749.692	1,54%	3.641.000	48,80%

B. SALES

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

In 2017, Razi and its subsidiaries sold 1.426.644 tons of fertilizer and achieved a revenue of 1.383.888.122 ₺. In 2017, Razi exported 1.091.177 tons and sold 335.468 tons in domestic market. Share of export in total sales was 76.49%.

Table 12 : RAZI PETROCHEMICAL CO. SALES-TONS

Product	2017	2016	Change
Ammonia	599.955	562.034	6,75%
Urea	290.320	409.681	-29,14%
Sulphur	190.957	183.296	4,18%
DAP	61.896	58.076	6,58%
Phosphoric Acid	39.546	36.656	7,89%
Sulphuric Acid	23.144	21.945	5,46%
Sub Total	1.205.819	1.271.688	-5,18%
Ammonium Sulphate	108.827	41.420	162,74%
Urea	93.498	108.651	-13,95%
Ammonia	18.501	-	-
Total	1.426.644	1.421.759	0,34%

C. INVESTMENTS

In Razi facilities, renovation investments and investments aimed to increase the productivity in current facilities were realized. In Iran operations our company spent 39.889.440 ₺ for capital expenditures in 2017 while this figure was 25.247.689 ₺ in 2016.

IV. FINANCIAL STRUCTURE

A. STATEMENT OF FINANCIAL POSITION (ASSETS)-₺

ASSETS	31 December 2017	31 December 2016
Current Assets	1.989.501.174	1.648.288.615
Cash and Cash Equivalents	227.960.860	136.519.570
Financial Investments	79.972.354	24.961.482
Trade Receivables	414.159.582	386.499.874
- <i>Trade receivables from related parties</i>	66.765.089	85.191.486
- <i>Other trade receivables</i>	347.394.493	301.308.388
Other Receivables	198.841.575	170.524.480
- <i>Other receivables from related parties</i>	132.977	2.756.403
- <i>Other receivables</i>	198.708.598	167.768.077
Inventories	972.164.142	814.012.500
Prepaid expenses	68.232.462	75.887.364
Derivative Instruments	85.916	16.743.178
Corporate Tax Assets	482.023	5.687.893
Other Current Assets	27.602.260	17.452.274
Fixed Assets	1.708.485.990	1.734.843.766
Financial Investments	42.585.948	44.152.656
Other receivables	74.395.878	117.641.163
- <i>Other receivables from related parties</i>	60.276.145	94.567.063
- <i>Other receivables</i>	14.119.733	23.074.100
Investments Valued by Equity Method	12.879.760	9.025.166
Investment Properties	69.638.999	57.028.000
Tangible Fixed Assets	1.222.887.066	1.219.905.720
Intangible Fixed Assets	210.282.198	217.591.062
- <i>Goodwill</i>	181.331.891	188.461.258
- <i>Other Intangible Fixed Assets</i>	28.950.307	29.129.804
Prepaid expenses	19.837.304	40.975.917
Deferred Tax Assets	55.978.837	28.524.082
TOTAL ASSETS	3.697.987.164	3.383.132.381

B. STATEMENT OF FINANCIAL POSITION (LIABILITIES)-₺

LIABILITIES	31 December 2017	31 December 2016
Short-term Liabilities	2.179.867.692	1.855.080.961
Financial Liabilities	912.317.544	798.391.047
Short Term Installments of Long Term Payables	54.914.049	42.297.246
Trade payables	832.398.546	632.250.973
- <i>Payables to related parties</i>	<i>17.417.334</i>	<i>5.224.461</i>
- <i>Other trade payables</i>	<i>814.981.212</i>	<i>627.026.512</i>
Payables for Employee Benefits	33.663.131	35.667.368
Other Payables	221.497.832	153.941.939
Deferred Incomes	16.541.386	34.436.793
Tax Liability for Current Period Profit	17.143.787	53.959.350
Short Term Provisions	91.391.417	104.136.245
- <i>Short-term provisions for employee benefits</i>	<i>42.251.136</i>	<i>24.212.339</i>
- <i>Other Short Term Provisions</i>	<i>49.140.281</i>	<i>79.923.906</i>
Long-term Liabilities	310.608.385	326.433.355
Financial Liabilities	72.295.391	99.492.773
Provisions for Employee Benefits	196.320.157	185.422.202
Deferred Tax Liabilities	41.992.837	41.518.380
EQUITY CAPITAL	1.207.511.087	1.201.618.065
Paid-in Capital	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss	260.481.934	261.625.497
- <i>Revaluation gains/losses on property, plant and equipment</i>	<i>261.940.485</i>	<i>262.570.832</i>
- <i>Actuarial gain/(loss) arising from defined benefit plans</i>	<i>(1.458.551)</i>	<i>(945.335)</i>
Accumulated other comprehensive income / expense to be reclassified to profit or loss	(96.764.296)	(87.917.670)
- <i>Foreign currency translation reserve</i>	<i>(68.388.089)</i>	<i>(62.489.158)</i>
- <i>Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method</i>	<i>(28.376.207)</i>	<i>(25.428.512)</i>
Restricted Reserves From Profit	52.295.108	41.378.380
Retained earnings	387.155.939	466.809.637
Net Period Profit / (Loss)	33.317.912	(68.736.970)
Equity attributable to equity holders of the parent	970.486.597	947.158.874
Minority Shares	237.024.490	254.459.191
TOTAL LIABILITIES	3.697.987.164	3.383.132.381

C. STATEMENT OF PROFIT OR LOSS -₺

CONTINUING OPERATIONS	31 December 2017	31 December 2016
Sales (net)	3.487.261.450	2.834.839.791
Costs of Sales (-)	(2.968.797.796)	(2.418.214.457)
GROSS PROFIT	518.463.654	416.625.334
Administrative Expenses (-)	(170.128.235)	(127.957.341)
Marketing, Sales and Distribution Expenses (-)	(278.525.716)	(229.077.384)
Other Operating Incomes	325.505.241	214.273.395
Other Operating Expenses (-)	(310.782.176)	(219.268.957)
OPERATION PROFIT/(LOSS)	84.532.768	54.595.047
Income from Investment Activities	6.662.917	2.336.601
Shares in Profit/Loss of Investments Valued by Equity Method	4.693.731	(3.833.419)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	95.889.416	53.098.229
Financial Expenses (-)	(84.334.666)	(46.857.844)
PRE-TAX PROFIT/LOSS FROM CONTINUING OPERATIONS	11.554.750	6.240.385
- <i>Period Tax Expense (-)/Income</i>	(5.302.407)	(20.786.763)
- <i>Deferred Tax Expense(-)/Income</i>	19.570.325	(29.418.026)
PERIOD PROFIT/ (LOSS)	25.822.668	(43.964.404)
Distribution of Period Profit / (Loss)		
Minority Shares	(7.495.244)	24.772.566
Parent Company's Shares	33.317.912	(68.736.970)
Earnings / (Loss) Per Share (kr)	0,0010	(0,0021)

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

Detailed tables are given in the 30th footnote of consolidated financial statements belonging to the fiscal period of 1 January – 31 December 2017.

E. EVENTS AFTER REPORTING PERIOD

1. Our company and other members of the consortium have been joint guarantors to each other for the entire privatization debt of Tabosan, who was one of our consortium partners in the purchase of shares of Razi Petrochemical Co. (Razi) in Iran, against the Islamic Republic of Iran Privatization Organization (IPO) and our company has also been the joint debtor and guarantor of down payment loan which was used by Tabosan from Turkish banks for privatization down payment. 42.694.783,76 ₺ portion of instalment, which bankrupt Tabosan did not pay, was paid by our company as guarantor to Turkish banks and IPO on the behalf of Tabosan.

The receivable figure of 5.439.672,28-€ (as of Tabosan's bankruptcy date, 12.102.126,13 ₺) became the subject of our lawsuit in which our company requested to transfer 1.31% share of Tabosan in Razi to itself. Our appeal about this case was rejected by the local court and this rejection was approved by Supreme Court of Appeals against our company due to same reasons. Our company made an appeal for the correction of the resolution against the sentence of the Supreme Court of Appeals within the legal time limit. The appeal for the correction of the resolution against the sentence of the Supreme Court of Appeals was also rejected by the Supreme Court of Appeals. Thereupon, it has been announced that our company filed an appeal to the bankruptcy administration in order to register the aforementioned amount as receivable to collect this amount, which were subject to the share transfer lawsuit.

2. 2017 Ordinary General Assembly of our subsidiary Razi Petrochemical Co., which is located in Iran, was held in Tehran/Iran. In the general assembly, it was resolved to distribute dividends amounting to 36.400.000.000 IRR (Iranian Rial) calculated based on accrued and distributable dividend. The amount corresponding to Gübretaş is 17.793.076.197 IRR (17.793.076.197 IRR = 1.793.542 ₺ based on indicative buying rate of CBT dated 26.02.2018, 100 IRR=0.01008 ₺).

The Board of Razi Petrochemical Co. was authorized about the payment time of dividend.

3. An "Allocation Agreement" was signed between the partners of Negmar Denizcilik Yatırım A.Ş. for the distribution of the assets and liabilities of Negmar and its subsidiaries in accordance with their shares. In this context, 40% shares of Negmar Denizcilik Yatırım A.Ş. owned by our company will be transferred to Etis Denizcilik Yatırım A.Ş. On the other hand, our company will be 100% shareholder of Nbulkgas Deniz İşletmeciliği Ltd. Şti., whose market value of equity is calculated as 320.000 USD in valuation studies and whose 100% shares belong to Negmar Denizcilik Yatırım A.Ş. In addition, Negmar will transfer Nbulkgas Ltd. Şti. its shares in IGLC Anka Shipping Investment S.A. ve IGLC Dicle Shipping Investment S.A., whose market value of equity is calculated as 9.430.000 USD in valuation studies and whose 50% shares belong to Negmar A.Ş. In the current situation, IGLC Anka and IGLC Dicle S.A. companies are in LPG transport business. Our company undertakes 16.380.000 USD loan liability that belongs to Negmar group. Our company will receive a total amount of 8.240.000 USD from other Negmar A.Ş. shareholders, as a result of the settlement of balances between shareholders and group companies. According to the study, there will not be any loss on sale of financial assets. After the sales, following the calculations of the book value of the Negmar, which is recorded in "payables from investments accounted by equity method" and other related accounts, and values and costs of financial assets purchased, the remaining amount will be reflected to the financial statements dated 31/03/2018 and gains on sales of financial assets will be finalized.
4. According to the board resolution of our company; resignation of Ali Rıza ÖZDEMİR, who is an independent member of the Board, from his duty of the board membership was accepted and Seyfullah ARSLANTÜRK was elected to the vacant membership in accordance with the 363rd article of Turkish Commercial Code.
5. Bahattin YILDIZ, who is an independent member of the Board of our company, resigned from his duty.

F. RATIOS

	2017	2016	2015	2014	2013
LIQUIDITY RATIOS					
Current Ratio	0,91	0,89	1,18	1,13	1,08
Acid Test Ratio	0,47	0,62	0,62	0,71	0,77
LEVERAGE RATIOS					
Financial Leverage Ratio	0,67	0,64	0,56	0,61	0,63
Equity / Asset	0,33	0,36	0,44	0,39	0,37
ACTIVITY RATIOS					
Inventory Turnover	3,32	2,73	2,75	3,47	4,10
Accounts Receivable Turnover	8,71	7,33	51,05	53,78	63,46
Asset Turnover	0,94	0,84	0,81	0,87	0,74
PROFITABILITY RATIOS					
Gross Profit Ratio	0,15	0,15	0,21	0,25	0,26
Operating Profit Ratio	0,02	0,02	0,11	0,15	0,15
EBITDA Ratio	0,04	0,04	0,13	0,17	0,17

G. PERFORMANCE OF THE STOCK

Comparative graph of the performance of our shares, which is listed in BIST (İstanbul Stock Exchange) with BIST index in recent years and its closing prices for each quarter in 2017 are as follows:

Graph 6 : PERFORMANCE OF THE STOCK

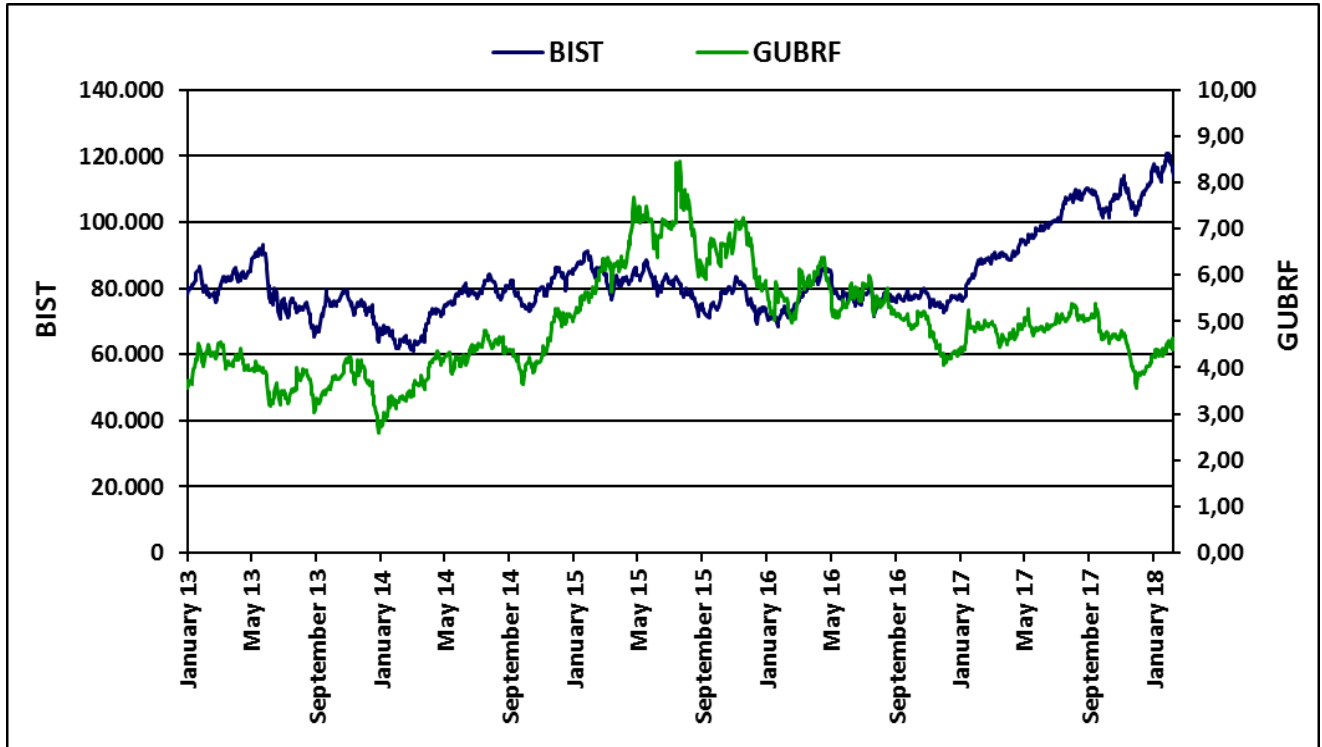


Table 13 : SHARE CLOSING PRICES BY THE END OF QUARTERS

02.01.2017	31.03.2017	30.06.2017	29.09.2017	29.12.2017
4,44	4,56	4,99	4,65	4,23

V. FERTILIZER SECTOR REVIEW

A. REVIEW OF YEAR 2017

2017 became as a very successful year in terms of both Turkish agricultural sector and the operations of Gübretaş.

2017, in which Gübretaş broke its sales record, also was a year our company continued to be the market leader in Turkish fertilizer sector. Our company also had one of the highest production figures in all time. 2017 also became a year in which records are broken in terms of daily production and daily delivery.

The construction of ammonia tank, which is an important investment of our company, was completed within the year and trial productions started there. Decreases in our production costs will also be reflected positively on the profitability figures with the ammonia tank being used.

With the investment made in our NPK-1B facility, our company became capable of producing AS (Ammonium Sulphate) fertilizer. Thus, our company now has the ability to produce DAP and AS fertilizers as well as all kinds of compound fertilizers.

Our storage capacity was also increased with a 100.000-ton warehouse built in Samsun.

Throughout the year, our company had better performance than the previous years in terms of profitability through close follow-up of fertilizer market and opportunity procurement . In addition, hedging techniques were actively used for the management of our trade and financial payables.

