



**2014 2nd QUARTER
OPERATING REVIEW
REPORT**

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

A. REPORTING PERIOD

01.01.2014 - 30.06.2014

B. CORPORATE'S NAME

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

C. BOARD OF DIRECTORS

Title	Name	Date of Appointment
Chairman	Abdullah KUTLU	19.04.2011
Vice Chairman	Necdet DİRİK	25.10.2005
Member	Dr. Erol DEMİR	10.04.2009
Member	Mustafa ÇIRAK	16.04.2014
Member	İshak GÜNDÜZ	16.04.2014
Member	Osman BALTA	01.02.2012
Independent Member	Prof. Dr. Lokman DELİBAŞ	26.04.2012
Independent Member	Mustafa Fevzi YÜKSEL	16.04.2014
Independent Member	Aydın BEDİR	16.04.2014

Members of the Board of Directors quitting during the period:

Title	Name	Date of Appointment	Date of Completion
Member	Ahmet BOYRAZ	26.04.2012	16.04.2014
Member	Ali SARI	31.07.2012	16.04.2014
Member	Hamdi GÖNÜLLÜ	20.09.2012	16.04.2014
Independent Member	İsmail TEKİN	26.04.2012	16.04.2014

The members of Board have the rights which are noted in Articles of Association and Turkish Commercial Code.

D. TOP MANAGEMENT

Title	Name	Date of Appointment
General Manager	Osman BALTA	01.02.2012
Assistant General Manager (Finance)	Ferhat ŞENEL	09.02.2004
Assistant General Manager (Sales & Marketing)	Tahir OKUTAN	20.01.2006
Assistant General Manager (Supply Chain)	İsmail BABACAN	22.06.2009
Assistant General Manager (Facilities and Investments)	Yakup GÜLER	01.03.2012

E. CAPITAL STRUCTURE

As of 30.06.2014 registered capital of the company is 200.000.000 TRY and paid capital is 334.000.000 TRY.

Tablo 1 : CAPITAL STRUCTURE

Shareholders	Share Amount -TRY	Share
Central Union of Turkish Agricultural Credit Cooperatives	253.673.000	75,95%
Other	80.327.000	24,05%
Total	334.000.000	100,00%

F. SUBSIDIARIES AND AFFILIATES

Table 2 : SUBSIDIARIES

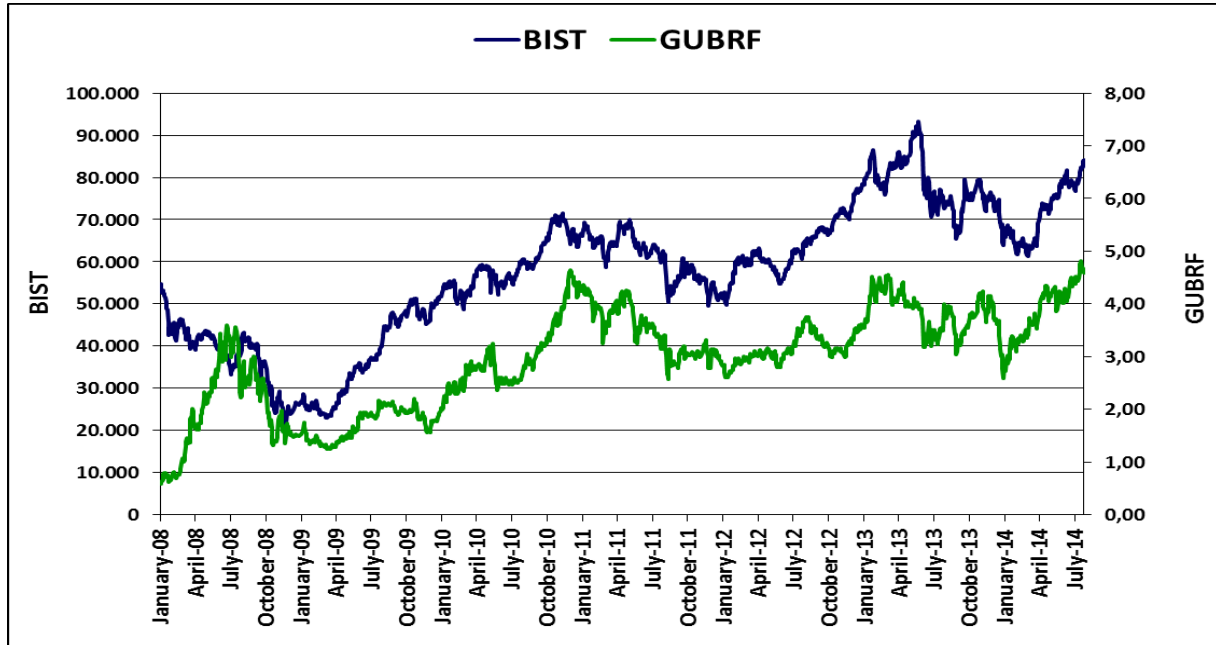
Company Name	Share %	Share Amount -TRY
Razi Petrochemical Co.	48,88	424.807.554

Table 3 : AFFILIATES

Company Name	Share %	Share Amount -TRY
Negmar Denizcilik Yatırım A.Ş.	40,00	22.800.000
Tarkim Bitki Koruma San. ve Tic. A.Ş.	40,00	6.400.000
Tarnet Tar. Kre.Bil .Hiz.San Tic .A.Ş.	17,00	523.627
İmece Pref. Yapı Tar.Mak.Tem.Güv. Hiz. San.Tic.A.Ş.	15,00	2.763.888

G. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



II. TURKISH FERTILIZER INDUSTRY

A. PRODUCTION

Fertilizer production was 1.920.387 tons in the first half of 2013, it increased to 1.907.469 tons in the first half of 2014. While production increase was realized in CAN, DAP and TSP production; Compound, AS, AN ve UREA production decreased. Compound fertilizers' production corresponded to 39,89 % of total production.

Table 4 : SECTOR PRODUCTION BY PRODUCT-TON

PRODUCT	2014/6	2013/6	Change
COMPOUND	760.981	772.803	-1,53%
CAN	372.831	313.818	18,80%
AN	296.342	336.220	-11,86%
UREA	207.496	255.531	-18,80%
AS	67.712	102.145	-33,71%
DAP	154.226	98.020	57,34%
TSP	47.880	41.850	14,41%
TOTAL	1.907.469	1.920.387	-0,67%

B. SALES

According to 2014 2st quarter data, fertilizer consumption was 3.121.078 tons recording a 7,87 % decrease while in the same period of the previous year, it was 3.387.623 tons.

Moreover our sales decreased by 0,23 % and our market share in the first six months of 2014 was 27,46 % while it was 25,38 % in the same period of the previous year.

As of June 30, 2014 exports increased by 118 % to 164.561 tons and imports decreased by 15,5 % to 1.179.544 tons.

Table 5: SECTOR SALES BY PRODUCT

PRODUCT	2014/6	2013/6	Change
COMPOUND	741.456	797.425	-7,02%
AN	656.104	713.647	-8,06%
UREA	688.792	740.505	-6,98%
CAN	521.149	576.599	-9,62%
AS	319.683	341.902	-6,50%
DAP	164.490	189.119	-13,02%
OTHER	29.404	28.425	3,44%
TOTAL	3.121.078	3.387.623	-7,87%

III. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

A. PRODUCTION

Gübretaş produced 47.880 tons of TSP and 174.986 tons of compound fertilizers totaling 222.866 tons in the first six months of 2014. In addition to solid fertilizers, 711 tons of liquid fertilizer and 2.873 tons of powder fertilizer were also produced.

Solid Fertilizer production increased by % 2,39 in 2014 compared to 2013. Total Fertilizer production including solid, liquid and powder increased by 2,48 % in 2014 compared to 2013.

186.537 tons of production were sold, 36.740 tons of production were used as raw material. Capacity utilisation rate was 65,1 % in the first half of 2014.

Table 6 : PRODUCTION BY PRODUCT-TON

Production	2014/6	2013/6	Change
Compound Fertilizer	174.986	175.806	-0,47%
TSP	47.880	41.850	14,41%
Liquid Fertilizer	711	767	-7,27%
Powder Fertilizer	2.873	2.545	12,89%
GRAND TOTAL	226.450	220.968	2,48%

B. SALES AND PURCHASES

Our Company sold 857.134 tons of solid, 1.387 tons of liquid and 9.391 tons of powder fertilizer in the first six months of 2014. In the first half of 2013, 859.146 tons of solid, 1.364 tons of liquid, 7.851 tons of powder fertilizer were sold.

The volume of purchases was 828.436 tons in the first six months of 2013, and it decreased by 38 % to 513.490 tons in first half of 2014. Export has been 1.560 tons in the first six months of 2014, while it was 200 tons in the same period of 2013.

Table 7 : SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2014/6	2013/6	Change
COMPOUND	225.474	239.999	-6%
AN	170.892	176.914	-3%
CAN	141.641	138.864	2%
UREA	190.799	162.154	18%
AS	67.390	70.418	-4%
DAP	50.533	62.323	-19%
Other	10.434	8.474	23%
Total Solid Fertilizer	857.134	859.146	-0,23%
Liquid Fertilizer	1.387	1.364	2%
Powder Fertilizer	9.391	7.851	20%
Grand Total	867.912	868.360	-0,05%

Table 8 : SALES BY CUSTOMER TYPES-TON

Sales Group	2014/6	2013/6	Change
Corporate Sales	612.910	618.348	-0,9%
Vendor Sales	240.553	229.946	4,6%
Export	1.560	200	680,0%
Other	2.111	10.652	-80,2%
Total	857.134	859.146	-0,23%

Table 9 : SALES, IMPORT AND DOMESTIC PURCHASES-TON

	2014/6	2013/6	Change
Domestic Purchases	91.732	190.911	-52,0%
Import	421.758	637.525	-33,8%
Total Purchases	513.490	828.436	-38,0%
Sales	857.134	859.146	-0,23%

C. INVESTMENTS

Table 10 : INVESTMENTS-TRY

INVESTMENT	AMOUNT - TRY
Land	9.832.283
Surface and Underground, Improvements	60.166
Buildings	2.903.074
Facility, Machinery and Device	123.843
Vehicles	385.305
Fixtures	1.039.729
Ongoing investment	29.863.540
TOTAL	44.207.940

D. ADMINISTRATIVE ACTIVITIES

Number of Personnel

Table 11 : Personnel Status

PERSONNEL	2014/6	2013/6	Change
Head Office	90	87	3,4 %
Yarımca Facilities	260	269	-3,3 %
Regional Sales Directorates	73	70	4,3 %
TOTAL	423	426	-0,7 %

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. Education activities of 2.316 hours with participation of 145 employees were carried out in the first six months of 2014.

IV. RAZİ PETROCHEMICAL CO. ACTIVITIES

A. PRODUCTION

In the first half of 2014, 785.221 tons of fertilizer and fertilizer raw materials were produced, capacity utilization rate was 46 % in Razi Petrochemical Co.