Our company, which recorded losses in Turkey activities in recent years, became able to generate profits in TAS / TFRS financial statements in 2017.

Even though Iran operations achieved a higher performance over the last years in terms of production and sales, weakness in global fertilizer prices resulted in a worse financial performance compared to the previous years.

B. OUR TARGETS FOR YEAR 2018

The positive performance in 2017 is expected to continue with better results in 2018.

Our company is a member of the largest agricultural organization in the country and has an infrastructure that will increase its success with its strong dealer network, innovative vision and human resources.

It is aimed to respond to the producers' request of better yields with plant-specific and region-specific fertilizers and to proactively manage the cost and risks with supply optimization and to focus on operational efficiency in all processes.

While investment studies will continue without any interruption, warehouse investments in İskenderun region and port expansion investments in Yarımca region are planned.

Gübretaş, which is a company that is aware of its social responsibilities, will reinforce its pioneering structure with training meetings, model field cultivations, agricultural land visits and consultancy services.

The application of the QR codes and DNA barcodes in fertilizers, which is put into effect in 2018, and the implementation of the diesel fuel supports, which is decided at the National Agriculture Project, can be considered as developments with probable significant effects in the industry.

C. RISK FACTORS

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

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

Risks that can be faced through supply, storage, production and transportation are evaluated within scope of operational risks. It is aimed to increase our storage capacity and to improve efficiency of our production facilities by domestic investments. By the close follow-up of

our supply and logistics processes, it is aimed to avoid any failures that may arise and to take quick actions when required.

D. NATIONAL AGRICULTURE PROJECT

One of the most important problems of our country's agriculture is the inability to plan production, and the consequences of production deficits and supply surpluses in agricultural products. As a result, Turkey falls into the position of importer in some products while they can be produced and is not able to demonstrate desired performance in some products that can be exported.

With the National Agricultural Project, it is aimed that the government will support the producers **in products that will be produced more efficiently in a specified basin**. With the project;

- 21 agricultural products in 941 basins were included to the scope of support. With planned production, both the agricultural areas will be used more effectively and the producer will be supported more effectively as a result of the supply-demand balance.
- "Fertilizer Guidelines" will be prepared on product base for 941 basins. In this way, detailed information will be provided on how much fertilizer will be used and in which basin.

Within the scope of the National Agricultural Project, the support of diesel fuel, which was settled in 2016, will be implemented as of 2018. The government will undertake half of the diesel fuel cost used by the producers and the farmers expect to receive 1.9 billion ₺ diesel fuel aid in 2018. Agricultural subsidies will contribute positively to the purchasing power of the producers' for other production inputs.

Gübretaş, which develops plant and region specific fertilizers with the aim of increasing the productivity and quality in agricultural production and which aims to spread good agricultural practices and consciousness in agricultural production in the sector, supports this project and evaluates that the sector will be effected positively.

VI. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

A. SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Gübre Fabrikaları T.A.Ş. (Gübretaş) carries out its activities in accordance with the principles described in Corporate Governance Communiqué issued by the Capital Market Board. Gübretaş believes that corporate governance practices are among the main principles which enables companies to have sustainable growth. Therefore, starting with its shareholders, Gübretaş carries out its relations with employees, customers and all the other parties with an active management and supervision in accordance with accountability, equality, transparency and responsibility, which are the universal components of corporate governance. **In order to comply with article 4.5.2 of the communiqué, our company will announce the procedures and principles of the committees established within the board of directors as soon as possible.** Excluding this, the main activities that have to be carried out by Investor Relations Department according to the 11th article of Corporate Governance Communiqué were performed very carefully.

Matters that are not yet implemented regarding the non-obligatory principles are explained in the related parts of the compliance report. In our company, there has not been any conflict of interest resulting from the non-obligatory principles that are not yet implemented. The studies continue for the adaptation of these principles and if there will be any significant change in these matters, amendments and adaptation studies will be included in interim operational reports.

B. SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

In our company, investor relations activities are carried out by the Investor and Subsidiary Relations Department, which reports to the assistant general manager responsible for financial affairs. The department has undertaken the responsibilities of the company against Capital Markets Board, Borsa Istanbul A.Ş. and Central Registry Agency and other supervisory and regulatory institutions and operates within the scope of Corporate Governance Communiqué numbered II-17.1. In this direction, main activities being carried out by our department in 2017 are as follows;

- Carrying out and supervising all the responsibilities arising from Capital Markets legislations, including all the matters related to corporate governance and public disclosure,
- Replying shareholders' requests about our company through telephone, e-mail and written correspondences,
- Ensuring the correspondences and records related to other information between the company and shareholders are kept safe and up-to-date,
- Preparing the general assembly documents that have to be provided to shareholders for information and examination, taking precautions to make sure general assembly is carried out in accordance with legislations, articles of association of the company and other regulations within the company,
- Supervising the interim financial reports are prepared in accordance with capital markets legislation and making sure they are announced to public in obligatory legal periods,
- Reporting the studies of Investor Relations Department to executive management every week and to the board of directors once every six months,
- Informing the current and potential investors about the activities of company, financial situation and strategies regularly and in a correct and complete way,
- Meeting the verbal and written information requests of domestic and foreign investment and portfolio companies that are making researches about us, introducing our company in the best possible way by attending to investor conferences and roadshows,
- Preparing the "Investor Presentation" in a correct and complete way,
- Making sure the "Insiders List" is kept up-to-date; informing those people to protect the information and make sure they follow the confidentiality rules until financial and operational results are disclosed to public,
- Regularly updating the "Investor Relations" part of our corporate website to make sure our shareholders have access to correct and complete information,
- Performing the tasks regarding the compensation of the owners physically holding Gübretaş stock, whose rights became annulled following the transfer to the Investor Compensation Center (ICC) became valid again then,

- Participation in the proper survey activities in which the participation of the company is requested in the direction of the studies of the universities and research firms, and contribution to the related academic studies excluding confidential information,
- Preparing the information and documents requested by institutions like Capital Markets Board, Borsa Istanbul and Central Registry Agency ve making sure these information are provided to them in the obligatory periods.

In 2017, 22 **meetings** were held for giving detailed information to investors about the activities of the company and there was **1 investor conference** participated abroad. In addition, our shareholders were informed by responses to around **260 investor demands** that are received via telephone and e-mail, excluding confidential information and in the way that does not lead to information asymmetry.

Investor and Subsidiary Relations Department prepared **2 Investor Relations Operational Reports** about the activities being carried out and the reports mentioned were presented to board of directors at 06.07.2017 and 29.01.2018.

Manager and employees working in Investor and Subsidiary Relations Department and their contact information is as follows:

Assistant General Manager-Finance

Ali Yekta SUNAR

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License Information: Capital Markets Activities License Level 3 / **206801**

Corporate Governance Rating License / **701190**

Credit Rating License / **603142**

Derivative Instruments License / **304195**

Investor and Subsidiary Relations Specialist

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License Information: Capital Markets Activities License Level 3 / **207182**

Corporate Governance Rating License / **702254**

Credit Rating License / **602763**

Derivative Instruments License / **307785**

2.2. Exercise of Shareholders' Right to Obtain Information

All written and verbal information requests from the shareholders are replied, excluding confidential information and the information which was not disclosed.

In accordance with shareholders' rights to obtain information, announcements are being made through Public Disclosure Platform (www.kap.gov.tr), company website (www.gubretas.com.tr) and Central Registry Agency e-Company portal. Detailed information and statistics regarding shareholders, which is provided both recent and retrospective, can be found in corporate website, both in Turkish and English. Our shareholders can also send their opinions and requests to e-mail address Investor Relations Department ir@gubretas.com.tr and they are informed by this department about issues which they wonder.

In the 17th article of our articles of association, the statement about assigning a private auditor is, *"In the matters about the financial reporting, independent audit and audit of the company, all the sentences of legislation are valid, starting with the regulations of Capital Markets legislation and Turkish Commercial Code"* and according to this article, the right of any shareholder to ask for the assignment of a private auditor will be protected. We did not receive any request from shareholders on this subject.

2.3. Information on General Assembly

General assembly meetings of the company are held in accordance with the Turkish Commercial Code and the Capital Markets Law.

65th Ordinary General Assembly Meeting for the accounting period of 2016 was held at 10:00 a.m. on 11th May 2017 in meeting hall located at the address of İstanbul, Kadıköy, Nida Kule Göztepe İş Merkezi, Merdivenköy Mahallesi, Bora Sokak No: 1 Kat: B1 with the participation of

about 80,7% of the total capital of 334.000.000,00 ₺. 65th Ordinary General Assembly Meeting was held in electronic media synchronically with physical media according to the “Regulation of Joint Stock Companies’ General Assemblies in Electronic Media”, dated 28th August 2012 and published in Official Gazette number 28395, and “Communique of Electronic General Assembly System for Joint Stock Companies’ General Assemblies”, dated 29th August 2012 and published in Official Gazette number 28396.

Stakeholders also attended the assembly meeting.

Invitation for the meeting was made within its deadline; the address www.kap.gov.tr of Public Disclosure Platform, the Electronic General Assembly System of Central Registry Agency, www.gubretas.com.tr address of Gübre Fabrikaları T.A.Ş. on 29th March 2017 and also in the issue 9300 of Trade Registry Gazette of Turkey dated 6th April 2017.

Excluding invitation and meeting days, the annual report, consolidated financial statements and auditor reports were disclosed 58 days before the general assembly and the General Assembly Information Document, which also includes information on board member nominees and profit distribution proposal, was disclosed 42 days before from the general assembly, at the web address of www.gubretas.com.tr and www.kap.gov.tr and all documents aforementioned above were made available at the headquarters of our company.

During the general assembly meeting, shareholders were asked if they have a say on the article discussed before the voting takes place. Also, at the ‘wishes and recommendations’ agenda item of the meeting, questions of the participants are answered by the company authorities on the matters discussed and there has not been any question left unanswered.

Information about donations and aids during the period 01.01.2016-31.12.2016 was given as a separate agenda item at the general assembly.

Minutes of the general assembly were published in the 9332nd issue of the Trade Registry Gazette dated 24th May 2017 and they were also made available to shareholders at www.gubretas.com.tr, www.kap.gov.tr, e-GEM and e-Company portals of Central Registry Agency.

As an addition to the articles mentioned, the General Assembly was informed that there has not been any situation of shareholder having the control of management, board members, directors having administrative responsibility and spouses and 2nd degree relatives and in-laws of all those mentioned, made a significant operation that can create a conflict of interest with company or its subsidiaries, or made a commercial operation on his/her or somebody else’s behalf

that is also in the same field of operations of company or its subsidiaries, or went into a partnership, which has the same field of operations, as the partner with unlimited liability.

2.4. Voting Rights and Minority Rights

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

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

2.5. Dividend Rights

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

2.6. Transfer of Shares

There is not any provision in our articles of association that restricts transfer of shares.

C. SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company's Website and Its Contents

Website of our company can be accessed through the address of www.gubretas.com.tr, data presented here are prepared both in Turkish and English and submitted for public information.

In the website, both the mandatory information according to the related legislation and details mentioned in corporate governance principles are provided. In this direction, data in our website are as follows;

- Trade registry information,
- Current shareholding and management structure,
- Current version of the articles of association with the trade registry gazette dates and numbers in which the amendments are published,
- Corporate governance principles compliance report,
- Material disclosure,
- Financial and operational results,
- Annual reports,
- Agendas of the general assembly meetings, attendance sheets and minutes of the meetings,
- General assembly internal directive,
- Power of attorney,
- Profit distribution policy and dividend information,
- Disclosure policy,
- Donation and aid policy,
- Remuneration policy,
- Information society services,
- Investor presentations,
- Stock information,
- Board committees,
- Corporate social responsibility studies.

Data about the topics stated above for a minimum of last 5 years are presented in the corporate website.

In accordance with the capital markets legislation, our financial tables, with the exception of footnotes are announced in Public Disclosure Platform in English simultaneously with Turkish.

General principles regarding the management of our corporate website are included in article 5.6 of our information policy.

3.2. Annual Report

Our annual report for the year 2017 was prepared according to Turkish Commercial Code numbered 6102, "Regulation on the Minimum Contents of the Annual Activity Reports of Companies" prepared by the Ministry of Customs and Trade, "Communique on Financial Reporting in Capital Markets" prepared by Capital Markets Board and "Corporate Governance Communiqué" by providing details that enable the public to access complete and correct information about our activities. The report is submitted for public information in Turkish and English both printed and electronically.

D. SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

Gübre Fabrikaları T.A.Ş. ensures that the rights of the corporations and stakeholders, who are involved in the activities of Gübretaş, are protected, whether their rights are protected by legislations or not. A balanced approach is adopted in order to minimize the conflict of interest that can occur between company and stakeholders or among stakeholders and all the rights are considered separately.

Stakeholders consist of shareholders, employees, creditors, customers, suppliers, trade unions, non-governmental organizations, state institutions and savings owners who consider to invest or to do business with the company.

Starting with the Public Disclosure Platform and our corporate website, public disclosure tools listed below, which are also listed in 5th article of Information Policy, are used while informing the stakeholders;

- Press releases that are announced simultaneously with significant events through year via written, visual, aural and digital media,
- Announcements provided to data distribution corporations,
- Meetings, tele-conferences or one-on-one meetings with shareholders, investors and capital markets experts and information and presentation tools like investor presentation,
- Communication methods and tools like phone, e-mail, fax.

The members of the board of directors and managers avoid judgements that will inflict loss on the stakeholders or reduce assets and run their businesses based on coherent balance between stakeholders.

Aiming to comply with corporate governance principles, “Gübretaş Process Documents”, which includes legislations, procedures and instructions, are shared with employees in order to inform them about the situations related.

Besides, “Customer Complaint Form” can be found on our corporate website, enabling customers to transmit their requests and complaints.

4.2. Participation of the Stakeholders in the Management

In order to produce more effective, more efficient and higher quality products and services, the company holds meetings with stakeholders and the ideas are taken into consideration while shaping the company decisions and policies.

4.3. Human Resources Policy

Statement of GÜbretaş about human rights issues is as below;

When employing a employee, we do not discriminate between different ethnic backgrounds, languages, religions, genders, colors or political opinions. Our sole criteria is to find people who can embrace GÜbretaş, can share the sense of “us”, can take responsibility, have business ethics, are idealist, are captious, are suitable for team work, can renew and improve himself/herself and have analytical thinking.

We do evaluate people according to their productivity, their compliance with the objectives and principles of GÜbretaş, their sympathy to the corporate culture and by objective success criteria. We identify the lack of knowledge, experience and equipment of our employees with professional methods and techniques and we exercise all the necessary activities to overcome them.

We encourage employee who demonstrate development horizontally and vertically, reward them materially and morally.

We give importance to exchange ideas with employee and trade union representatives when taking decisions on employee.

By meeting all the material and moral requirements of our employees, we provide them the physical and social environment to exercise their duties at highest level.”

Our human resources policy in Gübretaş is based on five fundamental principles:

- Justice
- Participative management and transparency
- Continuous improvement of working conditions
- Productivity-based compensation
- Respecting human rights

Furthermore, in our company, department objectives are being set in line with budget objectives and company strategies. Training activities are being executed within the scope of plans made by requirement analysis.

In the context of organizational change and development, job definitions and processes are revised in accordance with the changing and developing organization. Organizational development studies are based in line with continuous improvement, OHS (Occupational Health and Security) and environment quality systems concepts. There has not been any complaint from any employee about discrimination.

4.4. Ethical Rules and Social Responsibility

A. Ethical Rules

Operations of our company are conducted within the framework of the following ethical rules:

- Deep respect to human and “human first” approach
- Customer oriented thinking and working
- Sense of responsibility towards the society and respect to the environment
- Continuous improvement, rational and systematical thinking
- Having a free atmosphere where opinions are expressed comfortably
- Equality, transparency, accountability and responsibility at management approach
- Integrating high ethical and moral values with the corporate identity
- Service without discrimination between different religions, languages, races and genders
- Forming a corporate and corporate culture that is remembered with the word of ‘Trust’

B. Social Responsibility

❖ Turkey Soil Productivity Map Project

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

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

- 1)** To create a database for the future of agricultural production by preparing the productivity map in macro and micro nutrient elements according to our country's geographic regions and provide a source for studies in these fields,
- 2)** Starting with Turkish Agricultural Cooperatives partners, to increase the consciousness in fertilizer consumption of all farmers and determine fertilizer patterns of sampled lands,
- 3)** To help farmers by analyzing if there is a problem in their land and reporting solutions to these problems according to soil analysis,
- 4)** To help GÜbretaş' R&D studies by developing plant-specific and region-specific fertilizer formulations according to obtained data,
- 5)** To contribute to build a huge database for our country's agriculture by combining GÜbretaş' studies conclusions with studies of the Ministry of Food, Agriculture and Livestock of Turkey and universities.
- 6)** To train a minimum of 10 thousand major farmers about agricultural issues like getting soil examples, fertilizers, fertilization techniques and consciousness in agricultural production with this project.

GÜBRETAS Scholarship

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

Within this scope, scholarship is being provided to children of farmers in need while they get their undergraduate education, at 35 different agricultural faculties all around Turkey. With this project, which more than 300 students at agricultural faculties benefited from since the initiation, around 120 students continue to get scholarship.

❖ **Conscious Agricultural Training**

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

GÜBRETAS also carries out agricultural consultancy services through Farmer Support Line, web and mobile applications and social media.

❖ **Farmer Support Line**

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

❖ **Mobile Advisory Services**

The usage of farmer-oriented mobile information program, EFP (Efficient Fertilization Programs) is increasing. Gübretaş, who composes special fertilization programs by its in-house engineers and R&D team in order to increase productivity in agricultural production, brought this

valuable experience into use of farmers with a new mobile application. With this new mobile application, which is developed by GÜbretaş and is free of charge, the farmers can track plant nutrition programs for 40 agricultural products, which are being produced in Turkey, with usage time, method and dosage. With this new application, 66-years of industry experience of GÜbretaş is transferred to smartphones and tablets. The farmers now have the opportunity to request instant information from “Ask the Expert” function of the application even when they are working in the field.

❖ **Model Agricultural Production**

In order to expand consciousness in agricultural production, model test fields/gardens are being formed. As GÜbretaş, in these tests, which are being carried out with pioneer farmers, achieving maximum yield with minimum fertilizer consumption is being aimed. Thus, the aim is to prohibit the wastage of resources by avoiding more than necessary fertilizer consumption and to protect our soil, which is one of our most important sources. The lands, which the test are being carried out at, are managed with pure scientific methods and the fertilization programs are determined according to the soil analysis results.

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

E. SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Composition of the Board of Directors

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

They fulfill their duties in accordance with Turkish Commercial Code and Capital Market Legislation. Current members of the board of directors are:

Title	Name	Date of Election
Chairman	Fahrettin POYRAZ, PhD	19.12.2017
Vice Chairman	Mahmut GÜNGÖR	27.07.2016
Member	Ertekin ÇOLAK	24.06.2016
Member	Fatih Zekeriya YERLİKAYA	04.01.2018
Executive Member	İbrahim YUMAKLI	28.10.2016
Executive Member	Ali Yekta SUNAR	10.07.2017
Independent Member	Murat YAŞA	11.05.2017
Independent Member	Seyfullah ARSLANTÜRK	28.02.2018

Fahrettin POYRAZ, PhD (Chairman)

After graduating from the Faculty of Political Science at Ankara University, Fahrettin POYRAZ, PhD completed his master's degree at Kırıkkale University, Institute of Social Sciences, Department of Public Administration and Turkey and Middle East Public Administration Institute, and then his doctorate at Hacettepe University, Institute of Social Sciences, Department of Public Administration, Political Science field.

Mr. POYRAZ, who worked as an auditor in the Ministry of Finance and then a chief auditor in the Court of Accounts, is a sworn-in certified public accountant and holds an international independent auditor certificate. He also served as a member of the board of directors at Alumni Foundation of the Faculty of Political Science and as a member of editorial board of "Mali Hukuk" magazine. Mr. POYRAZ, who is currently serving as the vice chairman of Association of Member of Parliament Sports Club, is also a member of the central punishment board of General Directorate of Sports, the Ministry of Youth and Sports, and the top classification delegate of Turkey Football Federation.

Mr. POYRAZ, who served as MoP of Bilecik in the 22nd, 23rd and 24th terms, also served as the chairman of the State Economic Enterprises Commission in the 24th term.

Mr. POYRAZ was appointed as general manager of Central Union of Turkish Agricultural Credit Cooperatives by the 384th resolution of the board dated 05.12.2017. He is married and has five children.

Mahmut GÜNGÖR (Vice Chairman)

He graduated in 1995 from Labor Economics and Industrial Relations division of Faculty of Political Sciences at Ankara University. In 2006, he completed his master's degree at Banking and Insurance Institute at Marmara University. Between 1996 and 2011, he worked at Ziraat Leasing as specialist, assistant manager, manager and assistant general manager and between 2011 and 2015, he worked as assistant general manager at Vakıf Leasing. As of January 4th 2018, he was appointed as general manager to Bereket Pension and Bereket Insurance, the group companies of Central Union of T.A.C.C., where Mr. GÜNGÖR worked as assistant general manager since October, 2015.

Mahmut GÜNGÖR, who was born in 1972 in Ankara, is married and has two children.

Ertekin ÇOLAK (Member)

He was born in 1964 in Artvin. He completed his elementary education in the district of Yusufeli and his secondary education at Erzurum İmam Hatip High School. He graduated from Fishery Engineering division of Marine Sciences Faculty at Karadeniz Technical University.

After working as engineer at provincial agricultural directorates of Trabzon, Van and Artvin, he was assigned as district agriculture manager, project statistics branch manager and provincial agriculture manager of Artvin and Gümüşhane.

During his working at Provincial Agriculture Directorate of Artvin, he executed important works related to fishery, greenhouse cultivation, apiculture, and production of kiwifruits, he established the infrastructure of kiwifruit production in Artvin region and he realized first Caucasian breed bee production.

During his period at Provincial Agricultural Directorate of Gümüşhane, he implemented the first cage fishery at Kürtün Dam and he executed one of the leading cage fishery productions in Turkey.

He adopted projects for the reclaiming and fertilization of forages in Artvin and Gümüşhane. He worked on projecting and adopting various social and economic activities of social aid foundations. Besides, in the evaluation of performance for providing support to farmers as conducted by Ministry of Agriculture and Rural Affairs, he was ranked as 1st among provincial directorates and he was awarded by the Ministry. He also acted as the leader to establish the Doğan Süt, which is the first and only organic milk producing enterprise in our country, and make

it a sustainable business.

He was elected as MoP from Artvin in 23rd term and he worked as a member of Agriculture, Forest and Rural Affairs Commission. He worked as the chairman of sub-commission while the organizational regulations of the Ministry of Food, Agriculture and Livestock was being prepared. He has been working as a board member in Gübretaş since 26.06.2016.

Ertekin ÇOLAK, who speaks intermediate level of English and Arabic language, is married and has three children.

Fatih Zekeriya YERLİKAYA (Member)

After a 3-year study on e-commerce in Germany, he began working in the Central Union of T.A.C.C. as assistant inspector in 2007. While working as an inspector in 2010 after passing qualification exams; he was appointed as Konya regional manager of Central Union of T.A.C.C.

Mr. YERLİKAYA, who took the head role of supply department of Central Union at June 30th 2016, was appointed as assistant general manager on August 19th, 2016 with the approval of general management. He was appointed as chief inspector at 11.05.2017 and he was appointed again as head of supply department with the 4th resolution of board of directors dated 03.01.2018.

İbrahim YUMAKLI (Executive Member)

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

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

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

İbrahim YUMAKLI, who speaks English, is married and he is the father of two children.

Ali Yekta SUNAR (Executive Member)

Ali Yekta SUNAR, who completed his bachelor's degree at Finance division in Anadolu University, has completed his military service between years 1988-1991 as private guard at Çankaya Pavilion. In 1992 he started working in banking field at Türkiye Finans Bursa Branch. In 2001 under the name "Kutupyıldızı" he established Private Asiye Coşkun schools and he held the position of vice chairman till 2005.

Between years 2004-2013 he worked as manager of Kuveyttürk Osmangazi Branch and in 2013 he retired from the same bank. He has been working as assistant general manager responsible from finance at Gübretas since 05.05.2017.

Ali Yekta SUNAR, who is interested in various sports, is married and he is the father of three children.

Murat YAŞA (Independent Member)

Murat YAŞA, who started his working life with publishing activities in 1997, was a member of the board of directors in IHH (The Foundation for Human Rights and Freedoms and Humanitarian Relief) between 1998 and 2005. Mr. YAŞA, who was appointed as a member of the board of directors to Kent Katı Atık Yönetimi Ltd. Şti. in 2005, continued his career as the Iraq operations responsible in Yön Group İnşaat ve Katı Atık Yönetimi. Mr. YAŞA, who worked as coordinator in Remaks Group between 2011 and 2015, was elected as the Turkey chairman of Sinan-Wren Foundation in 2015. YAŞA, who still continues this duty, has also been working as a partner of Yörünge İnşaat Temizlik Limited Company since 2016.

Besides his professional life, Mr. YAŞA, who was a Board member in some NGOs such as Civil Solidarity Platform, The Union of NGOs of the Islamic World, The Foundation of Turkish Volunteer Organizations in various periods, has been in the board of trustee at IHH since 1998.

Seyfullah ARSLANTÜRK (Independent Member)

He graduated from İstanbul Recep Tayyip Erdoğan (Fatih) Imam Hatip High School in 1999. Seyfullah ARSLANTÜRK, who graduated from Newport University Business Administration and Anadolu University Public Administration departments, wrote his master's thesis on the issue of improving performance in public administration at University of Turkish Aeronautical Association.

Between 2002 and 2004, Mr. ARSLANTÜRK served as MoP consultant and continued to work until 2010 as press and public relations consultant at Prime Minister's Council Secretariat. He was appointed as the advisor to the Minister of Environment and Urbanization in 2010; then as the executive assistant of the Prime Minister's Secretariat. He has been working as the executive assistant of the Administrative and Financial Affairs department of the Prime Ministry since 2016.

Seyfullah ARSLANTÜRK, who speaks English and Arabic, is married and has three children.

DECLARATION OF INDEPENDENCY

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

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

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

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

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

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

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

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

g) I have not been a board member of the company more than 6 years in the last 10 years,

ğ) I am not an independent board member more than the total of 3 companies that the company or shareholders who control the company have the management control or 5 companies that are listed in total,

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

The independency situation of Ali Yekta SUNAR, who served as one of the independent members of the Board, was abolished due to his appointment as the assistant general manager on 05.05.2017 and Murat YAŞA was elected as new independent member instead of Ali Yekta SUNAR at 65th Ordinary General Meeting which was held on 11.05.2017.

In 2017, 3 independent board members have been nominated by the nomination committee. The report that shows our nominees meet the criteria for independency has been prepared in 29.03.2017 and has been presented to the board in the same day.

There has not been any principle set for our board members about taking duties outside of company.

Also, there has not been any target ratio or time set for female members in the Board.

5.2. Principles of the Operations of the Board of Directors

The board of directors conducts its operations in a transparent, fair and responsible way. The board reviews the efficiency of risk management and internal control systems of our company once in every two months via Committee of Early Determination of the Risk. Information is given

in Annual Report about the mechanism and efficiency of internal control system. While the authorities of the chairman of the board and chief executive officer/ general manager were not separated clearly in articles of association, nobody is furnished with individual unlimited decision-making. The board plays a pioneer role while providing effective communication between company and shareholders, overcoming and solving possible conflicts and therefore works in close cooperation with Committee of Corporate Governance and Investor Relations Department.

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

5.3. Formation of Board Meetings

Meetings of the board of directors are carried out and quorums are decided in accordance with the provisions of the articles of association, Turkish Commercial Code and Capital Market Law. GM Office Department, which reports to General Manager, has been constituted to conduct the works with regard to the meetings of the board of directors of the company and to serve the members of the board of directors. Departments prepare their motions for the required resolutions and they transmit it to the GM Office upon obtaining the approval of the General Directorate. An agenda regarding these motions is formed and it is transmitted to the chairman of the board of directors with the invitation letter for the meeting of the board of directors. The invitation letter are sent to the members together with the agenda. The resolutions which were taken in the meeting are sent to the relevant departments after the meeting. 12 board meetings were made in 2017.

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

5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors

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

Committee of Audit

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

The committee is composed of three independent members of the Board of Directors. *(Independent member of the board Bahattin YILDIZ resigned from his duty on 03.03.2018.)* Independent member Murat YAŞA is the head of the committee. Other member of the committee is Seyfullah ARSLANTÜRK.

Duties and responsibilities of the committee are as follows;

- To control that the financial statements and footnotes, both of which are disclosed to public, are prepared in accordance with the current legislation and international accounting standards,
- To review the activity report and review whether the information provided there is true and consistent with the information committee has,
- To examine the complaints submitted by the shareholders and stakeholders that which are significant enough to affect the financial statements,
- To review the efficiency of the internal audit activities,

- To make sure that the important problems and solutions to overcome them, which are determined during or as a result of the audits of the internal audit department of the company, are submitted timely to the committee's information and discussed,
- To supervise whether the activities of the company are conducted in accordance with the current legislation and internal regulations of the company.

In 2017, Committee made 5 meetings and in this direction, presented 5 reports to the Board.

Committee of Corporate Governance

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

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

Duties and responsibilities of the committee are as follows;

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

In 2017, committee held 2 meetings and in this direction, presented 2 reports to the Board.

Committee of Nomination

Name	Title	Duty
Ertekin ÇOLAK	Committee Member	Board Member

The committee is composed of two members of the board of directors. (*Independent member Bahattin YILDIZ, who was the head of committee, resigned from this duty on 03.03.2018.*)

Other member of the committee is Ertekin ÇOLAK.

Duties and responsibilities of the Committee are as follows;

- To form a transparent system for the determination, assessment and training of the appropriate candidates for the board of directors and to determine policies and strategies in this regard,
- To make regular assessments regarding the structure and efficiency of the board of directors and to submit recommendations to the board of directors related with the changes in this regard,
- To determine approaches, principals and procedures regarding the performance assessment and career planning of the members of the board of directors and the senior managers and to supervise them,

In 2017, committee made 2 meetings and in this direction, presented 2 reports to the board.

Committee of Early Determination of the Risk

Name	Title	Duty
Murat YAŞA	Head of Committee	Independent Board Member
Mahmut GÜNGÖR	Committee Member	Board Member
Ertuğrul KÖSE, PhD	Committee Member	Risk and Process Management Manager

Committee of Early Determination of the Risk has been constituted for the purposes of early determination of the risks which may jeopardize existence, development and continuance of

the company, application of the necessary measures regarding the determined risks and management of the risk.

The committee is composed of three people, two members of the board of directors and risk and process management manager. Independent member Murat YAŞA is the head of the committee. Other members of the committee are Mahmut GÜNGÖR and Ertuğrul KÖSE, PhD.

Duties and responsibilities of the committee are as follows;

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

In 2017, Committee made 6 meetings and in this direction, presented 6 reports to the Board.

Committee of Remuneration

Name	Title	Duty
Seyfullah ARSLANTÜRK	Head of Committee	Independent Board Member

The Committee is composed of two members of the Board of Directors. Independent member Seyfullah ARSLANTÜRK is the head of the committee. *(Independent member of the board Bahattin YILDIZ resigned from his duty on 03.03.2018.)*

Duties and responsibilities of the Committee are as follows;

- To determine the proposals regarding the principals of the remuneration system of the members of the board of directors and the executive management by taking the long term targets of the company into consideration,
- To determine the criteria which may be used for the remuneration system taking into account the performance of the company and the member,
- To submit the proposals regarding the remunerations of the members of the board of directors and the senior managers to the board by taking their level of success to achieve the criteria into consideration.

Committee did not make any meetings in 2017.

5.5. Risk Management and Internal Control Mechanism

Works related to the early determination of the risks which may jeopardize existence, development and continuance of Gübre Fabrikaları T.A.Ş. and application of the necessary measures regarding the determined risks and management of the risk are being carried out under the coordination of Risk and Process Management Department. Companywide, risks are tracked on the basis of four categories which are financial risks, strategic risks, operational risks and other risks. Daily and monthly reports are produced with regard to the risk management. In the context of studies to develop an "Integrated Risk Management System", the studies about the software related to the risks in financial category were completed. For the minimization of risks and more effective management, the processes of company were analyzed, criteria were defined and "Quality Management System" was started to be implemented. In order to increase efficiency of corporate risk management, our company continues the studies on "Risk Management Policies".