Table 12 : RAZİ PETROCHEMICAL CO. PRODUCTION-TON

Product	2014/6	2013/6	Change	Capacity	2014/6 CUR
Ammonia	344.359	303.141	14%	1.337.000	52%
Sulphur	180.051	175.185	3%	508.000	71%
Urea	171.175	223.095	-23%	594.000	58%
Sulphuric Acid	89.636	78.611	14%	560.000	32%
DAP	0	0	-	450.000	0%
Total	785.221	780.032	1%	3.449.000	46%

B. SALES

In the first six months of 2014, 667.118 tons of fertilizer were sold and 720.287.930 TRY of revenue were achieved. Razi Petrochemical Co. exported 460.858 tons and sold 206.260 tons in the domestic market in the first six months of 2014. Share of export in total sales was 69,1 %.

Table 13 : RAZİ PETROCHEMICAL CO. SALES-TON

Product	2014/6	2013/6	Change
Ammonia	232.261	188.635	23%
Sulphur	191.044	138.884	38%
Urea	160.296	213.961	-25%
Sulphuric Acid	83.062	70.550	18%
DAP	455	467	-3%
Total	667.118	612.497	9%

C. YATIRIMLAR

Table 4 : INVESTMENTS-TRY

INVESTMENTS	AMOUNT-TRY
Buildings	265.395
Facility, Machinery and Device	4.139
Vehicles	11.341
Fixtures	333.049
Ongoing Investment	20.845.346
TOTAL	21.459.270

V. EVENTS AFTER BALANCE SHEET DATE

1. According to the Board of Directors resolution no. 9889, which is dated 26th June 2014, our headquarters has been moved to the address “Nida Kule Göztepe İş Merkezi, Merdivenköy Mahallesi, Bora Sokak, No: 1 Kadıköy/ İSTANBUL” as of 07th July 2014. Our new address has been registered to İstanbul Trade Registry Office at 01st July 2014 and the new address has been announced in the Turkish Trade Registry Gazette no. 8608, which is dated 09th July 2014.

VI. FINANCIAL STRUCTURE

A. BALANCE SHEET ASSETS-TRY

ASSETS	30 June 2014	31 December 2013
Current Assets	1.281.742.339	1.753.759.239
Cash and Cash Equivalents	213.719.609	568.223.098
Financial Investments	637.416	3.207.694
Trade Receivables	370.578.263	406.565.014
- <i>Trade receivables from related parties</i>	25.698.660	75.727.185
- <i>Other trade receivables</i>	344.879.603	330.837.829
Other Receivables	104.287.942	171.609.213
- <i>Other receivables from related parties</i>	1.659.885	93.882.615
- <i>Other receivables</i>	102.628.057	77.726.598
Inventories	523.947.275	505.850.794
Prepaid expenses	36.743.868	34.817.480
Current tax assets	2.403.744	4.761.811
Other Current Assets	29.424.222	58.724.135
Fixed Assets	1.172.932.058	1.185.149.985
Financial Investments	2.737.515	2.737.515
Other receivables	154.033.862	164.673.423
- <i>Other receivables from related parties</i>	115.247.416	118.039.402
- <i>Other receivables from third parties</i>	38.786.446	46.634.021
Investments Valued by Equity Method	7.608.105	7.057.522
Investment Properties	103.334.153	103.334.153
Tangible Fixed Assets	742.255.770	723.727.864
Intangible Fixed Assets	149.518.102	148.949.164
- <i>Goodwill</i>	149.164.626	148.811.828
- <i>Other intangible assets</i>	353.476	137.336
Prepaid expenses	13.444.551	30.143.512
Deferred Tax Assets	-	4.522.794
Other Fixed Assets	-	4.038
TOTAL ASSETS	2.454.674.397	2.938.909.224

B. BALANCE SHEET LIABILITY-TRY

LIABILITIES	30 June 2014	31 December 2013
Short-term Liabilities	1.298.787.525	1.622.217.340
Financial Liabilities	572.719.696	702.172.546
- <i>Short-term borrowings</i>	561.875.071	680.148.796
- <i>Short-term portion of long-term borrowings</i>	10.844.625	22.023.750
Trade payables	479.620.598	645.354.835
- <i>Trade payables to related parties</i>	4.719.062	9.259.739
- <i>Other trade payables to third payables</i>	474.901.536	636.095.096
Payables for Employment Termination Benefits	4.990.750	13.599.788
Other Payables	124.694.427	109.763.815
Deferred Incomes	23.627.149	48.927.711
Current Tax Liabilities	316.140	1.016.162
Short-term provisions	92.818.765	101.382.484
- <i>Short-term provisions for employee benefits</i>	16.616.934	13.321.706
- <i>Provisions for payables</i>	76.201.831	88.060.778
Long-term Liabilities		
Long-term borrowings	170.622.100	179.982.133
Provisions for employee benefits	109.792.682	91.941.954
Deferred tax liabilities	1.427.748	-
EQUITY CAPITAL	874.044.342	1.044.767.797
Equities of Parent Company	702.735.692	741.173.533
Paid-in Capital	334.000.000	334.000.000
Value Appreciation Funds	205.806.182	205.806.181
Foreign Currency Adjustments	(172.311.998)	(125.735.921)
Restricted Reserves From Profit	28.477.401	18.082.652
- <i>Legal Reserves</i>	27.094.749	16.700.000
- <i>Gains from fixed asset sales</i>	1.382.652	1.382.652
Previous Years Profit / (Loss)	242.220.621	214.306.688
Net Period Profit / (Loss)	64.543.486	94.713.933
Minority Shares	171.308.650	303.594.264
TOTAL LIABILITIES	2.454.674.397	2.938.909.224

C. INCOME STATEMENT-TRY

CONTINUING OPERATIONS	30 June 2014	30 June 2013
Sales (net)	1.453.108.638	1.109.362.298
Costs of Sales (-)	(1.174.264.997)	(846.812.699)
GROSS PROFIT	278.843.641	262.549.599
Administrative Expenses (-)	(65.285.284)	(35.418.715)
Marketing, Sales and Distribution Expenses (-)	(87.069.295)	(80.932.321)
Other Operating Incomes	124.725.131	190.399.034
Other Operating Expenses (-)	(44.743.662)	(152.103.538)
OPERATION PROFIT/(LOSS)	206.470.531	184.494.059
Shares in Profit/Loss of Investments Valued by Equity Method	843.956	(5.566.662)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	207.314.487	178.927.397
Finance Expenses (-)	(18.133.850)	(24.272.428)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	189.180.637	154.654.969
Tax Expenses on Continuing Operations	(39.088.935)	(2.561.810)
- Period Tax Income / Expense (-)	(32.864.087)	(5.372.640)
- Deferred Tax Income / Expense(-)	(6.224.848)	2.810.830
PERIOD PROFIT/ (LOSS)	150.091.703	152.093.159
PERIOD PROFIT/ (LOSS)	150.091.703	152.093.159
Distribution of Period Profit / (Loss)		
Minority Shares	85.548.217	105.278.177
Parent Company's Shares	64.543.486	46.814.982
Earnings / (Loss) Per Share	0,1932	0,5607

VII. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Corporate Governance Communique numbered II-17.1 published by Capital Markets Board in 03.01.2014, within the first six months of 2014 covering the dates of 01.04.2014-30.06.2014, the following works have been realized by the Company in order to adjust to the principles issued in the related communique:

1. 62nd Ordinary General Meeting of Gübretaş, which belongs to the 2013 accounting period, was held in our headquarters “Kasap Sk. Hilmi Hak İş Merkezi No:22 Esentepe, Şişli – İstanbul” at 16th April, 2014 10:00. The General Meeting was held in the conference hall of the headquarters with the participation around %83,7 of the total 334m TRY capital and according to the regulations of Capital Markets Law, the meeting has been held both in physical and electronical media simultaneously.
2. The Minutes of the 62nd Ordinary General Meeting, Attendance list and Profit Distribution Table has been announced both in Public Disclosure Platform and company official website at 16th April 2014. The minutes of the meeting have been registered by İstanbul Trade Registry Office and have been announced in the Turkish Trade Registry Gazette no. 8561, which is dated 2nd May 2014. These minutes have also been brought to the investors and public attention at e-Company portal.
3. In the 62nd Ordinary General Meeting, “Profit Distribution Policy” and “Donation and Aid Policy” of Gübretaş, which are prepared through Corporate Governance Principles stated in Corporate Government Communique Annex-1, have been approved and those policies have been brought to the investors and public attention in the company official website, both Turkish and English. “Disclosure Policy” and “Remuneration Policy” of Gübretaş, also prepared through Corporate Governance Communique, have been submitted for the information of general meeting and issued in our website, both Turkish and English.
4. According to the profit distribution proposal that has been approved in the 62nd Ordinary General Meeting a total of 66.800.000 TL dividend has been distributed, to non-public shares at 30th May, 2014 and to public shares at 3rd June, 2014.
5. With regard to the Capital Markets Board (CMB) Bulletin 2014/1, which is published by CMB at 14th January, 2014 and the "announcement that indicates which group companies belong to according to the Corporate Governance Communique rules" has been made, our company has been promoted from group 3 to group 2. Regarding to the article 4.3.4 of Corporate Governance Principles, stated in the Annex-1 of the Corporate Governance Communique, as a group 2 company, the number of the independent member of the Board of Directors has been raised to 3 from 2.

6. After the 62nd Ordinary General Meeting, the committees that will perform under Board of Directors has been formed as;

Committee of Audit

Name	Title	Duty
Prof. Dr. Lokman Delibaş	Committee Chairman	Member of the Board of Directors-Independent
Mustafa Fevzi Yüksel	Committee Member	Member of the Board of Directors-Independent
Aydın Bedir	Committee Member	Member of the Board of Directors-Independent

Committee of Corporate Governance

Name	Title	Duty
Prof. Dr. Lokman Delibaş	Committee Chairman	Member of the Board of Directors-Independent
Dr. Erol Demir	Committee Member	Member of the Board of Directors
Aydın Bedir	Committee Member	Member of the Board of Directors-Independent
Hüseyin Karakuş	Committee Member	Budget Reporting Investor and Subsidiary Relations Manager

Committee of Nomination

Name	Title	Duty
Aydın Bedir	Committee Chairman	Member of the Board of Directors-Independent
Mustafa Çırak	Committee Member	Member of the Board of Directors
İshak Gündüz	Committee Member	Member of the Board of Directors

Committee of Early Determination of the Risk

Name	Title	Duty
Prof. Dr. Lokman Delibaş	Committee Chairman	Member of the Board of Directors-Independent
Dr. Erol Demir	Committee Member	Member of the Board of Directors
Mustafa Fevzi Yüksel	Committee Member	Member of the Board of Directors-Independent
Ertuğrul Köse	Committee Member	Risk Management Manager

Committee of Remuneration

Name	Title	Duty
Prof. Dr. Lokman Delibaş	Committee Chairman	Member of the Board of Directors-Independent
Mustafa Çırak	Committee Member	Member of the Board of Directors
İshak Gündüz	Committee Member	Member of the Board of Directors

7. Regarding to the article 2.1.3 of Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communique, our financial statements expect footnotes have been announced in the Public Disclosure Platform both in Turkish and English simultaneously.
8. Regarding to the article 11.1 of Corporate Governance Principles, Investor Relations Department has prepared the “Investor Relations 1st Quarter Operating Report” that is related with 1st Quarter activities, and presented it to the Board of Directors.

VIII. CONCLUSION

DEAR SHAREHOLDERS,

222.866 tons of various types of chemical fertilizer has been produced at our facilities in the first six months of 2014 and 36.740 tons of produced fertilizer have been used as raw material. 513.490 tons of nitrogenous fertilizer at first which cannot be produced in our facilities and is consumed too much in our country is procured from domestic and foreign markets. On the other hand, 857.134 tons of solid, 1.387 tons of liquid and 9.391 tons of powder fertilizers has been sold in the first half of 2014. Net sale revenues realized as 732.820.708 TRY.

Also 785.221 tons of fertilizer has been produced, 720.287.930 TRY sale revenues has been got by sale of 667.118 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co.

Our company reached to 1.453.108.638 TRY consolidated sales revenue. Beside, by adding 1.174.264.997 TRY cost of goods sold, 152.354.579 TRY operation expenses, 79.981.469 TRY net financing income, 843.956 TRY shares in profit/loss of investments valued by equity method and 18.133.850 TRY financial expenses; 189.180.637 TRY profit have been occurred before tax. 150.091.703 TRY consolidated profit has been occurred after deducting 6.224.847 TRY deferred tax and 32.864.087 TRY current period tax. 64.543.486 TRY main shareholder profit has been occurred after deducting 85.548.217 TRY shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first half of 2014 activities.

Best Regards,
BOARD OF DIRECTORS

Gübre Fabrikaları Türk Anonim Şirketi

**Condensed interim consolidated financial statements
1 January – 30 June 2014 and independent auditor's review report**

Review Report on the Interim Financial Information

To the Board of Directors of Gübre Fabrikaları T.A.Ş.

Introduction

We have reviewed the consolidated statement of financial position and the consolidated statement of profit or loss, consolidated other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended and a summary of significant accounting policies and explanatory condensed notes of Gübre Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (all together referred to as "the Group") as of June 30, 2014. The management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with the Turkish Accounting Standards 34 Interim Financial Reporting Standard ("TAS 34"). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim condensed consolidated financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with TAS 34.

Other Matters

Without qualifying our opinion about interim condensed consolidated financial statements, we would like to emphasise the following matters:

As explained in Note 11, Iran Tax Authority has performed tax assessments for the tax filings of Razi for the years ended in 2013. As a result of these assessments, the Iran Tax Authority has identified that Razi has recognized export sales as non-taxable income. The export sales were considered as taxable by the Iran Tax Authority and Razi was imposed to a total of TRY 51 million additional tax charge. Razi has protested against this claim. Based on the opinions of legal advisors and tax experts, the Group Management has not provided any provisions in the consolidated financial statements.

As explained in Note 11, the sanctions imposed on Iran since 2010 by United Nations and recently suspended at a certain level for a period, 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.

As explained in Note 11, Iskenderun State Treasury Office ("Treasury") has filed a lawsuit against the Group in November, 2011 for the cancellation of its title deed and demanded enforced evacuation of Group's property located in the Sariseki province of Iskenderun within the city of Hatay claiming that the property is within the shoreline. The net book value of the property is 103.334.153 TRY and has been accounted as investment property in the accompanying consolidated financial statements. The Group has objected the lawsuit asked for a new expert report for the determination of shoreline and at the same time filed another lawsuit for a compensation of its ownership right of the property. The litigation process is ongoing as of the report date. Based on the opinions of legal advisors, the Group Management has not provided any provisions in the consolidated financial statements for this lawsuit.

As explained in Note 7 and 11, 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 was the guarantor of Tabosan for the loans obtained from financial institutions during the acquisition of Razi shares. The group has paid 47.855.218 TRY for the loan of Tabosan as the guarantor and and recognized this amount as other receivable from Tabosan. The Group has not provided any provision for this receivable considering its right to buy Razi shares at the initial acquisition share price and the pledged assets of Tabosan which are transferred from the financial institutions. The negotiations between the Group and the trustee committee are ongoing as of the date of this report.

Other Matters (Cont.)

Central Bank of Iran Islam Republic has been applying a fixed exchange rate regime since 28 January 2012. All foreign currency transactions are accounted using the fixed exchange rate which differs significantly from the market exchange rates in current period. In September 2012 Iran Islam Republic government has incorporated a Foreign Exchange Center ("Center") monitored by Central Bank of Iran Islam Republic which announce foreign currency rates that are more close to the market rates. IAS 21 requires companies to use the rate that the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. The Group management, considering the unreliability of the market rates and the uncertainty in determining the rate that the future cash flows will be settled has used the indicative rates published by the Center. Similarly market rates and the Center rates are used in determining the average rate.

Gübre Fabrikaları T.A.Ş. ("the Company") and its subsidiaries' consolidated financial statements as of 31 December 2013 and 30 June 2013, prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), which were audited and viewed respectively by a different Independent Audit Company and this company declared a positive opinion about these consolidated financial statements in its independent audit report dated 11 March 2014 and based on its survey report dated 26 August 2013, they declared that nothing has come to their attention which may cause them to conclude that the accompanying interim condensed consolidated financial statements as of 30 June 2013 of the Group, does not give a true and fair view of financial position and financial performance as of the same date for the six-month period ended in accordance with the "TAS" published by "POA".

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

Kaan Birdal, SMMM
Partner

19 Ağustos 2014
İstanbul, Türkiye

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GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

		Current Period	Prior Period
		Independent Limited Audited	Independent Audited
	Note	30 June 2014	31 December 2013
ASSETS			
Current Assets	3	1.281.742.339	1.753.759.239
Cash and cash equivalents	4	213.719.609	568.223.098
Financial investments		637.416	3.207.694
Trade receivables	7		
- Trade receivables from related parties	15	25.698.660	75.727.185
- Other trade receivables from third parties		344.879.603	330.837.829
Other receivables	7		
- Other receivables from related parties	15	1.659.885	93.882.615
- Other receivables from third parties		102.628.057	77.726.598
Inventories		523.947.275	505.850.794
Prepaid expenses		36.743.868	34.817.480
Current tax assets		2.403.744	4.761.811
Other current assets		29.424.222	58.724.135
Fixed Assets	3	1.172.932.058	1.185.149.985
Financial investments		2.737.515	2.737.515
Other receivables	7		164.673.423
- Other receivables from related parties	15	115.247.416	118.039.402
- Other receivables from third parties		38.786.446	46.634.021
Investments valued by equity method		7.608.105	7.057.522
Investment properties		103.334.153	103.334.153
Tangible fixed assets	8	742.255.770	723.727.864
Intangible fixed assets			148.949.164
- Goodwill	9	149.164.626	148.811.828
- Other intangible assets		353.476	137.336
Prepaid expenses		13.444.551	30.143.512
Deferred tax assets		-	4.522.794
Other fixed assets		-	4.038
TOTAL ASSETS	3	2.454.674.397	2.938.909.224

These condensed interim consolidated financial statements belonging to period of 1 January – 30 June 2014, have been approved for issue by the Board of Directors on August 19, 2014

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

		Current Period	Prior Period
		Independent	Independent
		Limited Audited	Audited
	Note	30 June 2014	31 December 2013
LIABILITIES			
Short-term Liabilities		1.298.787.525	1.622.217.340
Short-term borrowings	5	561.875.071	680.148.796
Short-term portion of long-term borrowings		10.844.625	22.023.750
Trade payables	6		
- Trade payables to related parties	15	4.719.062	9.259.739
- Other trade payables to third payables		474.901.536	636.095.096
Payables related to employee benefits		4.990.750	13.599.788
Other payables			
- Other payables to third parties	7	124.694.427	109.763.815
Deferred income		23.627.149	48.927.711
Current tax liability		316.140	1.016.162
Short-term provisions			101.382.484
- Short-term provisions for employee benefits		16.616.934	13.321.706
- Provisions for payables	11	76.201.831	88.060.778
Long-Term Liabilities		281.842.530	271.924.087
Long-term borrowings	14	170.622.100	179.982.133
Long-term provisions			
- Provisions for employee benefits		109.792.682	91.941.954
Deferred tax liabilities		1.427.748	-
EQUITY CAPITAL		1.580.630.055	1.044.767.797
Paid-in capital		334.000.000	334.000.000
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			205.806.181
- Value appreciation funds		(172.311.998)	205.806.181
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss			(125.735.921)
- Foreign currency adjustments		205.806.182	(125.735.921)
Restricted reserves from profit			18.082.652
- Legal Reserves		27.094.749	16.700.000
- Gains from fixed asset sales		1.382.652	1.382.652
Previous years profit / (loss)		242.220.621	214.306.688
Net period profit / (loss)		64.543.486	94.713.933
Minority Shares		171.308.650	303.594.264
TOTAL LIABILITIES		2.454.674.397	2.938.909.224

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amount are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Current Period		Prior Period	
		Limited Audited		Limited Audited	
		1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April – 30 June 2013
Sales		1.453.108.638	592.189.544	1.109.362.298	443.104.463
Cost of sales	12	(1.174.264.997)	(483.270.320)	(846.812.699)	(334.528.637)
Gross Profit		278.843.641	108.919.224	262.549.599	108.575.826
Administrative expenses		(65.285.284)	(37.900.690)	(35.418.715)	(19.985.812)
Marketing, sales and distribution expenses		(87.069.295)	(33.711.137)	(80.932.321)	(44.105.196)
Other operating income	13	124.725.131	51.551.464	190.399.034	93.219.055
Other operating expenses	13	(44.743.662)	(10.139.053)	(152.103.538)	(57.714.317)
Operating Profit		206.470.531	78.719.808	184.494.059	79.989.557
Shares in profit/loss of investments valued by equity method		843.956	2.821.608	(5.566.662)	(4.617.345)
Operating Profit/Loss Before Finance Expense		207.314.487	81.541.416	178.927.397	75.372.212
Finance expenses		(18.133.850)	1.420.989	(24.272.428)	(10.664.154)
Pre-Tax Profit/Loss From Continuing Operations		189.180.637	82.962.405	154.654.969	64.708.058
Tax expense on continuing operations					
- Period tax expense		(32.864.087)	2.537.635	(5.372.640)	(856.903)
- Deferred tax income / (expense)		(6.224.847)	794.975	2.810.830	(3.012.448)
Period Profit / (Loss)		150.091.703	86.295.015	152.093.159	60.838.707
Distribution of Period Profit / (Loss)					
Minority shares		85.548.217	40.987.437	105.278.177	47.787.270
Parent company's shares		64.543.486	45.307.578	46.814.982	13.051.437
Earnings per share (kr)	14	0,0019	0,0013	0,0056	0,0016