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

5.6. Strategic Goals of the Company

In the context of quality consciousness, efficient resource management, continuous improvement, productivity and customer oriented management approach, to be a company that benefits from modern technological changes as much as possible; by increasing the consciousness of and informing the farmers with the academic world and related institutions, to be a leading company for the development and improvement of Turkish agriculture by creating synergy with the Agriculture Credit Cooperatives,

To become the leading company of Turkey that can drive its sector with its infrastructure and well known trademark name “Gübretaş” and can obtain global competitive power with its production technology that meets the global standards,

With the approach of ‘Human First’, to be a company which provides physical and social facilities to its workers, both moral and material, keeps environment consciousness and human health foreground, supports and even becomes a part of social projects.

To be a company which emphasizes R & D works by following up the modern developments in the world, provides options to its customers by its information bank and accredited laboratories and provides different opportunities and alternatives to its customers in agriculture sector,

Encouraged by the company’s origin and past, to procure and produce chemical fertilizers with the best quality at our well-equipped factories with our expert staff having a professional management approach, to create the best marketing and distribution network to our customers that enables us to transport the fertilizers as soon as possible,

To preserve a sustainable growth trend in accordance with “highest quality, reasonable cost” approach and keep market advantage,

To emphasize advertisement and public relations works by establishing communication channels and bridges between Gübretaş public and farmers and to make image development activities convenient to Gübretaş’ corporate structure and spread them in and outside the company,

To reach the product quality and standardization that could compete with the world in the basis of profitability, productivity, efficiency, to realize continuous improvement studies for efficient and effective resource management, to be self-sufficient for the raw materials used in the

fertilizer production, to have production and infrastructure facilities both within and outside the country and to identify the marketing strategies and policies compliant with them,

To be a company that measures its success with the customer satisfaction and that finds fast and quality solutions to the needs of the customers.

5.7. Remuneration of the Board of Directors

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

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

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

Total benefits provided for members of the board of directors, general manager and assistant general managers in our company for the period of 1st of January-31st of December 2017 are stated in 30th footnote on the consolidated financial statements.

CONCLUSION

DEAR SHAREHOLDERS,

In 2017, 2.031.923 tons of fertilizers and raw materials were procured from domestic and foreign markets and 683.228 tons of various types of solid chemical fertilizer were produced at our facilities. On the other hand, 1.990.526 tons of solid, liquid and powder fertilizers were sold in 2017. Net revenues were realized as 2.273.950.745 ₺.

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

Our company reached to the consolidated revenue figure of 3.487.261.450 ₺. After the deduction of cost of goods sold, operation expenses, other operating expenses-income and financial expenses from this amount; 11.554.750 ₺ profit was realized before tax. 25.822.668 ₺ consolidated profit occurred after adding 14.267.918 ₺ net tax income to this figure. 33.317.912 ₺ profit to shareholders has occurred after deducting 7.495.244 ₺ loss which belongs to minority shareholders.

We would kindly ask you to evaluate the results mentioned above regarding of 2017 activities.

Best Regards,
BOARD OF DIRECTORS

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

Gübre Fabrikaları Türk Anonim Şirketi

**Consolidated financial statements at 31 December
2017 together with the independent auditor's report**

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(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of financial position as at 31 December 2017

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

		Current year	Prior year
		Audited	Audited
	Notes	31 December 2017	31 December 2016
ASSETS			
Current assets:			
Cash and cash equivalents	5	227.960.860	136.519.570
Financial investments	31	79.972.354	24.961.482
Trade receivables			
- Trade receivables from related parties	30	66.765.089	85.191.486
- Trade receivables from third parties	7	347.394.493	301.308.388
Other receivables			
- Other receivables from related parties	30	132.977	2.756.403
- Other receivables from third parties	8	198.708.598	167.768.077
Inventories	9	972.164.142	814.012.500
Prepaid expenses	10	68.232.462	75.887.364
Derivative financial instruments	20	85.916	16.743.178
Assets related to the current period taxes	28	482.023	5.687.893
Other current assets	18	27.602.260	17.452.274
Total current assets		1.989.501.174	1.648.288.615
Non-current assets:			
Financial investments	31	42.585.948	44.152.656
Other receivables			
- Other receivables from related parties	30	60.276.145	94.567.063
- Other receivables from third parties	8	14.119.733	23.074.100
Investments valued by equity method	3	12.879.760	9.025.166
Investment properties	11	69.638.999	57.028.000
Property, plant and equipment	12	1.222.887.066	1.219.905.720
Intangible assets			
-Goodwill	13	181.331.891	188.461.258
-Other intangible assets	13	28.950.307	29.129.804
Prepaid expenses	10	19.837.304	40.975.917
Deferred tax assets	28	55.978.837	28.524.082
Total non-current assets		1.708.485.990	1.734.843.766
Total assets		3.697.987.164	3.383.132.381

The consolidated financial statements for the year ended 31 December 2017 have been approved by the Board of Directors on 12 March 2018.

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of financial position as at 31 December 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current year	Prior year
		Audited	Audited
	Notes	31 December 2017	31 December 2016
LIABILITIES			
Current liabilities:			
Short term borrowings	6	912.317.544	798.391.047
Current portion of long-term borrowings	6	54.914.049	42.297.246
Trade payables			
- Trade payables to related parties	30	17.417.334	5.224.461
- Trade payables to third parties	7	814.981.212	627.026.512
Employee benefit obligations	17	33.663.131	35.667.368
Other payables			
- Other payables to third parties	8	221.497.832	153.941.939
Deferred income	10	16.541.386	34.436.793
Current income tax liability	28	17.143.787	53.959.350
Short-term provisions			
- Short-term provisions for employee benefits	17	42.251.136	24.212.339
- Other short term provisions	16	49.140.281	79.923.906
Total current liabilities		2.179.867.692	1.855.080.961
Non-current liabilities:			
Long-term borrowings	6	72.295.391	99.492.773
Long-term provisions			
- Long-term provisions for employee benefits	17	196.320.157	185.422.202
Deferred tax liability	28	41.992.837	41.518.380
Total non-current liabilities		310.608.385	326.433.355
Total liabilities		2.490.476.077	2.181.514.316
Shareholders' equity:			
Share capital	19	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation gains/losses on property, plant and equipment	27	261.940.485	262.570.832
- Actuarial gain/(loss) arising from defined benefit plans		(1.458.551)	(945.335)
- Foreign currency translation reserve		(68.388.089)	(62.489.158)
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method	3	(28.376.207)	(25.428.512)
Restricted reserves			
-Legal reserves	19	52.295.108	41.378.380
Retained earnings		387.155.939	466.809.637
Net income or expense		33.317.912	(68.736.970)
Equity attributable to equity holders of the parent		970.486.597	947.158.874
Non-controlling interests		237.024.490	254.459.191
Total shareholders' equity		1.207.511.087	1.201.618.065
Total liabilities and equity		3.697.987.164	3.383.132.381

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of profit or loss as of 31 December 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current year	Prior year
		Audited	Audited
		1 January – 31 December 2017	1 January – 31 December 2016
	Notes		
Sales	21	3.487.261.450	2.834.839.791
Cost of sales (-)	21	(2.968.797.796)	(2.418.214.457)
Gross profit		518.463.654	416.625.334
General and administrative expense (-)	22	(170.128.235)	(127.957.341)
Marketing, selling and distribution expense (-)	22	(278.525.716)	(229.077.384)
Other operating income	24	325.505.241	214.273.395
Other operating expenses (-)	24	(310.782.176)	(219.268.957)
Operating profit		84.532.768	54.595.047
Income from investment activities	25	6.662.917	2.336.601
Profit / (loss) from investments accounted by equity method	3	4.693.731	(3.833.419)
Financial income / (expense) before operating profit		95.889.416	53.098.229
Financial income / (expense)	26	(84.334.666)	(46.857.844)
Profit before tax from continuing operations		11.554.750	6.240.385
- Current period tax income / (expense)	28	(5.302.407)	(20.786.763)
- Deferred tax income / (expense)	28	19.570.325	(29.418.026)
Total tax income / (expense)		14.267.918	(50.204.789)
Net profit		25.822.668	(43.964.404)
Distribution of income for the period:			
Non-controlling interests		(7.495.244)	24.772.566
Attributable to equity holders of the parent		33.317.912	(68.736.970)
Other comprehensive income			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans	17	(641.520)	(1.181.669)
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss	28	128.304	236.334
Gains or (losses) in revaluation of property, plant and equipment	12	(700.386)	-
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss	28	70.039	-
Items to be reclassified to profit or loss			
Changes in currency translation differences		(14.756.840)	47.870.920
Changes in currency translation differences from investments accounted by equity method	3	(2.947.695)	(11.647.678)
Other comprehensive income / (expense)		(18.848.098)	35.277.907
Total comprehensive income / (expense)		6.974.570	(8.686.497)
Distribution of total comprehensive income			
-Non-controlling interests		(16.353.153)	59.316.687
-Equity holders of the parent		23.327.723	(68.003.184)
Earnings per share	29	0,0010	(0,0021)

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of equity movement as of 31 December 2017

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

	Items not to be reclassified to profit or loss			Items to be reclassified to profit or loss		Retained earnings					
	Share capital	Revaluation reserves	Actuarial gain/(loss) arising from defined benefit plans	Changes in currency translation differences from investments accounted by equity method	Foreign currency translation reserve	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2016	334.000.000	262.570.832	-	(13.780.834)	(74.870.622)	39.708.380	416.698.169	85.181.468	1.049.507.393	556.116.827	1.605.624.220
Transfers	-	-	-	-	-	1.670.000	83.511.468	(85.181.468)	-	-	-
Dividend paid	-	-	-	-	-	-	(33.400.000)	-	(33.400.000)	(360.974.323)	(394.374.323)
Total comprehensive income / (expense)	-	-	(945.335)	(11.647.678)	12.381.464	-	-	(68.736.970)	(68.948.519)	59.316.687	(9.631.832)
31 December 2016	334.000.000	262.570.832	(945.335)	(25.428.512)	(62.489.158)	41.378.380	466.809.637	(68.736.970)	947.158.874	254.459.191	1.201.618.065
1 January 2016	334.000.000	262.570.832	(945.335)	(25.428.512)	(62.489.158)	41.378.380	466.809.637	(68.736.970)	947.158.874	254.459.191	1.201.618.065
Transfers	-	-	-	-	-	10.916.728	(79.653.698)	68.736.970	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(1.081.548)	(1.081.548)
Total comprehensive income / (expense)	-	(630.347)	(513.216)	(2.947.695)	(5.898.931)	-	-	33.317.912	23.327.723	(16.353.153)	6.974.570
31 December 2017	334.000.000	261.940.485	(1.458.551)	(28.376.207)	(68.388.089)	52.295.108	387.155.939	33.317.912	970.486.597	237.024.490	1.207.511.087

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of cash flows as of 31 December 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited 1 January – 31 December 2017	Audited 1 January – 31 December 2016
Cash flows from operating activities	Notes		
Profit from continuing operations		25.822.668	(43.964.404)
<i>Adjustments to reconcile net profit/(loss) for the period</i>			
Adjustments related to depreciation and amortization expense	12,13,23	71.843.896	70.088.478
Gain / (loss) on equity investments	3	(4.693.731)	3.833.419
Retirement pay provision, early retirement pay liability	17	112.851.145	79.949.994
Adjustments related to interest expense		116.583.330	83.249.489
Impairment of inventories	9	8.294.639	539.074
Deferred financial income		4.474.366	2.384.246
Lawsuit provision / cancellation	16	5.605.762	1.598.160
Allowance for / reversal of doubtful receivable		4.432.603	-
Current year tax income / (expense)	28	(14.267.918)	50.204.789
Adjustments related to losses (gains) on sale of property, plant and equipments	25	(152.439)	(1.394.601)
Adjustments related to fair value losses (gains) on investment property	25	(6.510.478)	(942.000)
Adjustments related to fair value losses (gains) on derivative financial instruments	20	(85.916)	(16.743.178)
Cash flows from the operating activities before changes in the assets and liabilities		324.197.927	228.803.466
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		(35.598.134)	(709.191)
Adjustments related to increase / (decrease) in other receivables		14.928.190	34.907.424
Adjustments related to increase / (decrease) in inventories		(155.319.693)	107.885.336
Adjustments related to increase / (decrease) in trade payables		215.922.208	113.821.431
Employee benefit obligations		(2.004.237)	19.045.051
Increase / (decrease) in deferred income		(17.895.407)	1.787.799
Increase / (decrease) in prepaid expenses		28.793.515	(42.632.321)
Increase / (decrease) in other payables		27.414.853	7.780.945
Adjustments related to other increases / (decreases) in working capital		(47.213.121)	88.394.432
Cash flows from the operations after the changes in working capital		353.226.101	559.084.372
Interest paid		(103.625.493)	(83.249.489)
Taxes refunds/(payments)	28	(3.731.287)	(43.216.291)
Payment termination Indeminty	17	(73.298.837)	(64.606.000)
Cash flow regarding investment activities		172.570.484	368.012.592
Investment activities:			
Cash outflows from the purchases of property, plant and equipment and intangible assets	12,13	(110.222.458)	(93.958.099)
Proceeds from sales of property, plant and equipment	12,13	2.244.605	2.286.390
Cash outflows from the purchases of investment property	11	-	(41.820.000)
Other cash inflows / (outflows)	31	(53.444.164)	(21.889.282)
Cash flows from investment activities		(161.422.017)	(155.380.991)
Financing activities:			
Dividend paid		(1.081.549)	(293.253.439)
Cash inflows from financial borrowings		3.310.609.737	2.703.251.617
Cash outflows from financial borrowings payments		(3.211.263.819)	(2.858.968.945)
Cash flows from financing activities		98.264.369	(448.970.767)
Net change in cash and cash equivalents before effect of foreign currency translation difference		109.412.833	(236.339.166)
Cash and cash equivalents as of January 1	5	125.519.427	364.409.394
Foreign currency translation difference		(11.744.188)	(2.550.801)
Cash and cash equivalents as of December 31	5	223.188.075	125.519.427

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the consolidated financial statements as of 31 December 2017

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

NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

The number of employees of the Company and its subsidiaries for the year ended 31 December 2017 is 1.531 (31 December 2016 – 1.539)

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

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

Name	31 December 2017		31 December 2016	
	Share %	Share amount	Share %	Share amount
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	%75,95	253.684.607	%75,95	253.684.607
Other	%24,05	80.315.393	%24,05	80.315.393
Total	%100,00	334.000.000	%100,00	334.000.000

Subsidiaries

Gübretaş has invested in Razi Petrochemical Co., which is located in Iran and operates in the production and sales of fertilizer and fertilizer raw materials on May 24, 2008. The share of Gübretaş in the capital of Razi as of the date of balance sheet is 48,88% (December 31, 2015: 48,88). Razi is considered subsidiary because Gübretaş has the right to select and nominate three of the five member Company Board of Razi. Also, it has the controlling power in the operational management of Razi.

At 2010 year end, Razi has established Raintrade Petrokimya ve Dış Ticaret A.Ş. ("Raintrade") in Turkey in order to conduct its sales activities outside Iran. Raintrade has commenced its operations in April 2011. Razi has 100% share in Raintrade; therefore the Group has an indirect ownership of 48,88% in Raintrade.

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

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

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

Associates

On 30 June 2008, the Company has invested in Negmar Denizcilik Yatırım A.Ş., operating in sea transportation. As of the balance sheet date, the participation percentage is 40% (31 December 2016: 40%).

On 13 April 2009, the Company has invested in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. (Tarkim), operating in the production and sales of agricultural pesticide in Turkey. As of the balance sheet date, the participation percentage is 40% (31 December 2016: 40%).

Financial assets available for sale

As of 31 December 2017 Other than its associates and subsidiaries, the Group has invested in İmece Prefabrik Yapı Tarım Makineleri Temizlik ve Güvenlik Hizmetleri Tic. A.Ş. and Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. in Turkey with shares of 15% of 17% respectively that are the associates of its controlling shareholder. On 5 October 2016, İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş. company has been transferred to Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. company without liquidation and universally and completely in the framework of provisions of Turkish Commercial Code and other related legislation regarding business combinations through taking its assets and liabilities as basis identically. Participation rate of Tarnet Tarım Kredi Bilişim ve İletişim A.Ş. has changed as 15.78% following the aforementioned transfer transaction.