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amount are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Current Period		Prior Period	
	Limited Audited		Limited Audited	
	1 January – 30 June 2014	1 April – 30 June 2014	1 January – 30 June 2013	1 April - 30 June 2013
Period Profit	150.091.703	86.295.015	152.093.159	60.838.706
Other Comprehensive Income/(Expenses):				
Items that may be reclassified subsequently to profit or loss				
- Foreign currency adjustments	(41.080.532)	(30.640.381)	69.135.704	35.843.787
Other Comprehensive Income/(Expenses) (after tax)	(41.080.532)	(30.640.381)	69.135.704	35.843.787
Total Comprehensive Income	109.011.171	55.654.634	221.228.863	96.682.494
Distribution of total comprehensive income				
Minority shares	91.043.762	55.465.356	108.807.559	48.116.398
Parent company's shares	17.967.409	189.278	112.421.304	48.866.095
	109.011.171	55.654.634	221.228.863	96.982.493

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

	Accumulated other comprehensive income/expenses not to be Reclassified under Profit and Sales		Accumulated other comprehensive income/expenses to be Reclassified under Profit and Sales		Accumulated Profits		Equities of Parent Company	Minority Shares	Total Equities	
	Paid-in capital	Growth funds	Foreign currency conversion adjustments	Limited provisions segregated from profit	Gains from fixed asset sales	Previous years profit				Net period profit
1 January 2013	83.500.000	158.173.718	(187.038.318)	9.533.275	1.330.243	285.949.673	189.788.214	541.236.805	291.857.646	833.094.451
Previous year profit/(loss)transfer	-	-	-	7.166.725	-	182.621.489	(189.788.214)	-	-	-
Dividends paid to Minority Shares	-	-	-	-	-	-	-	-	(29.070.307)	(29.070.307)
Gains from fixed asset sales	-	-	-	-	52.409	(52.409)	-	-	-	-
Total comprehensive income	-	-	65.606.323	-	-	-	46.814.982	112.421.304	108.807.559	221.228.863
30 June 2013	83.500.000	158.173.718	(121.431.995)	16.700.000	1.382.652	468.518.753	46.814.982	653.658.109	371.594.898	1.025.253.007
1 January 2014	334.000.000	205.806.182	(125.735.921)	16.700.000	1.382.652	214.306.688	94.713.933	741.173.534	303.594.264	1.044.767.798
Previous year profit/(loss)transfer	-	-	-	-	-	94.713.933	(94.713.933)	-	-	-
Capital Increase	-	-	-	10.394.749	-	-	-	10.394.749	-	10.394.749
Dividends paid to Minority Shares	-	-	-	-	-	-	-	-	(223.329.375)	(223.329.375)
Dividends paid by Parent’s Company	-	-	-	-	-	(66.800.000)	-	(66.800.000)	-	(66.800.000)
Total comprehensive income	-	-	(46.576.077)	-	-	-	64.543.486	17.967.409	91.043.761	109.011.170
30 June 2014	334.000.000	205.806.182	(172.311.998)	27.094.749	1.382.652	242.220.621	64.543.486	702.735.692	171.308.650	874.044.342

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

Notes	Independent Limited Audited	
	1 January – 30 June 2014	1 January – 30 June 2013
Cash Flow resulted from the operations:		
Net period profit/ (loss)	150.091.703	152.093.159
Adjustments related to reconciliation between cash gained from operations and net income:		
Tax Expenses	39.088.935	2.561.810
Depreciation and Amortization	32.109.185	25.718.318
Salary provisions for termination indemnities and early retirement	49.666.877	25.619.234
Interest Income/ Expense	(5.145.240)	5.992.539
Conversion difference	2.418.151	(11.107.816)
Income / Expenses from subsidiaries valued by Equity Method	(843.956)	5.566.662
Gain on sales of tangible assets	442.599	-
Deferred Financial Income / Expense	1.629.139	131.915
Cash flows resulted from the operations before the change in working capital	269.457.393	206.575.821
Changes in working capital of the company (net):		
Increase / Decrease in Trade Receivables	39.294.113	(167.967)
Increase / Decrease in Other Receivables	112.558.121	(72.098.308)
Increase / Decrease in Other Current / Fixed Assets and Liabilities	(5.293.339)	21.558.140
Increase / Decrease in Inventories	(22.614.155)	(68.971.463)
Increase / Decrease in Trade Payables	(166.026.377)	101.082.893
Increase / Decrease in Liabilities Related To Employee Benefits	(8.609.037)	1.359.064
Deferred Income	(25.300.562)	(4.276.903)
Increase / Decrease in Prepaid Expenses	14.772.573	(60.017.634)
Increase / Decrease in Other Payables	14.930.613	(44.431.673)
Increase / Decrease in Provisions for Payables	(11.858.947)	7.967.225
Cash resulted from the operations after the changes in working capital	211.310.397	88.579.195
Paid-up interest	(2.262.611)	(24.272.428)
Paid-up taxes	(31.480.347)	(3.765.139)
Paid-up termination indemnities	(16.874.967)	(9.546.249)
Net cash resulted from the operations	160.692.472	50.995.379
Cash flows used in investments		
Purchase of Tangible and Intangible Assets	(43.189.462)	(52.829.746)
Cash gained from sales of tangible and intangible assets	442.599	746.892
Cash gained from financial investments	2.570.278	19.068.128
Cash used for investment activities	(40.176.585)	(33.014.726)
Financial activities:		
Dividends paid to Parent Company	(66.800.000)	-
Collected Interests	5.437.380	23.204.027
Dividends paid to the minority shares	(223.329.375)	(29.070.307)
Cash inflows related to financial payables	-	137.352.000
Capital expenses related to financial payables	(138.812.883)	(170.097.349)
Net Cash used for / gained in financial activities	(423.504.878)	(38.611.629)
Net increase/decrease in cash and cash equivalents	(302.988.992)	(20.630.974)
Balance of Cash and Cash Equivalents at beginning of the year	568.223.098	430.098.290
Foreign currency adjustments	(51.514.497)	49.263.909
Balance of Cash and Cash Equivalents at the period-end	213.719.609	458.731.224

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 1 - GROUP’S ORGANIZATION AND MAIN BUSINESS ACTIVITY

Gübre Fabrikaları T.A.Ş. and its subsidiary company (together referred as” Group”) consists of Gübre Fabrikaları T.A.Ş. (“Gübretaş” or “Company”), its subsidiary company and two partnerships. Gübre Fabrikaları T.A.Ş. is a company which was established in 1952 and has been operational in production and sales of chemical fertilizer.

The Company carries out a great deal of its operations in cooperation with the Agricultural Credit Cooperatives Central Union in Turkey. The central office of the Company is based in İstanbul, but there are other offices and production facilities as follows.

Unit	Main Activity
Yarımca Facilities	Production / Port/ Warehousing
İskenderun Facilities	Port/ Warehousing (on hire)
İzmir Regional Directorate of Sales	Sales-Marketing/ Liquid – Powder Fertilizer Production /Storage
Samsun Regional Directorate of Sales	Sales-Marketing / Warehousing
İskenderun Regional Directorate of Sales	Sales-Marketing / Warehousing
Tekirdağ Regional Directorate of Sales	Sales-Marketing / Warehousing
Ankara Regional Directorate of Sales	Sales-Marketing
Diyarbakır Regional Directorate of Sales	Sales-Marketing
Antalya Regional Directorate of Sales	Sales-Marketing

The Company and its subsidiaries have 1.451 employees as of 30 June 2014 (31 December 2013: 1.534)

% 24,05 out of the public shares of the Company is traded on Borsa İstanbul (BIST) and recorded at Capital Markets Board (SPK).

Here is the list of shareholders which own %10 or more share in the capital of the Company:

Name	30 June 2014		31 December 2013	
	Share Rate	Share Amount	Share Rate	Share Amount
Turkish Agricultural Credit Cooperatives Central Union	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

Subsidiary Companies

Gübretaş participated in Razi Petrochemical Co. (“Razi”) which produces and sells both chemical fertilizer and raw materials used for chemical fertilizer in 24 May 2008. Gübretaş has %48,88 out of the capital of Razi as the balance sheet date (31 December 2013: %48,88). Gübretaş has right to assign 3 names for the 5-member executive committee of Razi. So Razi is considered as an subsidiary company because Gübretaş controls the operational management.

Razi established Raintrade Petrokimya ve Dış Ticaret A.Ş. (“Raintrade”) in Turkey for purpose of selling petrochemical goods outside Iran at the end of 2010. Raintrade started its activities in April 2011. Razi’s share on Raintrade is 99% and Groups indirect share on Raintrade is 48,88%

In 2012, Razi Petrochemical Co. has purchased 87,5% of Arya Jonoob Co. (Arya), located on the same site with Razi. Arya has started its operations in 2010 and has a phosphoric acid production facility with a capacity of 126.000 tons/year. In 2013, Razi had 100% share of Arya Phosphoric Jonoob Co. by purchasing the 12,5% remaining part of Arya. Thus, Arya Phosphoric Jonoob Co. has become affiliate of Razi Petrochemical Co. Indirect ownership ratio of the Group is 48,88%.

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 1 - GROUP’S ORGANIZATION AND MAIN BUSINESS ACTIVITY (Cont.)

Affiliates

The Company participated in Negmar Denizcilik Yatırım A.Ş. (“Negmar”) which is operational in sea transport in 30 June 2008. The participant rate is %40 as the balance sheet date. (31 December 2013: %40).

The Company participated in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. (“Tarkim”) which produces and sells agricultural pesticide in Turkey in 13 April 2009. The participant rate is %40 as the balance sheet date. (31 December 2013: %40).

Available financial assets for sale

Except Group subsidiaries and participants, it participated in İmece Prefabrik Yapı Tarım Makineleri Temizlik ve Güvenlik Hizmetleri Tic. A.Ş. as %15, Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. as %17 which are subsidiaries of the controlling shareholder established in Turkey.

Approval of financial statements

The financial statements were approved to be disclosed 19 August 2014 by the Board of Directors. The General Board is authorized to amend the consolidated financial statements.

Going Concern Principle

The group has prepared its consolidated financial statements according to the going concern principle.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

The Company and its participations based in Turkey draft and keep their legal records, books and financial statements in line with Turkish Trade Law (“TTL”) and accounting principles defined by tax legislation. The subsidiary company operating in Iran drafts its accounting records and financial statements in currency of Iranian Rial (“IRR”) and in compliance with Iranian legislation.

The accompanying condensed consolidated financial statements have been prepared in accordance with the Communiqué Series II, 14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676 and based on Turkish Accounting Standards/Turkish Financial Reporting Standards and additions and interpretations regarding these standards, which are adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and are in accordance with the international standards. TAS/TFRS are updated through communiques to be able to be parallel with the changes in International Financial Reporting Standards (IFRS).

Group has prepared its financial tables for the interim period, which ends as of 30th June 2014, according to the TAS 34, Interim Period Financial Reporting Standard.

Financial statements are drafted in line with historical cost accounting, apart from appraisal of fixed assets and investment properties. To determine the historical cost, The fair value of the amount paid for the assets are taken as basis.

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.1. Basis of Presentation (Cont.)

Going Concern Principle

The group has prepared its consolidated financial statements according to the going concern principle.