The approval of the financial statements:

The consolidated financial statements have been approved by the Board of Directors and instructed to be issued on 13 March 2017. The General Assembly has the power to amend the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Applied financial reporting standards

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

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

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

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

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

2.1. Basis of presentation (Continued)

Going concern

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

Functional currency

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

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

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

The conversion rates used are as follows:

Currency	31 December 2017		31 December 2016	
	Period end	Period average	Period end	Period average
IRR / TL	0,00010458	0,000010969	0,00010870	0,00009760

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 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, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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Notes to the consolidated financial statements as of 31 December 2017

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

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

- a) **The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:**

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

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

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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.

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Notes to the consolidated financial statements as of 31 December 2017

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

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

TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The impact of standard on two aspects of TFRS 9 is as follows:

Classification and Measurement of Financial Assets:

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of TFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The Group is likely to have a negative impact on equity due to higher provisions for trade receivables, but will make a more detailed assessment in the future to determine the size of the impact. The Group assesses the impact of the standard on its financial position and performance.

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Notes to the consolidated financial statements as of 31 December 2017

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

TFRS 4 Insurance Contracts (Amendments)

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

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

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

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

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

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

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

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 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. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 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.

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

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

IFRS 17 - The new Standard for insurance contracts

[The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

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

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

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

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

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

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

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

2.3 Summary of the significant accounting policies

2.3.1 Income

Incomes are calculated via fair value of the received or receivable amount.

The income from the sale of the goods is calculated after the following conditions are in place:

The Group hands over the property right, risks and gains to the buyer

Group has no longer effective control over the sold-out goods and administrative contribution linked to the property right.

Income amount is reliably calculated.

Economical benefits related to the operation are possible to flow in the company.

The costs resulted / to-be resulted from the operation is reliably calculated.

2.3.2 Dividend and interest income

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

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.3 Lease income

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

2.3.4 Inventories

Inventories are calculated with the lower one of the cost or net realizable value. The costs including a part of fixed and changeable general production expenses are calculated with a method which the inventories depend on and generally first-input-first-output and weighted average cost method.

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

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

2.3.5 Investment properties

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

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

2.3.6 Tangible fixed assets

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

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.6 Tangible fixed assets (Continued)

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

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

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

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

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

Except for lands having unrestricted use life, depreciation has been calculated over the inflation adjusted values of fixed asset and according to ordinary depreciation method and on basis of prorated depreciation. Tangible-fixed assets are amortized considering below-mentioned economic lives. (Note 12)

Buildings, land improvements	5-50 Years
Machines, facilities and equipment	3-40 Years
Vehicles	4-10 Years
Furnitures and fixtures	3-25 Years
Leasehold improvements	5 Years

2.3.7 Intangible-fixed assets

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

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

As of the purchase date, the historical costs of the intangible assets have been finally adjusted for the inflation rates on 31 December 2004. In the current period, the intangible assets are redeemed with straight line method according to their economical life based on the cost value. The amount noted at the financial statement is redeemed in 5 years. (Note 13)

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

2.3 Summary of the significant accounting policies (Continued)

2.3.8 Impairment of non-financial assets

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

2.3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.10 Goodwill

The acquisition of subsidiary is accounted for using the purchase method. The cost of business combination is calculated according to the aggregate of the assets given at the combination date, liabilities which are arising or committed and the fair value of equity instruments which are issued to obtain the control of the subsidiary and other costs which are directly related to the business combination. The assets, liabilities and contingent liabilities of the acquired entity which are corresponding the terms of recording according to the IFRS 3 "Business Combinations" are recorded based on their fair values. The goodwill arising on the acquisition is determined as the excess of the acquisition cost over the Group's share in the identifiable assets, liabilities and contingent liabilities of the acquired entity and recorded first on the cost basis.

2.3.11 Financial instruments

Financial assets

The financial assets - apart from those recorded at fair value and grouped as financial tools of which fair value difference reflected as loss or profit - are accounted based on total amount of the expenses directly related to purchase transaction and fair market value. The assets are recorded or charged off at the date of transaction in result of purchase or sale of the financial assets linked to a contract indicating the delivery conditions of investment tools, such as the deadline determined in line with market conditions.

Financial assets are classified as "financial assets of which fair value difference is reflected as profit or loss", "financial assets which will be held till the due term", "financial assets which are ready for sale" and "credits and receivables". The classification is determined at the first record as to qualifications and acquirement goals of the financial asset.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Effective interest method

The effective interest method is a way to evaluate the financial asset with the amortised cost and to distribute the related interest income to the related period. The effective interest method is the rate reducing the assumed total receivable cash to its current net value as long as it is available over the life of financial tool.

The classified financial assets except from those of which fair value difference is reflected to profit or loss are accounted by using the effective interest method.

Financial assets of which fair value difference reflected to profit or loss

The financial assets of which fair value difference reflected to profit or loss, are the financial tools held for commerce. When a financial asset is acquired for sale, it is classified in this category. These financial assets constituting the derivatives which have not been designed as protective tool against financial risk are also categorized as financial asset of which fair value difference reflected to profit or loss.

Held-to-maturity financials assets

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest methodless impairment, with revenue recognized on an effective yield basis.

Derivative instruments

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

Derivative instruments that reflect that profit/loss the fair value difference of the Group are composed of forward foreign currency purchase and sale contracts. Derivative financial instruments are initially measured at fair value after initial recognition and are reflected in profit or loss when changes in fair value are realized.

Financial assets ready for sale

The equity instruments that are held by the Group and that are quoted on the stock exchange and transacted at an active market as well as some debt securities are categorized as financial assets ready for sale and are recorded with their fair value. The Group has also other equity instruments that are ready for sale, but neither quoted on the stock exchange nor transacted at an active market. So they are recorded with their cost value as their fair value cannot be determined via a trustable way.

Credits and receivables

The commercial and other receivables that are not transacted and that have fixed and determinable payments as well as the credits are classified in this category. The credits and receivables are recorded by deducting the decrease in value from the cost amortised via effective interest method.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Impairment of financial assets

The financial assets or asset groups, except from the financial assets of which fair value difference reflected to profit or loss, are evaluated on each balance sheet date as to whether there is any indication of being affected by decrease in value. If more than one event happen after the initial recognition and there is a sideless indication of that the future cash flows of the financial asset or asset group have been subjected to the decrease in value, the impairment loss takes place. For the financial assets recorded with their amortised value, the amount of the decrease in value is difference between its book value and current value accounted by reducing the expected future cash flows at the rate of effective interest.

Decrease in value of all financial assets, except for trade receivables of which book value was decreased through usage of a reserve account, is directly deducted from registered value of relevant financial asset. In case trade receivable cannot be collected, the amount in question is written off by being deducted from reserve account. Changes in reserve account are accounted in income statement.

Except for equity instruments ready for sale, in case that loss due to decrease in value reduces in the following period and this reduction can be connected with an event occurred after accounting the loss due to decrease in value, loss due to decrease in value which has been accounted before is deleted from income statement in a way so as not to exceed amortized cost which decrease in value of investment would reach on the date decrease in value would be cancelled in case it would not have been accounted at any time.

Increase in fair value of equity instruments ready for sale which occurred after decrease in value is directly accounted in equities.

Cash and cash equivalent

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

Financial liabilities

Financial liabilities and equity instruments of Group are designated in accordance with contractual arrangements and description of a financial liability and an instrument based on equity. The contract representing right in assets remained after all payables of Group are deducted is a financial instrument based on equity. Accounting policies applied for specific financial liabilities and financial instruments based on equity are explained below.

Financial liabilities are classified as financial liabilities of which fair value deficit is reflected on profit or loss and other financial liabilities.

Financial liabilities which reflected to profit / loss as fair value difference

Financial liabilities of which fair value deficit is reflected on profit or loss are registered with their fair value and reevaluated with their fair value at balance sheet date in each reporting period. Changes in their fair value are accounted in income statement. Net income or loss which is accounted in income statement also includes interest rate paid for financial liability in question.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Other financial liabilities

Other financial liabilities are accounted with their fair values which are freed from transaction costs in the beginning, including financial payables.

Other financial liabilities are accounted over amortized cost amount by using effective interest method along with interest expense calculated over effective interest rate in the following periods.

Effective interest method is the one in which amortized costs of financial liability are calculated and relevant interest expense is distributed to related period. Effective interest rate is the one which reduces estimated cash payments to be performed in future during the anticipated lifespan of financial instrument or a shorter period of time, in case suitable, to exactly net present value of related financial liability.

Leasing- Group as lessor

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

There is no financial leasing transaction of Group in the current period.

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

Leasing - Group as tenant

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

There is no financial leasing transaction of Group in the current period.

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.12 Impacts of exchange rate

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

Foreign currency unit based transactions (other currencies than TL) made during the preparation of financial statement of each enterprise are recorded based on foreign exchange rates that are applicable on the date of transaction. The monetary assets and liabilities indexed to foreign currency used in balance sheet are converted to Turkish Lira by using foreign exchange bid rates valid on balance sheet date. Those non-monetary items which are followed with their fair value and recorded in foreign currency unit are converted to TL based on exchange rates on the date fair values are determined. Non-monetary items in foreign currency unit of which date is calculated over cost are not subjected to conversion again.

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

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

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

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

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

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

2.3.13 Earnings per share

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

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.14 Events after balance sheet date

Even though the events after balance sheet date have come up after any announcement made about profit or any public announcement about other selected financial information, they cover all the events occurred between balance sheet date and date of authorization for balance sheet publication. In case that the events requiring adjustment have come up after balance sheet date, Group adjusts the amounts included in financial statements in compliance with this new situation.

2.3.15 Provisions, conditional assets and liabilities

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

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

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

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

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

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

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

Current tax

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

Deferred tax

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.16 Taxes calculated on the basis of the company's earnings (Continued)

Deferred tax (Continued)

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

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

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

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

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

2.3.17 Benefits for employees

Termination indemnity liability

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

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.17 Benefits for employees (Continued)

Seniority incentive premium

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

Vacation pay provision

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

2.3.18 Statement of cash flow

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

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

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

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

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

2.3.19 Capital and dividends

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

2.3.20 Basis of consolidation

- a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the year ended 31 December 2017 and include financial statements of Gübretaş and its Subsidiaries.
- b) At 31 December 2017, there are no changes in voting rights or proportion of effective interest on Subsidiaries that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2016. The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the year, respectively.

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

2.3. Summary of the significant accounting policies (Continued)

2.3.21 Basis of consolidation (Continued)

- c) The Group's significant interest in affiliates is accounted for with equity method. Affiliates accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The comprehensive income statement presents shares of financial results of the Group's affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group's share. The share of the Group from these changes is directly accounted under the Group's equity.
- d) Other investments in which the Group has interest below 20%, or over which the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.
- e) The non-controlling shareholders' share of the net assets and results for the period for the subsidiaries are classified separately in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.

2.3.21 Critical accounting estimates and judgements

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

Net realizable value

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

Goodwill impairment

The Group reviews goodwill for impairment annually. Razi has been identified as the cash generating unit since the goodwill balance has been recognized through the acquisition of Razi. The value in use calculations are based on post-tax Turkish Lira cash flow projections as approved the Group management. 24% discount rate and 1% growth rate (31 December 2016: discount 24%, growth 1%) have been used in calculations of the value in use. Discount rate before tax for presentation is about 24% (31 December 2016: 24%) The discount rate represents the risk associated with the entity. Based on the impairment analysis performed by Group management, no impairment of goodwill has been identified. As of 31 December 2017, the Group does not determine impairment in goodwill amount according to results of value impairment tests which was made by using the above assumptions

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

2.3 Summary of the significant accounting policies (Continued)

2.3.21 Critical accounting estimates and judgements (Continued)

Deferred tax

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

Fair value of properties

Fair value of the properties of the Group as of December 31, 2016 is established according to valuation performed in January 2016 by an independent expertise company which does not have relation with the Group. Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is an independent valuation company authorized by Capital Markets Board of Turkey and Banking Regulation and Supervision Authority, has the appropriate quality and experience regarding the valuation of properties at aforementioned locations. It is established through Market Value Approach, Cost Approach and Capitalization of Revenues Approach which are appropriate to International Valuation Standards. Unit price is established following the performance of price adjustment in the framework of criteria which can affect Market value considering the similar properties which are put on sale or sold/rented recently in the Market Value Approach. Judgement on the valuation does not take deed liens into consideration and depends upon the acceptance that there is no case regarding the property. Cost approach is referenced upon reconstruction cost of the building in present conditions. Capitalization of Revenues Approach is the return capitalization calculating rate of return with an appropriate discount rate including potential income sources, cash flows, and rental losses deducting the operation expenses.

2.4 Restatement of consolidated financial statements

The tax authority accrued tax expenditure at an amount of 8.6 Million TL for Razi regarding the year of 2015 and consolidated financial statements of 31 December 2016 has been restated and the Company made provision in the consolidated financial statements.

As of 31 December 2016, intangible assets amounting to 29.135.214 TL which are accounted for under the accounts of other receivables from the related parties are classified as intangible assets.

As of 31 December 2016, the value increase of investment property amounting to 13.903.140 TL which is accounted under other operating income has been classified under income from investment activities.

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NOTE 3 - SHARES IN OTHER BUSINESSES

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

	Negmar Denizcilik Yatırım A.Ş.		Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current assets	39.869.994	54.446.057	60.793.636	36.674.021
Non- current assets	364.307.801	404.140.909	7.386.532	6.937.248
Short term liabilities	170.242.369	153.933.182	17.113.601	13.868.509
Long term liabilities	343.042.526	408.501.193	18.867.167	7.179.844
Net (liabilities)/assets	(109.107.100)	(103.847.409)	32.199.400	22.562.916

	Negmar Denizcilik Yatırım A.Ş.		Tarkim Bitki Koruma San. ve Tic. A.Ş.	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Net sales	309.964.232	290.410.423	73.019.221	46.734.092
Net (loss)/profit	1.757.177	(8.238.952)	9.636.485	1.109.757
Non-controlling interests	(340.665)	2.454.354	-	-
Parent company share	2.097.842	(10.693.306)	-	-

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

	31 December 2017	31 December 2016
Negmar Denizcilik Yatırım A.Ş. (Note 8)	(43.642.840)	(41.538.964)
Tarkim Bitki Koruma San. ve Tic. A.Ş.	12.879.760	9.025.166
Total net liabilities	(30.763.080)	(32.513.798)

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

	31 December 2017	31 December 2016
Negmar Denizcilik Yatırım A.Ş.		
-Net profit	839.137	(4.277.322)
-Foreign currency translation difference	(2.947.695)	(11.647.678)
Tarkim Bitki Koruma San. ve Tic. A.Ş.-net profit	3.854.594	443.903
Total	1.746.036	(15.481.097)

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NOTE 3 - SHARES IN OTHER BUSINESSES (Continued)

	2017		2016	
	Negmar Denizcilik Yatırım A.Ş.	Tarkim Bitki Koruma San. ve Tic. A.Ş.	Negmar Denizcilik Yatırım A.Ş.	Tarkim Bitki Koruma San. ve Tic. A.Ş.
Participation rate	40%	40%	40%	40%
Total equity	(109.107.100)	32.199.400	(103.847.409)	22.562.916
1 January	(38.760.174)	9.025.166	(25.613.963)	8.581.263
Current year comprehensive income/expense	(4.882.666)	3.854.594	(15.925.001)	443.903
31 December	(43.642.840)	12.879.760	(41.538.964)	9.025.166

NOTE 4 -SEGMENT REPORTING

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

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

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

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

The distribution of segment assets and liabilities pertaining to the periods ending on 31 December 2017 and 31 December 2016 is as follows:

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

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NOTE 4 -SEGMENT REPORTING (Continued)

	Turkey	Iran	Consolidation adjustments	Total
	31 December 2016	31 December 2016	31 December 2016	31 December 2016
Assests				
Current assets	907.952.697	865.671.784	(125.335.866)	1.648.288.615
Non-current assets	1.169.418.644	809.182.231	(243.757.109)	1.734.843.766
Total assests	2.077.371.341	1.674.854.015	(369.092.975)	3.383.132.381
Liabilities				
Short term liabilities	1.110.247.988	856.388.007	(111.555.034)	1.855.080.961
Long term liabilities	109.653.576	216.779.779	-	326.433.355
Equities	857.469.777	601.686.229	(257.537.941)	1.201.618.065
Total liabilities	2.077.371.341	1.674.854.015	(369.092.975)	3.383.132.381

The distribution of income statements by segments for the periods ending on 31 December 2017 and 31 December 2016 is as follows:

	Turkey	Iran	Consolidation adjustments	Total
	1 January 2016 - 31 December 2017	1 January 2016 - 31 December 2017	1 January 2016 - 31 December 2017	1 January 2016 - 31 December 2017
Operating income				
Sales (Net)	2.273.950.745	1.383.888.122	(170.577.417)	3.487.261.450
Cost of sales (-)	(2.045.439.490)	(1.093.935.723)	170.577.417	(2.968.797.796)
Gross profit	228.511.255	289.952.399	-	518.463.654
Marketing, selling and distribution expense (-)	(118.508.593)	(160.017.123)	-	(278.525.716)
General and administrative expense (-)	(27.431.271)	(142.696.964)	-	(170.128.235)
Other operating income / expense (-)(net)	21.321.546	(5.608.775)	(989.706)	14.723.065
Operating profit	103.892.937	(18.370.463)	(989.706)	84.532.768
Income / (expense) from investments	6.662.917	-	-	6.662.917
Profit / (loss) from investments accounted by equity method	4.693.731	-	-	4.693.731
Operation profit before financial income / (expense)	115.249.585	(18.370.463)	(989.706)	95.889.416
Financial income / (expense)	(100.147.832)	15.813.166	-	(84.334.666)
Profit before tax	15.101.753	(2.557.297)	(989.706)	11.554.750
Tax expense	-	(5.302.407)	-	(5.302.407)
Deferred tax income / (expense)	26.373.275	(6.802.950)	-	19.570.325
Profit / (loss) for the period	41.475.028	(14.662.654)	(989.706)	25.822.668

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NOTE 4 -SEGMENT REPORTING (Continued)

Operating income	Turkey	Iran	Consolidation adjustments	Total
	1 January 2016 - 31 December 2017	1 January 2016 - 31 December 2017	1 January 2016 - 31 December 2017	1 January 2016 - 31 December 2017
Sales (Net)	1.804.262.519	1.236.438.730	(205.861.458)	2.834.839.791
Cost of sales (-)	(1.648.757.063)	(986.874.577)	217.417.183	(2.418.214.457)
Gross profit	155.505.456	249.564.153	11.555.725	416.625.334
Marketing, selling and distribution expense (-)	(97.056.126)	(132.021.258)	-	(229.077.384)
General and administrative expense (-)	(28.291.366)	(99.665.975)	-	(127.957.341)
Other operating income / expense (-)(net)	(133.651.118)	28.650.561	4.995	(4.995.562)
Operating profit	(3.493.154)	46.527.481	11.560.720	54.595.047
Income / (expense) from investments	305.985.454	-	(303.648.853)	2.336.601
Profit / (loss) from investments accounted by equity method	(3.833.419)	-	-	(3.833.419)
Operation profit before financial income / (expense)	298.658.881	46.527.481	(292.088.133)	53.098.229
Financial income / (expense)	(58.048.435)	11.190.591	-	(46.857.844)
Profit before tax	240.610.446	57.718.072	(292.088.133)	6.240.385
Tax expense	(15.904.458)	(4.882.305)	-	(20.786.763)
Deferred tax income / (expense)	(13.488.138)	(13.040.957)	(2.888.931)	(29.418.026)
Profit / (loss) for the period	211.217.850	39.794.810	(294.977.064)	(43.964.404)

Investment expenditures:

Investment expenditures pertaining to segment assets for the periods ending on 31 December 2017 and 31 December 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Gubre Fabrikaları T.A.Ş.	70.333.018	68.710.410
Razi Petrochemical Co. and its subsidiary	39.889.440	25.247.689
Total	110.222.458	93.958.099

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on 31 December 2017 and 31 December 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Gubre Fabrikaları T.A.Ş.	20.074.771	15.230.667
Razi Petrochemical Co. and its subsidiary	51.769.125	54.857.811
Total	71.843.896	70.088.478

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NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hands	455.770	17.237
Bank	223.009.623	119.788.896
- demand deposits	32.835.443	52.772.601
- time deposits	190.174.180	67.016.295
Other cash equivalents(*)	4.495.467	16.713.437
Total	227.960.860	136.519.570
Pledge cash and cash equivalents (**)	(4.772.785)	(11.000.143)
Cash and cash equivalents at the statement of cash flow	223.188.075	125.519.427

(*) As of 31 December 2017 and 31 December 2016 other cash equivalents consist of Gübretaş's receivables from the sales by credit card.

(**) As of 31 December 2017, pledge cash and cash equivalents include 4.772.785 TL, which is related with the letters of credit opened by Raintrade Petrokimya ve Dış Tic. A.Ş.(2016: 11.000.143 TL)

Time deposits

As of 31 December 2017 and 2016, the maturity of time deposits are less than 3 months and values with effective interest method are as below:

Time deposits (TL):

The details of time deposit as of 31 December 2017 and 2016 are as below:

Interest rate (%)	Maturity	31 December 2017
8,00	January 2017	2.000.000
		2.000.000
Interest rate (%)	Maturity	31 December 2016
8,84 – 9,97	January 2016	1.200.000
		1.200.000

Time deposits (Foreign currency):

Interest rate (%)	Maturity	Currency	Foreign currency amount	Amount in TL
Libor+0,5	January 2018	EUR	3.034	13.701
10 - 15	January 2018	Mil. IRR	741.837	77.588.037
2,8-3,95	January 2018	USD	29.314.786	110.572.442
				188.174.180

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NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Interest rate (%)	Maturity	Currency	31 December 2016	
			Foreign currency amount	Amount in TL
Libor+0,5	January 2017	EUR	132.232	490.568
10-20	January 2017	Mil. IRR	502.305	54.601.136
2,26-2,49	January 2017	USD	3.047.451	10.724.591
				65.816.295

NOTE 6 – FINANCIAL BORROWINGS

As of 31 December 2017 and 31 December 2016, details of short and long term borrowings are as follows:

	31 December 2017	31 December 2016
Short term borrowings	910.740.757	798.391.047
Short term portion of long term borrowings	54.914.049	42.297.246
Short-term finance lease liabilities	1.576.787	
Total	967.231.593	840.688.293
Short and long term borrowings	31 December 2017	31 December 2016
Payable within 1 year	967.231.593	840.688.293
Payable within 1 – 5 years	72.295.391	99.492.773
Total	1.039.526.984	940.181.066

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

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

Bank loans:

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

Other finansal borrowings (*):

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

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NOTE 6 – FINANCIAL BORROWINGS (Continued)

Short-term finance lease liabilities:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	December 2018	19	1.576.787	1.576.787
Total				1.576.787

As 31 December 2016 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	January 2017	0,03	11.401.182	42.297.246
USD	September 2017	3,25	60.659.750	213.473.792
TL	November 2017	10,85-11,45	318.892.475	318.892.475
Total				574.663.513

Other financial borrowings (*):

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
EUR	January 2017	Libor+0,5	71.706.725	266.024.780
Total				266.024.780

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

b) Long term borrowings

	31 December 2017	31 December 2016
Long term bank loans (Gübretaş)	68.741.400	99.492.773
Long term lease liabilities (Gübretaş)	3.553.991	
Total	72.295.391	99.492.773

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

Bank loans:

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

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NOTE 6 – FINANCIAL BORROWINGS (Continued)

Long-term finance lease liabilities:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
TL	September 2020	19	3.553.991	3.553.991
Total				3.553.991

As 31 December 2016 details of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
EUR	January 2020	3,4	26.818.182	99.492.773
Total				99.492.773

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:

	31 December 2017	31 December 2016
Trade receivables	256.058.016	286.966.164
Notes receivables	1.951.173	3.321.819
Receivables from Subsidiaries of Oil Ministry (Razi)	98.183.716	15.386.214
Trade receivables from third parties (gross)	356.192.905	305.674.197
Allowance for doubtful receivables (-)	(8.798.412)	(4.365.809)
Trade receivables from third parties (net)	347.394.493	301.308.388

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

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

Overdue following the maturity	31 December 2017	31 December 2016
More than 9 months	8.798.412	4.365.809
Total	8.798.412	4.365.809

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2017	2016
Balance at 1 January	4.365.809	4.365.809
Period cost	4.432.603	-
Balance at 31 December	8.798.412	4.365.809

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

	31 December 2017	31 December 2016
Guarantee letters	268.519.609	253.128.074
Collateral cheques and notes	60.787.401	60.937.401
Total	329.307.010	314.065.475

Short term trade payables:

	31 December 2017	31 December 2016
Trade payables (Gübretaş)	494.382.879	345.133.568
Trade payables (Razi)	43.944.978	96.247.990
Payables to NPC (Razi)	249.958.136	182.745.018
Other trade payables	26.695.219	2.899.936
Total	814.981.212	627.026.512

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:

	31 December 2017	31 December 2016
VAT receivables (Razi)	110.967.323	101.569.275
Other various receivables (Tabosan) (*)	25.078.121	33.135.093
Due from personnel	9.244.740	11.244.879
Other various receivables (**)	53.418.414	21.818.830
Other short term receivables	198.708.598	167.768.077

- (*) The total amount of capital receivables sourcing from payments made as co-guarantor and accrued interest receivable as of the report date of the Group is 25.078.121 TL. The Group management have requested from the Bankruptcy Administration as of report date to realize share transfer of Razi shares owned by Tabosan at a rate of 1,31% corresponding to payments at an amount of 5.439.402 EUR made as co-guarantor. Since the aforementioned request was not accepted by the Bankruptcy Administration, the Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned by Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. The share transfer file brought to the court by the Group has been rejected and appealed by the Group but the decision of the court is approved by the Supreme Court. Therefore the Group has made a request of revision of the decision. The Group shall apply to record the receivable subject to the aforementioned case in the Bankruptcy estate if the case with a share transfer request which was brought to court by the Group to the Bankruptcy Administration is resulted in a negative manner.

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NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

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

(**) As of 31 December 2017, 33.539.248 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns. (2016: 20.046.022 TL)

Other long term receivables:

	31 December 2017	31 December 2016
Deposits and guarantees given	10.381.720	13.189.904
Due from personnel (*)	3.738.013	9.884.196
Other long term receivables	14.119.733	23.074.100

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

Other short term payables:

	31 December 2017	31 December 2016
Dividend payables to non-controlling interests	97.512.149	101.120.883
Payables from investments accounted by equity method	43.642.840	41.538.964
Other payables	80.342.843	11.282.092
Other short term payables	221.497.832	153.941.939

NOTE 9 – INVENTORIES

	31 December 2017	31 December 2016
Raw materials and supplies	307.564.906	214.676.484
Finished goods	190.011.290	142.129.647
Trade goods	407.533.261	408.573.898
Other inventories	75.888.398	49.171.545
	980.997.855	814.551.574
Provision for inventories	(8.833.713)	(539.074)
Total	972.164.142	814.012.500

The Group carried out net realisable value analysis for inventories and the result of this analysis stock impairment of inventories has been made provisioned amounting to 8.699.098 TL. (2016: 401.237). In addition, the Group made provision for slow-moving inventories amounting to 134.615 TL. (2016: 137.837).

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NOTE 10 - PREPAID EXPENSES VE DEFERRED INCOME

Short term prepaid expenses	31 December 2017	31 December 2016
Advance given for inventories	61.504.962	62.093.829
Prepaid expenses	6.727.500	13.793.535
Total	68.232.462	75.887.364

Long term prepaid expenses	31 December 2017	31 December 2016
Advance given for fixed asset	19.837.304	40.975.917
Total	19.837.304	40.975.917

Short term deferred income	31 December 2017	31 December 2016
Received order advances	16.541.386	34.436.793
Total	16.541.386	34.436.793

NOTE 11 - INVESTMENT PROPERTIES

	31 December 2017			31 December 2016		
	Lands and parcels	Buildings	Total	Lands and parcels	Buildings	Total
Net value at the beginning of period	42.762.000	14.266.000	57.028.000	-	14.266.000	14.266.000
Purchases	-	-	-	41.820.000	-	41.820.000
Transfer to property, plant and equipment (*)	-	6.100.522	6.100.522	-	-	-
Fair value increase / (decrease)	7.351.000	(840.523)	6.510.477	942.000	-	942.000
Total	50.113.000	19.525.999	69.638.999	42.762.000	14.266.000	57.028.000

The Company had rent income in the amount of 2.354.785 TL from its investment properties in the period ending on the date of 31 December 2017 (2016: 407.116 TL)

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NOTE 12 –PROPERTY, PLANT AND EQUIPMENT

The depreciation cost and amortization of the company is 71.843.896 TL as of 31 December 2017 and 31 December 2016 details are given below;

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

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

	31 December 2016		
	Gübretaş	Razi	Total
Amortization cost	15.031.226	54.857.811	69.889.037
Depreciation cost	199.441	-	199.441
Total	15.230.667	54.857.811	70.088.478

31 December 2016: Out of the total of 70.088.478 TL depreciation and amortization costs; 66.381.748 TL have been included in General Production Costs, 655.028 TL in Sales and Marketing Costs, 3.051.702 TL in General Management Costs

Pledges and mortgages on assets

There are no pledges or mortgages on the property, plant and equipment of the company as of the dates 31 December 2017 and 31 December 2016.

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NOTE 12 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
Opening balance on January 2017	460.149.818	59.895.278	334.392.130	1.133.978.599	10.230.291	27.012.387	1.018.158	88.846.999	2.115.523.660
Foreign currency translation differences	(5.689.177)	-	(4.337.125)	(34.232.559)	(322.310)	(675.347)	-	(2.886.996)	(48.143.514)
Additions	13.242.737	1.872.433	71.546	3.300.293	887.946	6.600.043	-	82.960.845	108.935.843
Sales/cancellations	-	(7.081.232)	(1.021.614)	(15.144.587)	(1.248.298)	(1.403.725)	-	-	(25.899.456)
Transfer to investment properties	-	-	(6.267.660)	-	-	-	-	-	(6.267.660)
Transfer from construction in progress	-	71.278.479	4.871.053	31.039.886	1.309.455	1.349.512	-	(109.848.385)	-
Closing balance on 31 December 2017	467.703.378	125.964.958	327.708.330	1.118.941.632	10.857.084	32.882.870	1.018.158	59.072.463	2.144.148.873
Accrued depreciation									
Opening balance on January 2017	-	(49.754.294)	(119.225.077)	(706.730.703)	(6.763.208)	(12.919.553)	(225.105)	-	(895.617.940)
Foreign currency translation differences	-	-	214.911	20.791.879	209.548	491.562	-	-	21.707.900
Expenses of the period	-	(3.760.577)	(8.869.106)	(52.725.033)	(1.391.882)	(4.309.533)	(117.625)	-	(71.173.756)
Sales/cancellations	-	7.081.019	233.796	14.103.089	927.303	1.309.644	-	-	23.654.851
Transfer to investment properties	-	-	167.138	-	-	-	-	-	167.138
Closing balance on 31 December 2017	-	(46.433.852)	(127.478.338)	(724.560.768)	(7.018.239)	(15.427.880)	(342.730)	-	(921.261.807)
Net book value on 31 December 2017	467.703.378	79.531.106	200.229.992	394.380.864	3.838.845	17.454.990	675.428	59.072.463	1.222.887.066

As of 31 December 2017, 8.939.865 TL within construction in progress is capitalized interest and foreign currency exchange difference. (2016: 24.319.420 TL)

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NOTE 12 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
Opening balance on January 2016	442.159.860	59.045.134	268.218.825	930.988.887	9.418.267	21.331.584	956.608	206.418.175	1.938.537.340
Foreign currency translation differences	16.878.058	-	12.267.320	49.122.806	616.405	1.740.846	-	6.595.308	87.220.743
Additions	1.111.900	1.004.794	3.480.492	1.395.505	1.234.416	2.325.688	61.550	82.979.972	93.594.317
Sales/cancellations	-	(154.650)	-	(1.583.557)	(1.458.493)	(632.040)	-	-	(3.828.740)
Transfer from construction in progress	-	-	50.425.493	154.054.958	419.696	2.246.309	-	(207.146.456)	-
Closing balance on 31 December 2016	460.149.818	59.895.278	334.392.130	1.133.978.599	10.230.291	27.012.387	1.018.158	88.846.999	2.115.523.660
Accrued depreciation									
Opening balance on January 2016	-	(48.807.274)	(103.344.501)	(612.726.157)	(5.990.380)	(9.680.084)	(80.343)	-	(780.628.739)
Foreign currency translation differences	-	-	(5.515.533)	(41.107.568)	(459.568)	(954.446)	-	-	(48.037.115)
Expenses of the period	-	(973.195)	(10.588.800)	(54.241.218)	(1.336.881)	(2.604.181)	(144.762)	-	(69.889.037)
Sales/cancellations	-	26.175	-	1.567.997	1.023.621	319.158	-	-	2.936.951
Closing balance on 31 December 2016	-	(49.754.294)	(119.448.834)	(706.506.946)	(6.763.208)	(12.919.553)	(225.105)	-	(895.617.940)
Net book value on 31 December 2016	460.149.818	10.140.984	214.943.296	427.471.653	3.467.083	14.092.834	793.053	88.846.999	1.219.905.720

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NOTE 13 – INTANGIBLE ASSETS

Rights:

	31 December 2017	31 December 2016
Opening balance on 1 January	29.129.804	29.570.130
Purchases	1.286.615	363.782
Sales/cancellations	(23.159)	(18.943)
Closing balance on 31 December	30.393.260	29.914.969
Accrued depreciation:		
Opening balance on 1 January	(785.165)	(585.724)
Amortization expenses for current period	(670.140)	(199.441)
Sales/cancellations	12.352	-
Closing balance on 31 December	(1.442.953)	(785.165)
Net book value	28.950.307	29.129.804

Goodwill:

	31 December 2017	31 December 2016
Opening balance on 1 January	188.461.258	168.244.294
Foreign currency translation differences	(7.129.367)	20.216.964
Balance as of 31 December	181.331.891	188.461.258

NOTE 14- COMMITMENTS

Razis' share purchase

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

Purchasing commitments

As of 31 December 2017 Group has USD 169.008.961 accredited purchasing commitment. (31 December 2016: USD 142.539.315).