Current Currency in Use

The financial statements of each of the group companies are drafted with the currency of the economic environment where they are operational (functional currency). The financial statements and operational results of each of the companies are stated in “Turkish Lira” (“TL”), which is the functional currency of the company and is the currency that the consolidated financial tables are presented.

The functional currency is Iranian Rial (“IRR”) for the subsidiary company which operates in Iran. According to IAS 21 “The Effects of Changes in Foreign Exchange Rates”; the assets and liabilities of the Group’s participations abroad are converted into Turkish Lira in line with the parity of exchange on the balance sheet date.

The income and expenses accounts are converted into Turkish Lira with the average currency rate of the period. Foreign currency conversion losses or gains, which are related with the use of balance sheet date currency rate and average currency rate of the period, are kept in account of foreign currency conversion adjustments in the equities. At the end of period, these differences are noted as gain or loss.

The rates used are:

<u>Foreign Currency</u>	<u>30 June 2014</u>		<u>31 December 2013</u>	
	<u>End of Period</u>	<u>Grade Point Average</u>	<u>End of Period</u>	<u>Grade Point Average</u>
IRR	0,0000828	0,0000857	0,0000858	0,0000769

2.2 Amendments to IFRS

New and revised standards and interpretations

Accounting policies, which are taken as basis for the preparation of consolidated financial statements for the period ending 30 June 2014, are implemented consequently with the policies of the previous year, with the exceptions of new and revised TFRS standards and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations over Group’s financial state and performance are explained in the related paragraph.

i) The new standards, amendments and interpretations which are effective as of 1 January 2014

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

The amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application area of the TAS 32 offsetting criteria in settlement systems (such as central clearing house systems) ,which apply gross settlement mechanisms and that are not simultaneous. The amendment did not have an significant impact over the financial situation or performance of the Group.

TRFS Interpretation 21 Levies

This interpretation clarifies that an entity should recognize a liability for a levy just as the activity that triggers Payment, as identified by the relevant legislation, occurs. This interpretation also clarifies that a levy liability can be accrued gradually if only the activity that triggers payment occurs gradually, in accordance with the relevant legislation. For a levy that arises upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. The interpretation is not valid for the Group or did not have any impact on the financial position or performance of the Group.

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.2 Amendments to IFRS (Cont.)

New and revised standards and interpretations (Cont.)

i) The new standards, amendments and interpretations which are effective as of 1 January 2014 (Cont.)

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

As a consequential amendment to amendment in TFRS 13 “Fair Value Measurement”, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendment brought additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount, which is based on fair value minus costs of disposal. This amendment did not have any impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

The amendment to the standard provides a narrow exception to the requirement for the obligatory discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. This amendment did not have any impact on the financial position or performance of the Group.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. This exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS 9 Financial Instruments. This amendment does not have any impact on the financial position or performance of the Group.

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

The new standards, interpretations and amendments, which are issued at the date of the approval of consolidated financial statements but not yet effective and not early adopted by the Group are as follows. Unless indicated otherwise, the Group will make the necessary changes which will effect its consolidated financial statements, after the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

Following the amendment in December 2012, the new standard will become effective for annual periods beginning on 1 January 2015. Phase 1 of this standard introduces new judgments for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and financial liabilities, whose fair value difference is measured with being reflected to profit or loss and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income.

The Group will evaluate the effects of this standard to its financial position and performance, after other phases will also be issued.

The new and revised standards 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 are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes in its consolidated financial statements and footnotes after the new standards and interpretations become effective under TFRS.

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.2 Amendments to IFRS (Cont.)

New and revised standards and interpretations (Cont.)

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

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards’ Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements– 2010–2012 Cycle

IFRS 2 Share-based Payment

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

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.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2010–2012 Cycle

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.2 Amendments to IFRS (Cont.)

New and revised standards and interpretations (Cont.)

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

Improvements to IFRSs (Cont.)

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Basis for Decisions on Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

Significant impact is not expected on the financial position or performance of the Group because of these amendments.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)

In May 2014 the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.2 Amendments to IFRS (Cont.)

New and revised standards and interpretations (Cont.)

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

Improvements to IFRSs (Cont.)

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

In May 2014, the IASS issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The impact of the standard on financial position or performance of the Group is in the process of assessing.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASS issued IFRS 15 Revenue from Contracts with Customers. 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). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The impact of the standard on financial position or performance of the Group is in the process of assessing.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment)– Bearer Plants

In June 2014, the IASB issued amendments that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.2 Amendments to IFRS (Cont.)

New and revised standards and interpretations (Cont.)

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

Improvements to IFRSs (Cont.)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 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, IFRS 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. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.3 Summary of Significant Accounting Policies

There is not any significant change about accounting policies announced in financial statements for the period of 30 June 2014

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 3 - OPERATING SEGMENTS

Group started to implement IFRS 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 TFRS, TFRS financial statements are used to prepare reports by departments.

The amounts of domestic and export sales for period that ended as of 30 June 2014 and 30 June 2013 are given in note 12. The distribution of department assets and liabilities pertaining to the periods ending on 30 June 2014 and 31 December 2013 is as follows:

As of 30 June 2014 and 31 December 2013, the distribution of balance sheet by departments is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	30 June 2014	30 June 2014	30 June 2014	30 June 2014
ASSETS				
Current Assets	618.685.469	670.046.115	(6.989.245)	1.281.742.339
Fixed Assets	940.874.227	514.086.529	(282.028.698)	1.172.932.058
TOTAL ASSETS	1.559.559.696	1.184.132.644	(289.017.943)	2.454.674.397
LIABILITIES				
Short Term Liabilities	631.751.641	667.035.884	-	1.298.787.525
Long Term Liabilities	181.048.926	102.933.567	(2.139.963)	281.842.530
Equities	746.759.128	414.163.193	(286.877.979)	874.044.342
TOTAL LIABILITIES	1.559.559.695	1.184.132.644	(289.017.942)	2.454.674.397

	Turkey	Iran	Consolidation Adjustments	Total
	31 December 2013	31 December 2013	31 December 2013	31 December 2013
ASSETS				
Current Assets	962.182.913	890.453.142	(98.876.816)	1.753.759.239
Fixed Assets	920.772.585	546.224.813	(281.847.413)	1.185.149.985
TOTAL ASSETS	1.882.955.498	1.436.677.955	(380.724.229)	2.938.909.224
LIABILITIES				
Short Term Liabilities	1.041.329.042	659.467.037	(78.578.739)	1.622.217.340
Long Term Liabilities	180.631.376	91.292.711	-	271.924.087
Equities	660.995.084	685.918.203	(302.145.490)	1.044.767.797
TOTAL LIABILITIES	1.882.955.502	1.436.677.951	(380.724.229)	2.938.909.224

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 3 - OPERATING SEGMENTS (Cont.)

The distribution of income statements by departments for the periods ending on 30 June 2014 and 30 June 2013 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	1 January 2014 30 June 2014	1 January 2014 30 June 2014	1 January 2014 30 June 2014	1 January 2014 30 June 2014
OPERATING INCOME				
Sales (Net)	732.820.708	745.249.519	(24.961.589)	1.453.108.638
Cost of Sales (-)	(637.466.729)	(554.770.612)	17.972.344	(1.174.264.997)
Gross Profit	95.353.979	190.478.907	(6.989.245)	278.843.641
Marketing, sales and distribution expenses (-)	(46.059.681)	(41.009.614)	-	(87.069.295)
Administrative expenses (-)	(13.127.773)	(52.157.511)	-	(65.285.284)
Other operating income / expenses (-) (net)	(3.438.142)	83.419.612	-	79.981.469
OPERATING PROFIT	32.728.383	180.731.394	(6.989.245)	206.470.531
Shares in profit/loss of investments valued by equity method	843.956	-	-	843.956
OPERATING PROFIT BEFORE FINANCE EXPENSE	33.572.339	180.731.394	(6.989.245)	207.314.487
Finance expenses (-)	(11.903.760)	(6.230.092)	-	(18.133.851)
Pre-Tax Profit	21.668.579	174.501.302	(6.989.245)	189.180.637
Period tax expense	(31.387.493)	(1.476.594)	-	(32.864.087)
Deferred tax income / (expense)	(7.531.128)	(91.569)	1.397.849	(6.224.848)
Period Profit / (Loss)	(17.250.042)	172.933.139	(5.591.396)	150.091.703

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 3 - OPERATING SEGMENTS (Cont.)

	Turkey	Iran	Consolidation Adjustments	Total
	1 January 2013 30 June 2013	1 January 2013 30 June 2013	1 January 2013 30 June 2013	1 January 2013 30 June 2013
OPERATING INCOME				
Sales (Net)	707.756.872	401.605.426	-	1.109.362.298
Cost of Sales (-)	(643.680.516)	(203.132.183)	-	(846.812.699)
Gross Profit	64.076.356	198.473.243	-	262.549.599
Marketing, sales and distribution expenses (-)	(42.064.561)	(38.867.760)	-	(80.932.321)
Administrative expenses (-)	(10.790.443)	(24.628.272)	-	(35.418.715)
Other operating income / expenses (-) (net)	8.593.901	83.546.448	(53.844.853)	38.295.496
OPERATING PROFIT	19.815.253	218.523.659	(53.844.853)	184.494.059
Shares in profit/loss of investments valued by equity method	(5.566.662)	-	-	(5.566.662)
OPERATING PROFIT BEFORE FINANCE EXPENSE	14.248.591	218.523.659	(53.844.853)	178.927.397
Finance expenses (-)	(12.766.935)	(11.505.493)	-	(24.272.428)
Pre-Tax Profit	1.481.656	207.018.166	(53.844.853)	154.654.969
Period tax expense	(4.305.059)	(1.067.581)	-	(5.372.640)
Deferred tax income / (expense)	2.809.815	1.015	-	2.810.830
Period Profit / (Loss)	(13.588)	205.951.600	(53.844.853)	152.093.159

Capital Expenditures

Capital expenditures pertaining to department assets for the periods ending on 30 June 2014 and 30 June 2013 are as follows:

	1 January 2014- 30 June 2014	1 January 2013- 30 June 2013
Turkey	44.207.940	29.550.428
Iran	21.459.270	23.162.331
	65.667.209	52.712.759

Depreciation/Amortization

Amortization/Depreciation expenses pertaining to department assets for the periods ending on 30 June 2014 and 30 June 2013 are as follows:

	1 January 2014- 30 June 2014	1 January 2013- 30 June 2013
Turkey	7.894.458	4.997.204
Iran	24.259.973	21.040.296
	32.154.431	26.037.500

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Cash	544.650	108.246
Bank	202.868.966	555.159.319
- demand deposits	8.712.062	13.796.139
- time deposits	194.156.904	541.363.180
Government bonds ve treasury bills	7.450.236	7.206.460
Other liquid assets	2.855.757	5.749.073
Cash and cash equivalents in statement of Cash Flows	213.719.609	568.223.098

Time Deposits (TRY):

The maturities of time deposits as of 30 June 2014 and 31 December 2013 are shorter than 3 months; their values assessed according to effective interest method are as follows:

Interest Rate (%)	Maturity	30 June 2014	31 December 2013
-	-	-	268.670.000
			268.670.000

Time Deposits (Currency):

Interest Rate (%)	Maturity	Foreign Currency	30 June 2014		31 December 2013	
			Amount	Amount in TRY	Amount	Amount in TRY
Libor	July 2014	EUR	213.199	616.550	131.444	385.987
10,00-22,00	July 2014	Mil. IRR	886.780	73.408.002	549.069	47.127.723
2,15-3,20	August 2014	USD	56.575.469	120.132.352	105.505.070	225.179.470
				194.156.904		272.693.180

Government Bonds:

Interest Rate (%)	Foreign Currency	30 June 2014		31 December 2013	
		Amount	Amount in TRY	Amount	Amount in TRY
17,00 - 20,00	Milyon IRR	90.000	7.450.236	83.960	7.206.460
					7.206.460

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 5 – SHORT AND LONG TERM BORROWINGS

a) Short Term Borrowings

	30 June 2014	31 December 2013
Short Term Bank Credits (Gübretaş)	302.245.092	438.740.736
Other (Razi)	270.474.604	263.431.810
Total Short Term Borrowings	572.719.696	702.172.546

As of 30 June 2014, the details of short-term bank credits are as follows:

Bank Credits:

Currency	Interest Rate (%)	Original Amount	Amount in TRY
EURO	2,65 - 5,60	24.098.636	69.690.847
USD	2,71 - 2,80	26.864.049	57.043.122
TRY	9,40 - 10,50	-	175.511.124
			302.245.093

Other Financial Borrowings (*):

Currency	Interest Rate (%)	Original Amount	Amount in TRY
Euro	(*) Libor+0,5	86.592.264	250.416.169
IRR (million)	12-16%	242.309	20.058.436
			270.474.605

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

As of 31 December 2013, the details of short-term bank credits are as follows:

Bank Credits:

Currency	Effective interest rate per annum (%)	Original Amount	Amount in TRY
Euro	3,56 – 5,76	31.271.957	91.830.101
USD	3,35 – 4,18	162.540.709	346.910.635
			438.740.736

Other Financial Borrowings (*):

Currency	Effective interest rate per annum (%)	Original Amount	Amount in TRY
Euro	Libor + 0,5	78.963.040	231.874.967
IRR (million)	12,00 – 16,00	367.658	31.556.843
			263.431.810

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

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 5 - SHORT AND LONG TERM BORROWINGS (Cont.)

b) Long Term Borrowings

	30 June 2014	31 December 2013
Long Term Bank Credits (Gübretaş)	170.622.100	173.253.500
Other (Razi)	-	6.728.633
	170.622.100	179.982.133

As of 30 June 2014, the details of long-term bank credits are as follows:

Bank Credits:

Currency	Ortalama etkin yıllık Faiz oranı (%)	Original tutar	TL tutar
Euro	5,10	59.000.000	170.622.100
			170.622.100

As of 31 December 2013, the details of long-term bank credits are as follows:

Bank Credits:

Currency	Effective interest rate per annum (%)	Original Amount	Amount in TRY
Euro	5,16 - 5,68	59.000.000	173.253.500
			173.253.500

Other Financial Borrowings (*):

Currency	Effective interest rate per annum (%)	Original Amount	Amount in TRY
Euro	4,5	2.291.378	6.728.633
			6.728.633

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

	30 June 2014	31 December 2013
Short Term Trade Receivables:		
Trade receivables	295.471.308	280.928.014
Trade receivables from related parties (Note 15)	25.698.660	75.727.185
Note receivable	-	501.520
Receivables from National Petrochemical Company ("NPC") (Razi)	52.335.755	52.335.755
Short Term Trade Receivables (Gross)	373.505.723	409.492.474
Provisions for doubtful trade receivables	(2.927.460)	(2.927.460)
Short Term Trade Receivables (Net)	370.578.263	406.565.014

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Cont.)

The company 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 data of the company regarding the doubtful receivables and allowances allocated regarding these receivables are as follows:

Overdue following the maturity	30 June 2014	31 December 2013
More than 9 months	2.927.460	2.927.460
Total	2.927.460	2.927.460

Movements in the provision for doubtful receivables for the six months periods ended June 30 are as follows:

	2014	2013
As of January 1	(2.927.460)	(1.957.054)
Provisions no longer required	-	8.568
As of June 30	(2.927.460)	(1.948.486)

As of 30 June 2014, the guarantees related to receivables which are not due, are as follows:

	30 June 2014	31 December 2013
Letters of Guarantee	263.946.598	240.924.896
Colleteral Checks/Notes	3.302.701	3.171.401
	267.249.299	244.096.297

Short Term Trade Payables:

	30 June 2014	31 December 2013
Suppliers (Gübretaş)	304.200.503	439.424.356
Suppliers (Razi)	87.409.809	90.099.287
Payables to related parties (Not 4)	4.719.062	9.259.739
Payables to NPC (Razi)	75.479.664	69.555.812
Other Trade Payables	7.811.560	37.015.641
	479.620.598	645.354.835

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables:

	30 June 2014	31 December 2013
Receivables From Minority Shares (Razi) (*) (Note 15)	-	91.937.552
Other Various Receivables (Tabosan) (**)	47.857.627	48.722.651
Tax Receivables (Razi)	28.185.567	20.569.052
Other Various Receivables	17.243.609	5.855.260
Receivables From Staff	9.341.254	2.579.635
Receivables From Subsidiaries (Note 15)	1.659.885	1.945.063
Other Short Term Receivables	104.287.942	171.609.213

(*) Amount of Razi’s receivables paid to Iranian Privatization Organization on behalf of minority shares, and also owed amount of minority shares.

(**) Tabosan Mühendislik İmalat ve Montaj A.Ş. (“Tabosan”) which is among consortium partners and bought Razi shares of the group together made application to the court with delay demand and the court rejected the demand and decided transferring of all operations to bankruptcy assets by constituting bankruptcy asset Group became guarantor for Tabosan as consecutively for Tabosan to the banks which finance is provided during purchase of Razi shares. It paid the credit maturity which is amount of 47.857.627 TRY and which must be paid to banks and to Iranian Privatization Organization by Tabosan under this guarantor with guarantor name and Group accounted this amount in other receivables. According to protocol which it made during share purchase of Tabosan and Razi shares, by taking into account the purchase right on unit share value which are bought as first for the shares which Tabosan have and hypothecs and guarantees which will be transferred to it by the bank. Additionally, by the report date, the group management has made claims to the administration of bankruptcy for the realization of Razi’s %1,31 shares’ transfer, which belongs to Tabosan, corresponding a part of payments that has been done as the guarantor. This claim has not been accepted by the administration, so a lawsuit has been filed, and according to this appeal, at 27th of June, 2013, a temporary injunction has been decided not to distribute Tabosan’s %1,31 Razi shares to creditors and not to have any authority over these shares. At the creditors meeting in 12th of July, 2013, It has been decided to wait for the final decision of the case about the Tabosan’s %1,31 Razi shares, which has a temporary jurisdiction in favor of the group, and liquidize the rest of the shares by selling them. By the report date, the negotiations between group management and administration of bankruptcy still continues.

Other Long Term Receivables

	30 June 2014	31 December 2013
Given Deposits and Guaranties to Related Parties (Note 15) (*)	115.247.416	118.039.402
Given Deposits and Guaranties	34.597.289	37.372.915
Receivables From Staff (**)	4.189.157	9.261.106
Other Long Term Receivables	154.033.862	164.673.423

(*) Given deposits and guarantees to related parties include the amount of deposits and guarantees given to related parties from Group for shipping of Razi’s products.

(**) Long term receivables from staff are aids for Personal home ownership.

Other Short Term Payables

	30 June 2014	31 December 2013
Dividend Payables to Minority Shares	81.746.057	77.400.777
Liability related to Financial Assets Accounted by the Method of Share Receiving from Equity	8.983.467	9.272.385
Other Payables and Liabilities	33.964.903	23.090.653
Other Short Term Payables	124.694.427	109.763.815

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 8 – TANGIBLE FIXED ASSETS

	Land	Surface and Underground, Improvements	Building	Facility, Machinery and Device	Vehicles	Fixtures	Special Costs	Ongoing investment	Total
Cost Value									
1 January 2014 Opening Balance	162.713.457	27.926.580	362.391.454	715.857.878	7.714.375	10.819.354	192.680	169.016.740	1.456.632.518
Conversion differences	(92.882)	(10.117.625)	(1.479.018)	2.742.957	(548.119)	202.936	(1)	(14.372.916)	(23.664.668)
Purchases	9.832.283	60.166	3.168.469	127.982	396.646	1.372.778	-	50.708.886	65.667.210
Sales / Cancellation	-	-	-	-	(124.126)	(332.200)	(30.992)	-	(487.318)
Transfer from ongoing investments	-	-	-	1.929.446	35.264	587.741	-	(2.552.451)	-
30 June 2014 Closing Balance	172.452.858	17.869.121	364.080.905	720.658.263	7.474.040	12.650.609	161.687	202.800.259	1.498.147.742
Accrued Depreciation									
1 January 2014 Opening Balance	-	(11.848.753)	(278.235.861)	(432.838.391)	(4.025.680)	(5.858.236)	(97.733)	-	(732.904.654)
Conversion differences	-	-	559.250	7.979.618	31.811	108.586	2	-	8.679.267
Period Expenses	-	(418.673)	(7.488.395)	(23.039.476)	(464.807)	(683.969)	(13.864)	-	(32.109.184)
Sales	-	-	-	-	94.108	329.391	19.100	-	442.599
30 June 2014 Closing Balance	-	(12.267.426)	(285.165.006)	(447.898.249)	(4.364.568)	(6.104.228)	(92.495)	-	(755.891.972)
30 June 2014 Net Value	172.452.858	5.601.695	78.915.899	272.760.014	3.109.472	6.546.381	69.192	202.800.259	742.255.770

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 8 – TANGIBLE FIXED ASSETS (Cont.)