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NOTE 15 – GOVERNMENT GRANTS

3 May 2013 dated and 110061 numbered investment incentive certificate is obtained based upon 29099 numbered application which realized on 27 March 2013 from Ministry of Economy. The investment incentive certificate is valid for three years round and include 170.000.000 TL worth fixed assets investment plans. The support elements for the investment are Support of the Insurance Premium Payment Employer's Share, Privilege of the Custom Duty, Rate of Tax Deduction (50%), Content Rate of Investment (15%) and VAT Exemption.

As of 31 December 2017, based on the above incentive certificate provided on 3 May 2013 dated and 37045 numbered a new application has made on 29 February 2016 to Ministry of Economy. The investment incentive certificate is valid for five years round and include 210.000.000 TL worth fixed assets investment plans. The support elements for the investment are Support of the Insurance Premium Payment Employer's Share, Privilege of the Custom Duty, Rate of Tax Deduction (50%), Content Rate of Investment (25%) and VAT Exemption.

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term debt provision:

	31 December 2017	31 December 2016
Provision for cost expenses	39.485.509	74.807.731
Provisions for pending claims and law suits	8.984.280	3.378.518
Other short term debt provisions	670.492	1.737.657
Other short term debt provision	49.140.281	79.923.906

Law suit provision:

	31 December 2017	31 December 2016
As of 1 January	3.378.518	1.780.358
Addition / cancellation	5.605.762	1.598.160
As of 31 December	8.984.280	3.378.518

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued against the Group for 785.193 TL profit loss. The Group Management has not made any provision for this lawsuit in the added consolidated financial statements according to received legal opinion but it has made 8.984.280 TL (2016: 3.378.518 TL) provision for other lawsuits.

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NOTE16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As from 31 December 2017 and 31 December 2016, the tables related to the Group's tables related to Assurance- Pledge-Hypothecs position are as follows:

	31 December 2017			31 December 2016		
	Currency	Currency amount	Amount in TL	Currency	Currency amount	Amount in TL
APH given by the company						
A. Total amount of APH's given for own legal entity (assurance)	TL	19.842.647	19.842.647	TL	13.622.890	13.622.890
B.Total amount of APH's given for the partnership included to full consolidation (hypothec)	-	-	-	-	-	-
C. APH given for guaranteeing the debts of other 3 rd parties for the performance of ordinary businesss activites	USD	27.614.532	104.159.252	USD	30.418.152	107.047.561
D. Total amount of other APH's given	-	-	-	-	-	-
i. Total amount of APH's given for main partner	-	-	-	-	-	-
ii. Total amount of APH's given for other group companies not falling into the scope of articles B and C (assurance)	-	-	-	-	-	-
iii. Total amount of APH's given for 3 rd parties not falling in to the scope of article	-	-	-	-	-	-
Total			124.001.899			120.670.451

Contingent liabilities

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

Razi's financial statements the debt to the National Iranian Oil Company ("NIOC") in return for purchasing natural gas was 2.390 billion Rials (for 66.2 Million USD). In accordance with the contract between Razi and NIOC and declaration dated on 20 October 2014 by Ministry of Petroleum, the price of gas should be calculated and billed based on Rials. Despite of the aforementioned contract and declaration, NIOC declares that it will receive 79.3 Million USD from Razi as calculating and billing gas fee in USD in 2016. Razi and NIOC directors continue their negotiations for this differences. As of balance sheet date Group management did not provide a provision in its consolidated financial statements.

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NOTE16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Iskenderun Fiscal Directorate ("Treasury") brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m² located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 116.674.721 TL as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favour of Treasury. In March of 2017, Iskenderun 3.Civil Court partially accepted the case opened by the Property Directorate and decided to cancel the title deed registration of 78.674,76 m² of the immovable property of the Company located in Hatay, Iskenderun and Sariseki borders, the court ruled that the applicant had been denied the registration with the abandonment as a line and rejected the request concerning the surplus and rejected the case against the group. Within the legal period, the group has applied for the appeal law, the group has accepted the appeal and the Gaziantep Regional Court of Justice has removed the decisions given by the Law Department of the 15th Law Department and the Group actions and returned the case to the local court for reconsideration. The Group Management has not made a provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors and tax experts.

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

The Group management have not made a provision at this stage yet in the current period related to this receivable, taking hypothecs and deposits transferred to the Group by bank and its right to purchase shares owned by Tabosan at initial purchase price per share in accordance with the protocol concluded during the purchase of Razi shares with Tabosan into consideration. In addition, the Group Management has made a request to realize a share transfer of 1,31%, corresponding to a partial payment made for surety from Razi shares owned by Tabosan, to Bankruptcy Administration as of report date. The Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. Additionally, since the request of the Group regarding the recording of its other receivables sourcing from payments made as a co-guarantor to the bankruptcy estate was dismissed, the Group brought a lawsuit against Bankruptcy Administration regarding the recording of its receivables to the court.

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NOTE16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

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

Razi has million Value Added Tax (VAT) receivable amounting to TL 124,5.. Although in accordance with the tax law, VAT does not apply to export sales and taxes paid in this respect should be reimbursed when the relevant documents are presented, Iran Tax Organization has not yet accepted the return demand of Razi Mamanagement as of report date. There is an uncertainty regarding the collection time of this receivable which is booked in other short term receivables and the Group Management has not provided any provision in the financial statements.

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

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

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

NOTE 17 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2017	31 December 2016
Due to the personnel	32.561.241	34.839.988
Social security premiums payable	1.101.890	827.380
Total	33.663.131	35.667.368

Short Term:

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	31 December 2017	31 December 2016
Provision for allowance and employee termination benefits	24.313.715	3.315.484
Provision for early retirement salary (*)	13.614.672	19.720.274
Provision for premium	4.322.749	1.176.581
Total	42.251.136	24.212.339

Long Term:

	31 December 2017	31 December 2016
Allowance for retirement pay (Gübretaş)	11.931.478	10.160.803
Allowance for retirement pay (Razi)	105.968.113	94.757.320
Provision for early retirement salary(*)	78.420.566	80.504.079
Total	196.320.157	185.422.202

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

As of 31 December 2017, termination indemnity liability of the company has been calculated with and annual inflation of 7 % and discount rate of 12 %, and by using 4,67 % real discount rate (31 December 2016; 4,00%). As the termination indemnity cap of the company's provision for termination indemnities is adjusted on every six months basis, it is calculated as 4.732 TL, which is valid as of the date of 31 December 2017 onwards (31 December 2016: 4.297 TL).

The Termination Indemnity of Razi has not discounted as a result of considering rate of Islamic Republic of Iran.

NOTE 17 - EMPLOYEE BENEFITS (Continued)

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

	1 January – 31 December 2017	1 January – 31 December 2016
Provisions as of 1 January	185.422.202	152.525.000
Service cost	93.305.757	63.942.672
Interest cost	19.545.388	16.007.321
Payment termination indemnity	(73.298.837)	(64.606.000)
Foreign currency translation differences	(29.295.873)	16.371.540
Actuarial gain/loss	641.520	1.181.669
Provision as of 31 December	196.320.157	185.422.202

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2017	31 December 2016
Deferred VAT	19.404.299	10.330.048
Job advances	7.912.030	5.491.212
Other various current assets	285.931	1.631.014
Total	27.602.260	17.452.274

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NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

Paid-in capital

The equity structure as of 31 December 2017 and 31 December 2016 is as follows:

		31 December 2017		31 December 2016
	%		%	
Central Union of Agricultural Credit Cooperatives of Turkey	75,95	253.684.607	75,95	253.684.607
Other	24,05	80.315.393	24,05	80.315.393
Total	100,00	334.000.000	100,00	334.000.000

Company's capital is formed 33.400.000.000 pieces stocks. (2016:33.400.000.000 pieces) Stocks' nominal value is 0,01 TL. (2016: 0,01 TL)

Reserves on retained earnings

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

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NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (Continued)

The retained earnings that were reclassified consist of the below items as of 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Legal reserves	50.912.456	39.995.728
Real estate sales gain to be added to capital	1.382.652	1.382.652
Total	52.295.108	41.378.380

Regarding to legal records of company, sum of sources available for distribute is 246.840.174 TL (2016: 10.069.621TL).

NOT 20 – DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative instruments that reflect that profit/loss the fair value difference of the Group are composed of forward foreign currency purchase and sale contracts. Derivative financial instruments are initially measured at fair value after initial recognition and are reflected in profit or loss when changes in fair value are realized.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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

As of 31 December 2017 detail of derivative financial instruments of the company as below:

Option contracts:

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

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NOT 20 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Forward contracts:

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

As of 31 December 2016 financial instruments of the Company as below.

Option contracts:

	Maturity	Nominal value (USD)	Fair value (TL)
USD buying / USD selling	September 2017	62.115.750	16.743.178
Total		62.115.750	16.743.178

NOTE 21 – REVENUE AND COST OF SALES

Sales	31 December 2017	31 December 2016
Domestic sales	2.754.735.056	2.149.960.010
Foreign sales	804.532.340	708.265.832
Service sales	2.361.373	407.116
Sales returns(-)	(5.887.340)	(1.634.349)
Sales discounts(-)	(65.062.948)	(15.755.823)
Other discounts from sales(-)	(3.417.031)	(6.402.995)
Total	3.487.261.450	2.834.839.791
Cost of sales (-)	31 December 2017	31 December 2016
Cost of good produced	1.593.176.726	1.267.522.359
Change in the good inventory	(47.881.644)	71.012.640
-Goods at the beginning of the period	142.129.647	213.142.287
-Goods at the end of the period	(190.011.290)	(142.129.647)
Cost of good sold	1.545.295.083	1.338.534.999
-Merchandise inventory at the Beginning of the period	408.573.898	445.366.727
-Purchases	1.415.695.458	1.035.811.344
-Merchandise inventory at the end of the period	(407.533.261)	(408.573.898)
Cost of merchandise sold	1.416.736.094	1.072.604.173
Cost of other sales	5.123.977	4.473.260
Cost of services sold	1.642.642	2.602.025
Total	2.968.797.796	2.418.214.457

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NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES

	31 December 2017	31 December 2016
General administrative expenses	170.128.235	127.957.341
Marketing and selling expenses	278.525.716	229.077.384
Total	448.653.951	357.034.725
General administrative expenses	31 December 2017	31 December 2016
Personnel expenses	121.716.534	94.979.490
Outsourced services (*)	8.125.752	6.158.611
Depreciation and amortisation expenses	3.942.697	3.051.702
Taxes and duties	652.377	2.441.718
Other expenses	35.690.875	21.325.820
Total	170.128.235	127.957.341
Marketing and selling expenses	31 December 2017	31 December 2016
Outsourced services (*)	252.151.691	204.986.877
Personnel expenses	15.912.022	13.416.395
Depreciation and amortisation expenses	610.046	655.028
Taxes and duties	90.449	285.118
Other expenses	9.761.508	9.733.966
Total	278.525.716	229.077.384

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

NOTE 23 - OPERATING EXPENSES (BASED ON THEIR NATURE)

	31 December 2017	31 December 2016
Outsourced services	260.277.443	211.145.488
Personnel expenses	137.628.556	108.395.885
Amortization	71.843.896	70.088.478
Taxes and duties	742.826	2.726.836
Other expenses	45.452.383	31.059.786
Cost of goods sold	1.478.003.931	1.272.153.251
Cost of trade goods sold	1.416.736.094	1.072.604.173
Cost of other sales	5.123.977	4.473.260
Cost of services sold	1.642.642	2.602.025
Total	3.417.451.748	2.775.249.182

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NOTE 24 – OTHER OPERATING INCOME AND EXPENSES

Other operating income:	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange gain from trade receivables	283.236.953	161.925.746
Credit finance gains from trade receivables	29.044.719	29.070.694
Interest income	4.000.836	1.274.642
Other income	9.222.733	22.002.313
Total	325.505.241	214.273.395

Other operating expenses:	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange loss from trade payables	254.445.324	169.428.609
Credit finance loss from trade receivables	6.856.153	5.966.530
Interest expenses	2.571.866	2.538.322
Other expenses	46.908.833	41.335.496
Total	310.782.176	219.268.957

NOTE 25 – INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

	31 December 2017	31 December 2016
Value increase of investment property	6.510.478	942.000
Income related to sales of fixed assets	152.439	1.394.601
Total	6.662.917	2.336.601

NOTE 26 - FINANCIAL EXPENSES

	31 December 2017	31 December 2016
Interest expenses on bank loans	86.109.641	83.249.489
Total interest expenses	86.109.641	83.249.489
Net foreign exchange (income)/expenses	(10.950.451)	(16.980.448)
Income from derivative instruments	(85.916)	(16.743.178)
Other financial (income)/expenses	9.261.392	(2.668.019)
Total financial expenses	84.334.666	46.857.844

NOTE - 27 OTHER COMPREHENSIVE INCOME

	31 December 2017	31 December 2016
Fixed asset revaluation fund	261.876.886	262.507.233
Inflation adjustment on equity	63.599	63.599
Total	261.940.485	262.570.832

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

Current and deferred income tax

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

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

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

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

As of December 31, 2017 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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

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

Tax assets and liabilities

Corporation tax

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

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Notes to the consolidated financial statements as of 31 December 2017

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

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

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2017 and 2016, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Tax provision included in the balance sheet belonging to the period 31 December 2017 and 2016 is as follows:

	31 December 2017		
	Gübretaş	Razi	Total
Provision for current period corporate tax	-	(5.302.407)	(5.302.407)
Prepaid tax	482.023	3.249.259	3.731.282
Prior years corporate tax liabilities	-	(15.230.259)	(15.230.259)
Foreign currency translation effect	-	139.620	139.620
Total	482.023	(17.143.787)	(16.661.764)
	31 December 2016		
	Gübretaş	Razi	Total
Provision for current period corporate tax	(15.606.873)	(5.179.890)	(20.786.763)
Prepaid tax	21.294.766	21.921.525	43.216.291
Prior years corporate tax liabilities	-	(61.851.406)	(61.851.406)
Foreign currency translation effect	-	(8.849.579)	(8.849.579)
Total	5.687.893	(53.959.350)	(48.271.457)

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

Deferred tax assets and liabilities

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

Reflected to the income statement deferred tax	31 December 2017		31 December 2016	
	Temporary differences	Deferred tax, assets and liab.	Temporary differences	Deferred tax, assets and liab.
Investment incentive	152.284.355	60.913.743	159.749.040	39.937.260
Stock adjustment	4.028.682	886.310	3.490.790	698.158
Other	10.793.634	2.374.599	8.029.040	1.605.808
Provisions for termination indemnity	16.254.227	3.250.845	14.377.731	2.875.545
Receivables rediscount	6.383.315	1.404.329	4.212.735	842.547
Trade and other receivables	14.693.785	3.232.633	-	-
Deferred tax assets	204.437.998	72.062.459	189.859.336	45.959.318
Tangible/intangible assets/investment property	278.896.261	16.096.711	267.128.779	13.743.215
Expense accruals	441.658	97.164	464.771	92.954
Derivative financial instruments	85.916	18.902	16.743.178	3.348.636
Payables rediscount	3.045.642	670.041	1.028.096	205.619
Other	(4.079.023)	(799.196)	224.061	44.812
Deferred tax liabilities	286.548.498	16.083.622	285.588.885	17.435.236
Net deferred tax asset		55.978.837		28.524.082
Razi Co. deferred tax asset / (liability) (*)		(41.992.837)		(41.518.380)
Total deferred tax asset / (liability)		13.986.000		(12.994.298)

(*) 39.091.392 TL is arise from the deferred tax effect of the Property valuation adjustment of the Razi. (2016: 41.518.380 TL).