	Land	Surface and Underground, Improvements	Building	Facility, Machinery and Device	Vehicles	Fixtures	Special Costs	Ongoing investment	Total
Cost Value									
1 January 2013 Opening Balance	110.083.158	15.876.775	216.455.117	631.665.519	5.859.053	8.104.285	192.679	26.797.803	1.015.034.390
Conversion differences	192.675	-	1.946.293	40.134.760	237.243	387.216	-	2.099.360	44.997.546
Purchases	-	52.750	24.164.653	113.202	264.471	281.792	-	27.835.890	52.712.759
Sales / Cancellation	-	-	(1.624.606)	-	(278.911)	(5.304)	-	-	(1.908.821)
Transfer from ongoing investments	-	-	-	172.172	17.008	99.016	-	(288.196)	-
Transfer to Godwill from T.F.A	(202.848)	-	(971.309)	(4.754.938)	68.374	77.839	-	-	(5.782.882)
30 June 2013 Closing Balance	110.072.985	15.929.525	239.970.149	667.330.714	6.167.238	8.944.844	192.679	56.444.857	1.105.052.992
Accrued Depreciation									
1 January 2013 Opening Balance	-	(10.478.737)	(151.689.058)	(334.567.806)	(3.363.911)	(4.760.145)	(63.805)	-	(504.923.461)
Conversion differences	-	-	(996.784)	(21.151.267)	(168.692)	(238.432)	-	-	(22.555.175)
Period Expenses	-	(364.175)	(4.459.189)	(20.382.945)	(348.150)	(460.734)	(22.306)	-	(26.037.500)
Sales / Cancellation	-	-	980.993	-	179.804	1.132	-	-	1.161.929
Transfer to Godwill from T.F.A	-	-	(26.460)	526.101	(7.774)	(3.540)	-	-	488.327
30 June 2013 Closing Balance	-	(10.842.912)	(156.190.498)	(375.575.917)	(3.708.723)	(5.461.719)	(86.112)	-	(551.865.881)
30 June 2013 Net Value	110.072.985	5.086.614	83.779.651	291.754.798	2.458.515	3.483.125	106.567	56.444.857	553.187.111

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 9 – INTANGIBLE FIXED ASSETS

Rights:

	30 June 2014	30 June 2013
1 January Opening Balance	453.386	378.658
Purchases	261.390	116.987
30 June Closing Balance	714.776	495.645
<hr/>		
Accrued Depreciation		
1 January Opening Balance	(316.050)	(227.465)
Amortization expenses for Current period	(45.250)	(3.154)
30 June Closing Balance	(361.300)	(230.619)
Net Book Value	353.479	265.026

Goodwill:

Amount as of 31 December 2012	120.811.461
Arya goodwill	5.294.555
Conversion difference	22.705.812
Amount as of 31 December 2013	148.811.828
Conversion difference	352.798
Amount as of 30 June 2014	149.164.626

NOTE 10 - 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. Application for being cancelled pledges on shares was implemented and the process continues as of report date.

Forward Contracts

As of 30 June 2014, Group has raw materials and trade goods purchasing commitment which is planned to import after giving order which amount in 30.257.414 USD (31 December 2013: USD 15.449.501).

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provision

	30 June 2014	31 December 2013
Provisions for Cost Expenses	58.319.159	69.065.196
Provisions for Other Social Security Premium (*)	16.804.421	17.423.908
Provisions for Lawsuit and other debts	1.078.251	1.571.674
Other Short Term Liabilities	76.201.831	88.060.778

Lawsuit Provision

	30 June 2014	30 June 2013
As of 1 January 2014	1.571.674	1.920.233
Addition / Provision Cancellation	(493.423)	(205.288)
As of 30 June 2014	1.078.251	1.714.945

The total lawsuit amount commenced against the group is 6.717.493 in the current period. (2013: 7.728.600 TL). In the current period, a lawsuit was commenced by the Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi against the Group related to the 5.887.755 TL profit loss. The Group management has not provided any provision in the consolidated financial tables by taking the uncertainties related to this lawsuit into consideration as a result of the legal negotiations it made, 1.078.251 TL (2013: 1.571.674 TL) of provision was made related to other lawsuits. .

As from 30 June 2014 and 31 December 2013, the tables related to the Group’s tables related to Assurance- Pledge-Hypothechs position are as follows:

	30 June 2014			31 December 2013		
	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	-	5.519.927	TL	-	5.463.494
B. Total amount of APH's given for the partnerships included to full consolidation (Hypothechs)	IRR milyon	1.870.000	154.799.345	IRR milyon	1.870.000	160.505.952
C. APH given for guaranteeing the debts of other 3rd parties for the performance of ordinary business activities (*)	USD	40.787.856	86.608.933	USD	43.783.492	93.447.106
D. Total amount of other APH's given	-	-	-	-	-	-
i. Total amount of APH's given for main partner	-	-	-	-	-	-
ii. Total amount of APH's given for other group companies not falling into the scope of articles B and C (Assurance)	-	-	-	-	-	-
iii. Total amount of APH's given for 3rd parties not falling in to the scope of article C	-	-	-	-	-	-
Total			246.928.205			259.416.552

(*) There isn't any amount of joint and several guarantee issued by the Group on behalf of the consortium partners for the acquisition of Razi.

There is no other APH given by the Group. (31 December 2013: None).

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont.)

Contingent Liabilities

Natural gas expenses, which are a significant part of manufacturing costs in Razi Petrochemical Co. (“Razi”), are invoiced by Iran National Petroleum Company (“NIOC”). Every March, NIOC decides on the gas prices for that year. On 21 March 2010, NIOC have decided that the price of natural gas will be fifteen times the previous year’s price and made the invoicing using this price. Razi has objected to this price increase and have not recognized the additional 62 Million TL liability, which is related to the price difference as of balance sheet date, in the previous period. On 19 December 2010 the natural gas prices have been reassessed in Iran and the new gas price has been set at seven times the previous year’s price. All natural gas expenses are invoiced based on the new price since 19 December 2010. At 13th of November, 2011, special delegate of Iran Islamic Republic presidency Petroleum affairs has decided a billing that is around %67 more than the original cost for the period between 21st of March, 2010 and 19th of December, 2010. According to this decision, Razi has recorded the impact of this rise in the current period. But NIOC hasn’t yet put this decision into practice and realized the billing over new prices for this period .Hence this progress continues and also after taking decision in 13 November 2011, there is no possibility for additional cash outflow about this liability, Group did not account any provision for this amount.

Iran Tax Authority has performed tax assessments for the tax filings of Razi for the previous years. As a result of these assessments, it has been identified that Razi has recognized export sales as non-taxable income. The export sales were considered as taxable by the Iran Tax Authority and Razi was imposed to a total of 51 million TL additional tax charge. Razi has protested against this claim. Based on the opinions of legal advisors and tax experts, the Group Management has not provided any provisions in the consolidated financial statements hence the judicial process has not been finalized yet.

The sanctions imposed on Iran by United Nations since 2010 may have an effect on the future 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 some risks that may not necessarily be observable in other markets. These consolidated financial statements contain the Group management’s estimations related to the effects of sanctions to the economic and financial positions of the group. The future economic situation of Iran might differ from the Group’s expectations.

İskenderun State Treasury Office (“Treasury”) has filed a lawsuit against the Group in November 2011 for the cancellation of its title deed and demanded enforced evacuation of Group’s 79.350 m2 property located in the Sarıseki province of İskenderun within the city of Hatay claiming that the property is within the shoreline, according to the Shore Law sentences and Regulation for the implementation of Shore Law. The net book value of the property at the balance sheet date is 103.334.153 TL . The Group has objected the lawsuit, asked for a new expert report for the determination of shoreline, which is the basis for the evacuation demand and at the same time filed another lawsuit for a compensation of its ownership right of the property, considering the probability that the lawsuit will be resulted in favor of Treasury. The litigation process is ongoing as of the balane sheet date. Based on the opinions of legal advisors, the Group Management has not provided any provisions in the consolidated financial statements for this lawsuit.

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont.)

Contingent Liabilities (Cont.)

Tabosan Mühendislik İmalat ve Montaj A.Ş. (“Tabosan”), which is 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 was the joint and several guarantor of Tabosan for the loans obtained from financial institutions and Iran Privatization Organization during the acquisition of Razi shares. The group has paid 47.885.218 TL for the loan of Tabosan as the guarantor and recognized this amount under other receivables account. Group management, considering the right of purchasing the shares with the initial share price regarding the protocol done with Tabosan at the time of Razi acquisition, and mortgages and guarantees that has been transferred from the financial institutions, has not made any provisions for these receivables. The group management has made claims to the administration of bankruptcy for the realization of Razi’s %1,31 shares’ transfer, which belongs to Tabosan, corresponding to a part of payments that has been done as the guarantor. This claim has not been accepted by the administration, so a lawsuit has been filed, and according to this appeal, at 27th of June, 2013, a temporary injunction has been decided not to distribute Tabosan’s %1,31 Razi shares to creditors and not to have any authority over these shares. At the creditors meeting in 12th of July, 2013, it has been decided to wait for the final decision of the lawsuit about the Tabosan’s %1,31 Razi shares, which has a temporary jurisdiction in favor of the Group, and liquidize the rest of the shares through a sale. The negotiations are currently on going as of the date of this report.

NOTE 12 – REVENUE AND COST OF SALES

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Sales Income:				
Domestic Sales	853.491.775	233.447.525	794.340.505	284.493.290
Overseas Sales	606.850.576	361.025.329	325.398.039	162.679.238
Sales Returns(-)	(99.208)	(52.227)	(217.403)	(146.919)
Sales Discounts (-)	(5.365.369)	(877.669)	(4.407.821)	(1.738.154)
Other discounts from sales (-)	(1.769.136)	(1.353.414)	(5.751.022)	(2.182.992)
Net Sales	1.453.108.638	592.189.544	1.109.362.298	443.104.463

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Cost of Goods Produced	402.114.473	201.055.437	332.619.388	184.533.930
Change in the goods inventory				
-Goods at the beginning of the period	70.119.343	63.657.429	74.085.787	47.533.624
- Goods at the end of the period	(66.655.165)	(66.655.165)	(74.260.963)	(74.260.963)
Cost of Goods Sold	405.578.651	198.057.701	332.444.212	149.807.965
- Trade goods at the beginning of period	264.799.911	491.546	142.037.341	135.703.073
-Purchases	757.676.067	376.867.656	519.547.582	196.244.420
- Trade goods at the end of the period	(259.411.485)	(97.768.436)	(147.339.786)	(147.339.786)
Cost of Merchandise Sold	768.560.039	285.086.312	514.245.137	184.607.707
Cost of other sales	126.307	126.307	123.350	112.965
Total Cost of Sales	1.174.264.997	483.270.320	846.812.699	334.528.637

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 13 – OTHER OPERATING INCOME AND EXPENSES

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Other Operating Income:				
Foreign currency exchange gain from operations	107.761.431	49.301.062	158.161.172	75.141.719
Interest Income	5.145.240	148.261	23.204.027	14.357.655
Maturity Diference Income of Trade Payables	4.936.501	1.020.988	-	-
Other operating income	6.881.959	1.081.153	9.033.835	3.719.681
	124.725.131	51.551.464	190.399.034	93.219.055
Other Operating Expenses (-):				
Foreign currency exchange loss from operations	31.045.429	4.342.670	138.374.052	57.751.360
Interest Expenses of Trade Payables	1.139.344	225.685	287.260	88.558
Maturity Diference Expenses of Trade Payables	4.603.254	1.142.139	4.924.138	(236.606)
Other expenses	7.955.635	4.428.559	8.518.088	111.005
	44.743.662	10.139.053	152.103.538	57.714.317

NOTE 14 - EARNINGS PER SHARE

Earning per share, which is shown in consolidated statements of profit or loss, is calculated by dividing the net profit to the number of weighted average of shares in the period.

Companies can increase their capitals by distributing shares (“bonus share”) to their current shareholders from retained earnings, corresponding to their share. While calculating the earning per share, these bonus shares are treated as issued shares. Therefore, while calculating the earning per share, the weighed average number of share is achieved by practicing the bonus share issues in a retrospective way.

Earnings per share and gross dividends per share are as follows;

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Net Period Profit	64.543.486	45.307.578	46.814.982	13.051.437
Number of weighted average of ordinary shares issued (each one 1 kr)	33.400.000.000	33.400.000.000	8.350.000.000	8.350.000.000
Profit per share (kr) (*)	0,0019	0,0013	0,0056	0,0016
Dividends distributed to shareholders	66.800.000	-	-	-
Gross dividend distributed per share (kr) (*)	0,002	-	-	-

(*) Based upon the situation that all of the shareholders have the same and equal rights and there is not any preference shares, the ordinary and the diluted earnings per share and dividends per shares figures do not differ.

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 15 -STATEMENTS OF RELATED PARTIES

(i) Balances of related parties

(a) Trade receivables:

	30 June 2014	31 December 2013
Main Partner		
Central Union of Turkish Agricultural Credit Cooperatives	25.698.660	67.249.148
Other Related Parties	-	8.478.037
	25.698.660	75.727.185
Subsidiaries and other related parties (Short Term)		
Negmar Denizcilik A.Ş.	1.659.885	1.945.063
	1.659.885	1.945.063
Minority Shares (Short Term)		
Dividend Advances	-	91.937.552
	-	91.937.552
Subsidiaries and other related parties (Long Term)		
Negmar Denizcilik A.Ş.	72.908.927	70.147.828
Other Related Parties	42.338.489	47.891.574
	115.247.416	118.039.402

b) Trade payables:

	30 June 2014	31 December 2013
Subsidiaries and other related parties		
Negmar Denizcilik A.Ş.	4.457.531	9.182.646
Tarnet A.Ş.	95.439	67.172
Tarkim Bitki Koruma San. ve Tic. A.Ş.	166.092	9.920
	4.719.062	9.259.738

Average maturity of sales to Central Union of Turkish Agricultural Credit Cooperatives are about 25 days. Hence there aren't any delays in collection of revenues, there is not any interest rate implemented. Other receivables are amount of Razi's receivables paid to Iranian Privatization Organization on behalf of minority shares, and therefore Razi is a debtor from minority shares. Receivables from subsidiaries and other related parties include deposits and guarantees which is given by the Group for the transportation of Razi's productions.

(ii) Related party transactions

Sales:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Main Partner				
Central Union of Turkish Agricultural Credit Cooperatives	602.036.473	170.021.707	517.370.990	194.017.456
Subsidiaries				
Negmar Denizcilik A.Ş. and Subsidiaries	835.211	262.112	693.794	423.395
Tarkim Bitki Koruma San. ve Tic. A.Ş.	8.100	8.100	81.816	31.214
Tarnet A.Ş.	437	(9.363)	-	-
	602.880.221	170.282.556	518.146.600	194.472.065

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 15 -STATEMENTS OF RELATED PARTIES (Cont.)

(ii) Related party transactions (Cont.)

Purchases:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
<i>Subsidiaries</i>				
Negmar Denizcilik A.Ş. and Subsidiaries (*)	64.075.069	23.685.717	45.164.453	16.021.726
Tarkim Bitki Koruma San. ve Tic. A.Ş.	169.778	159.656	138.461	124.252
Tarnet A.Ş.	1.004.149	709.300	175.172	71.130
	65.248.996	24.554.673	45.478.086	16.217.108

(*) Group receives service for logistics and handling from Negmar Denizcilik A.Ş. and its affiliates. Service's due payment is 7 days.

Benefits Provided to Top Management

The total benefits the company has provided to its members of BoD, general manager and deputy general managers for year that ended as of 30 June 2014 shown below table:

	30 June 2014		30 June 2013	
	Gübretaş	Razi	Gübretaş	Razi
Short Term Benefits to Employees (*)	869.991	3.272.297	723.009	800.518
	869.991	3.272.297	723.009	800.518

(*) It also includes attendance fee paying to Board of Directors.

NOTE 16 - THE CHARACTERISTICS AND THE LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Hedging operations and derivative financial instruments

Liquidity Risk

The risk of failure in settling financial liabilities is eliminated by managing the balance sheet and expected cash flows in harmony. In this context; the maturities of the financial liabilities are kept in line with the maturities of assets to eliminate any duration mismatch and in order to maintain short term liquidity, net working capital objectives are set and balance sheet ratios are aimed to be kept at particular levels.

Cash flow estimations for midterm and long term liquidity management of the Group are made by taking into account financial market and sector dynamics and cash flow cycle is observed and is tested by various scenarios.

Interest Rate Risk

Changes in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed by maintaining a balance between interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual re-pricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual re-pricing date of financial liabilities and receivables and "fixed interest! floating interest", "short-term! long-term" balance within liabilities are structured coherently.

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 16 - THE CHARACTERISTICS AND THE LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont.)

Hedging operations and derivative financial instruments(Cont.)

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks. Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes.

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 16 - THE CHARACTERISTICS AND THE LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont.)

Currencies, other than the functional currencies of the Company and its’ subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands (‘000).

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at June 30, 2014 are as follows:

	Euro	US Dollar	Iranian Rial (million)	Japanese Yen	Other	Amount in TRY
Current Assets	18.391.482	130.145.067	2.212.541	2.715.101	1.116.000	513.394.193
Trade Receivables	14.600.808	67.629.440	1.271.317	-	-	291.068.535
Monetary financial assets	331.732	61.173.253	941.224	2.715.101	-	208.826.573
Non-monetary financial assets	3.458.942	1.342.374	-	-	1.116.000	13.499.085
Fixed Assets	7.123.011	-	1.442.100	-	-	139.976.652
Trade Receivables	-	-	1.442.100	-	-	119.377.616
Monetary financial assets	-	-	-	-	-	-
Non-monetary financial assets	7.123.011	-	-	-	-	20.599.036
Total Assets	25.514.493	130.145.067	3.654.640	2.715.101	1.116.000	653.370.844
Short Term Liabilities	115.748.139	154.909.388	2.929.324	-	-	906.157.250
Trade Payables	5.057.239	127.999.339	2.687.015	-	-	508.851.001
Financial liabilities	110.690.900	26.864.049	242.309	-	-	397.208.571
Other Non-monetary liabilities	-	46.000	-	-	-	97.676
Long Term Liabilities	59.000.000	-	-	-	-	170.622.100
Financial liabilities	59.000.000	-	-	-	-	170.622.100
Total Liabilities	174.748.139	154.909.388	2.929.324	-	-	1.076.779.349
Amount of off-balance sheet derivative assets in foreign currency	-	33.000.000	-	-	-	70.072.200
Amount of off-balance sheet derivative liabilities in foreign currency	-	33.000.000	-	-	-	70.072.200
Statement of Net Financial Position	(174.748.139)	(24.764.321)	725.317	2.715.101	1.116.000	(423.408.505)
Net Asset/(Liabilities) Position of Foreign Currency	(159.815.599)	(26.060.695)	725.317	2.715.101	-	(457.408.948)

Net Asset / (Liabilities) Position of Foreign Currency Monetary Items

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 16 - THE CHARACTERISTICS AND THE LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont.)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at June 30, 2013 are as follows:

	Euro	US Dollar	Iranian Rial (million)	Japanese Yen	Amount in TRY
Current Assets	16.376.268	141.028.252	3.500.336	2.715.101	649.581.521
Trade Receivables	14.602.867	25.724.832	1.495.061	-	226.109.987
Monetary financial assets	340.250	107.530.707	755.358	2.715.101	295.390.810
Non-monetary financial assets	1.433.151	7.772.713	1.249.917	-	128.080.723
Fixed Assets	8.994.164	55.305.909	107.289	-	153.659.622
Non-monetary financial assets	8.994.164	55.305.909	107.289	-	153.659.622
Total Assets	25.370.432	196.334.161	3.607.625	2.715.101	803.241.143
Short Term Liabilities	118.161.188	360.858.155	3.625.129	-	1.428.312.169
Trade Payables	7.926.191	198.308.246	3.257.471	-	726.119.987
Financial liabilities	110.234.997	162.540.709	367.658	-	702.172.547
Other Non-monetary liabilities	-	9.200	-	-	19.636
Long Term Liabilities	61.291.378	-	-	-	179.982.131
Financial liabilities	61.291.378	-	-	-	179.982.131
Total Liabilities	179.452.566	360.858.155	3.625.129	-	1.608.294.301
Statement of Net Financial Position					
Net Asset/(Liabilities) Position of Foreign Currency	(154.082.134)	(164.523.994)	(17.504)	2.715.101	(805.053.158)
Net Asset / (Liabilities) Position of Foreign Currency Monetary Items	(164.509.449)	(227.602.617)	(1.374.710)	2.715.101	(1.086.793.503)

GÜBRE FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

FOOTNOTES FOR FINANCIAL STATEMENTS FOR PERIOD THAT ENDED AS OF 30 JUNE 2014

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 16 - THE CHARACTERISTICS AND THE LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont.)

As of June 30, 2014 and December 31, 2013, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Profit/(Loss)	
	Foreign exchange	
	Appreciation by %10	Depreciation by %10
30 June 2014		
USD net asset/liability	(5.258.456)	5.258.456
Secured portion from USD risk	-	-
USD net effect	(5.258.456)	5.258.456
EUR net asset/liability	(43.156.878)	43.156.878
Secured portion from EUR risk	-	-
EUR net effect	(43.156.878)	43.156.878
IRR net asset/liability	6.004.198	(6.004.198)
Secured portion from IRR risk	-	-
IRR net effect	6.004.198	(6.004.198)
Other currency net asset/liability	5.708	(5.708)
Secured portion from other currency risk	-	-
Other currency net effect	5.708	(5.708)
	(42.405.428)	42.405.428

	Profit/(Loss)	
	Foreign exchange	
	Appreciation by %10	Depreciation by %10
31 December 2013		
USD net asset/liability	(48.577.226)	48.577.226
Secured portion from USD risk	-	-
USD net effect	(48.577.226)	48.577.226
EUR net asset/liability	(48.308.200)	48.308.200
Secured portion from EUR risk	-	-
EUR net effect	(48.308.200)	48.308.200
IRR net asset/liability	(12.120.189)	12.120.189
Secured portion from IRR risk	-	-
IRR net effect	(12.120.189)	12.120.189
Other Currency Asset net effect	5.493	(5.493)
	(109.000.122)	109.000.122

NOTE 17 - EVENTS AFTER BALANCE SHEET DATE

According to the Board of Directors resolution no. 9889, which is dated 26th June 2014, our headquarters has been moved to the address “Nida Kule Göztepe İş Merkezi, Merdivenköy Mahallesi, Bora Sokak, No: 1 Kadıköy/İSTANBUL” as of 07th July 2014. Our new address has been registered to İstanbul Trade Registry Office at 01st July 2014 and the new address has been announced in the Turkish Trade Registry Gazette no. 8608, which is dated 09th July 2014.