Information related to deferred tax transaction table:

	31 December 2017	31 December 2016
1 January	(12.994.298)	12.660.170
Impact of foreign currency translation of deferred tax of Razi	7.211.630	3.527.224
Sub Total	(5.782.668)	16.187.394
Deferred tax income /(expense)	19.570.325	(29.418.026)
Tax revenue recognized in other comprehensive income	198.343	236.334
31 December	13.986.000	(12.994.298)

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

Tax provision agreement:

	1 January - 31 December 2017	1 January - 31 December 2016
Pre-tax profit/ (loss)	11.554.748 20%	3.900.675 20%
Calculated tax	(2.310.950)	(780.135)
Impact of foreign subsidiaries subjected to different tax rates	(1.522.671)	(3.568.446)
Disallowable expenses	(115.440.247)	(124.634.536)
Tax effects of discount and exemptions	126.082.193	132.521.008
Tax effect of dividend elimination	-	(69.037.136)
Previous period tax expenditure of Razi	(15.230.259)	(8.496.090)
Total discounts of investment incentives	28.462.248	(25.925.919)
Other differences	2.673.589	(2.135.373)
Tax base increases and penalties	(8.445.985)	-
Tax income/ expense	14.267.918	(50.204.789)

NOTE 29 - EARNINGS PER SHARE

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

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

The weighted average of the shares and profit per share calculations of the company as of 31 December 2017 and 31 December 2016 are as follows.

	1 January- 31 December 2017	1 January- 31 December 2016
Net profit for the period	33.317.912	(68.736.970)
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) (*)	0,0010	(0,0021)

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

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NOTE 30 - RELATED PARTIES TRANSACTIONS

(i) Balances due from related parties

(a) Trade and other receivables

	31 December 2017	31 December 2016
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	66.765.089	85.191.486
Total	66.765.089	85.191.486
Affiliates and other related parties (short term)		
Etis Lojistik A.Ş.	-	2.300.000
Negmar Denizcilik A.Ş.	132.977	346.024
Tarnet A.Ş.	-	88.902
Other related parties	-	21.477
Total	132.977	2.756.403
Affiliates and other related parties (long term)		
Negmar Denizcilik A.Ş.	60.276.145	85.252.157
Other related parties	-	9.314.906
Total	60.276.145	94.567.063

(b) Trade payables:

	31 December 2017	31 December 2016
Affiliates and other related parties		
Negmar Denizcilik A.Ş.	253.706	69.303
Tarnet A.Ş.	354.966	65.675
Tarkim Bitki Koruma San. ve Tic. A.Ş.	16.770.652	739.929
Other related parties	38.010	4.349.554
Total	17.417.334	5.224.461

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

Sales of goods and services:

	1 January- 31 December 2017	1 January- 31 December 2016
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	1.604.057.144	1.255.822.937
Affiliates		
Negmar Denizcilik A.Ş.	1.854.354	138.902
Tarkim Bitki Koruma San. ve Tic. A.Ş.	1.113.926	722.907
Tarnet A.Ş.	403.359	-
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	269.611	4.727.614
Total	1.607.698.394	1.261.412.360

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NOTE 30 - RELATED PARTIES TRANSACTIONS (Continued)

(ii) Transactions with related parties

Purchase of goods and services:

	1 January- 31 December 2017	1 January- 31 December 2016
Main parent		
Tarım Kredi Koop. Merkez Birliği	5.631.300	6.189.663
Affiliates		
Negmar Denizcilik A.Ş.	126.313.212	7.685.527
Tarkim Bitki Koruma San. ve Tic. A.Ş.	65.415.867	38.346.131
Tarnet A.Ş.	2.671.302	1.311.679
Raintrade Petrokimya ve Dış Ticaret A.Ş.	170.577.417	201.133.845
Total	370.609.098	254.666.845

(*) Group gets service for logistics and handling from Negmar Denizcilik A.Ş. and its subsidiaries. Service's due payment is 15 days.

Remuneration of board of directors and executive management:

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

	31 December 2017		31 December 2016	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	2.034.271	6.106.759	1.871.994	3.204.184
Total	2.034.271	6.106.759	1.871.994	3.204.184

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

NOTE 31 - FINANCIAL INSTRUMENTS

Financial investments

Short term financial investments:

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

	Maturity	Interest rate (%)	31 December 2017
Private sector debts and bonds	Nisan 2018	18	5.229.453
Private sector debts and bonds	Mayıs 2018	18	24.017.205
Private sector debts and bonds	Ağustos 2018	15	13.596.578
Private sector debts and bonds	Eylül 2018	15	6.275.344
Private sector debts and bonds	Ekim 2018	15	20.917.813
Private sector debts and bonds	Aralık 2018	15	9.935.961
Total			79.972.354

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NOTE 31 - FINANCIAL INSTRUMENTS (Continued)

As 31 December 2016 details of short term financial investments are as follows:

	Maturity	Interest rate (%)	31 December 2016
Government securities and treasury bonds	August 2017	18	5.435.058
Private sector debts and bonds	May 2017	18	16.265.389
Private sector debts and bonds	August 2017	15	3.261.035
Total			24.961.482

Long term financial investments:

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

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

	Maturity	Interest rate (%)	31 December 2016
Government securities and treasury bonds	2020	24,5	41.415.141
Total			41.415.141

Title	Subject of activities	31 December 2017		31 December 2016	
		% Share	Amount of participant	% Share	Amount of participant
Tarım Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş.	Internet Service Provider etc.	15,78	2.537.515	15,78	2.537.515
Tareksav	Agricultural Credit Cooperative Education Foundation		200.000		200.000
Total			2.737.515		2.737.515

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Capital management

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

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

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

Net payable/total capital ratio as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Total debt	2.490.476.077	2.181.514.316
Cash and cash equivalents (-)	227.960.860	136.519.570
Net debt	2.262.515.217	2.044.994.746
Total equity	1.207.511.087	1.201.618.065
Net debt / total equity	187%	170%

Hedging activities and derivative instruments

Liquidity risk

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

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

31 December 2017	Book value	Total of contractual cash outflows	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivative financial liabilities					
Financial payables	1.039.526.984	1.055.935.716	627.966.336	353.452.969	74.516.411
Trade payables	832.398.546	833.367.089	649.442.730	183.924.359	-
Other payables	221.497.832	223.283.565	223.283.565	-	-
Total	2.093.423.362	2.112.586.370	1.500.692.631	537.377.328	74.516.411
<hr/>					
31 December 2016	Book value	Total of contractual cash outflows	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivatives financial liabilities					
Financial payables	940.181.066	956.458.873	311.090.256	542.493.090	102.875.527
Trade payables	632.250.973	634.978.780	492.533.001	142.445.779	-
Other payables	153.941.939	155.188.853	155.188.853	-	-
Total	1.726.373.978	1.746.626.506	958.812.110	684.938.869	102.875.527

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

Interest rate risk

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

Besides sales prices are determined over TL, the sector is substantially dependent on import inputs; therefore, changes in exchange rates affect the product sale prices directly. The "fixed interest/variable interest" and "long-term/short-term" balances were monitored and interest changing period of financial debits and credits were harmonized for minising the effect of interest rate fluctuations.

	31 December 2017	31 December 2016
Fixed interest financial instruments		
Financial assets		
Time deposits	190.160.479	66.525.727
Financial investments	122.558.302	66.376.623
Financial liabilities	1.039.526.984	940.181.066
Floating rate financial instruments		
Time deposits	13.701	490.568

Funding risk

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

Credit risk

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

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

In this context the methods are;

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

The Group considers the rates are given by independent rating agencies for banks.

The same credit risk principles are used for the management of financial assests. The highest liquidity instruments are preferred for investments and agency's credit rating are considered.

Credit risk management

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

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

Credit risk management (Continued)

The credit risks being subjected by the financial instrument types as of 31 December 2017 and 31 December 2016 are as follows:

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

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

Credit Risk Management (Continued)

31 December 2016	Receivables				Deposit in bank	Derivative financial insturements	Financial investments
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D)	97.413.609	306.355.586	97.323.466	190.842.177	136.519.570	16.743.178	69.114.138
-part of maximum risk secured by guarantee, etc.	-	179.440.240	-	-	-	-	-
A) Net book value of financial assets which are undue or not exposed to deprecation	97.413.609	289.086.265	97.323.466	190.842.177	136.519.570	16.743.178	69.114.138
B) Net book value of assets which are overdue but not exposed to deprecation	-	17.269.321	-	-	-	-	-
C) Net book value of assets which are exposed to deprecation	-	-	-	-	-	-	-
-Overdue (gross book value)	-	4.365.809	-	-	-	-	-
- Value decrease (-)	-	(4.365.809)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-	-	-
D) Off-balance sheet elements carrying credit risk	-	-	-	-	-	-	-

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

The details of overdue trade receivables are as follows:

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

31 December 2016	Trade receivables	Total
1-30 days overdue	2.391.790	2.391.790
1-3 months overdue	4.535.075	4.535.075
3-12 months overdue	8.208.034	8.208.034
1-5 years overdue	2.134.422	2.134.422
Total	17.269.321	17.269.321

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

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

	31 December 2017		
	TL (functional currency)	USD	EURO
1 Trade receivables	81.635.739	14.850.039	5.674.428
2 Monetary financial assets (cash and bank accounts included)	117.790.197	31.031.043	164.811
3 Other current assets	59.432.903	14.179.453	1.317.557
4 Current assets (1+2+3)	258.858.839	60.060.535	7.156.796
5 Trade payables	458.778.694	120.949.500	568.991
6 Financial liabilities	484.292.907	19.147.289	91.257.058
7 Other short term liabilities, net	56.369	14.945	-
8 Short term liabilities (5+6+7)	943.127.970	140.111.734	91.826.049
9 Trade payables	-	-	-
10 Financial liabilities	68.741.400	-	15.223.430
11 Long term liabilities (9+10)	68.741.400	-	15.223.430
12 Total liabilities (8+11)	1.011.869.370	140.111.734	107.049.479
13 Net foreign exchange asset/ (liability) position (4-12)	(753.010.531)	(80.051.199)	(99.892.683)
14 Monetary items net foreign exchange asset/(liability) (4-12)	(753.010.531)	(80.051.199)	(99.892.683)
15 Fair value of derivative instruments classified as risk protection	-	-	-

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

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of 31 December 2016 is as follows;

	31 December 2016		
	TL (functional currency)	USD	EURO
1 Trade receivables	61.894.207	11.547.014	5.730.061
2 Monetary financial assets (cash and bank accounts included)	29.160.486	7.464.521	779.359
3 Other current assets	36.405.091	9.062.024	1.216.749
4 Current assets (1+2+3)	127.459.784	28.073.559	7.726.169
5 Trade payables	266.491.383	74.031.530	1.606.411
6 Financial liabilities	521.795.818	60.659.750	83.107.907
7 Other short term liabilities, net	3.232.817	918.623	-
8 Short term liabilities (5+6+7)	791.520.018	135.609.903	84.714.318
9 Trade payables	-	-	-
10 Financial liabilities	99.492.773	-	26.818.182
11 Long term liabilities (9+10)	99.492.773	-	26.818.182
12 Total liabilities (8+11)	891.012.790	135.609.903	111.532.500
13 Net foreign exchange asset/ (liability) position (4-12)	(763.553.007)	(107.536.344)	(103.806.331)
14 Monetary items net foreign exchange asset/(liability) (4-12)	(763.553.007)	(107.536.344)	(103.806.331)
15 Fair value of derivative instruments classified as risk protection	-	-	-

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

In the years ending on 31 December 2017 and 31 December 2016, in case there is a (+) / (-) 10% change in foreign exchange rates when the other variables are kept fixed according to the net foreign exchange position on the balance sheet of the company, the change on the pre-tax profit is as follows:

	31 December 2017	
	Profit/(loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD - net	(30.194.512)	30.194.512
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(30.194.512)	30.194.512
The part hedged for risk		
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(45.106.54)	39.615.136
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit for the period	(39.615.136)	39.615.136

As explained in Note 2, the Group management has used the rates published by the Foreign Exchange Center ("Center") monitored by Central Bank of Iran Islam Republic. Had the Group used Turkish Lira /Iran Riyal market rate based on expected American Dollar/Iran Riyal market rate and the current Turkish Lira/ American Dollar rate net income would decrease by 2.091.981 TL and the foreign currency adjustments would decrease by 50 Million TL.

	31 December 2016	
	Profit/(loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD - net	(37.844.190)	37.844.190
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(37.844.190)	37.844.190
The part hedged for risk	(1.674.318)	1.674.318
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(38.511.111)	38.511.111
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit for the period	(38.511.111)	38.511.111

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

Fair values of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

The fair value of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities are valued over stock exchange prices used in active market for assets and liabilities which are similar.
- Second level: Financial assets and liabilities are valued over the inputs used to find out observable price of relevant asset or liability directly or indirectly in the market other than its stock exchange price specified in first level.
- Third level: Financial assets and liabilities are valued over the inputs not based on an observable data in the market, which is used to find out fair value of asset and liability.

The fair value classification of financial assets measured at fair value as of 31 December 2017 and 31 December 2016 is as follows:

31 December 2017	Level 1	Level 2	Level 3
Derivative financial instruments	-	85.916	-
31 December 2016	Level 1	Level 2	Level 3
Derivative financial instruments	-	16.743.178	-

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NOTE 34 - SUBSEQUENT EVENTS

Negmar Denizcilik A.Ş. a "sharing agreement" has been signed between the partners for the sharing of the assets and liabilities of Negmar and its subsidiaries in line with their shareholding interests. In this context, our company Negmar Denizcilik Yatırım A.Ş. 40% of the shares owned by Etis Lojistik will be transferred to Etis Lojistik. The Group, corresponding to this, as a result of the valuation process, the equity value of which is calculated as 320.000 USD, and Negmar Denizcilik Yatırım A.Ş. owns the capital, Nbulkgas Deniz İşletmeciliği Ltd. Will be a 100% shareholder. In addition, IGLC Anka Shipping Investment S.A., which has a value of USD 9.430.000 and has 50% of the capital of Negmar A.Ş. and IGLC Dicle Shipping Investment S.A. Negmar shares in the companies Nbulkgas Ltd. Will be transferred to Şti. IGLC Anka and IGLC Dicle S.A. companies are currently shipping LPG. Our company has undertaken a liability of 16.380.000 USD bank credit for Negmar Group. We will collect a total of USD 8.240.000 from the other partners of Negmar AS as the result of elimination of intra-group receivables and payables balances of inter-group and intra-group companies. In line with the work done, it is calculated that any subsidiary will not incur sales after these transactions. After the sales transaction, the amount remaining after the value and costs of the assets acquired and the carrying value of our Negmar subsidiary followed in the "liability for financial assets accounted for by equity method" account in our financial statements and other related accounts will be reflected in our financial statements dated 31/03/2018 and our affiliate sales profit will be clear.