



**2016 2<sup>nd</sup> QUARTER  
OPERATING REVIEW  
REPORT**

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

### A. REPORTING PERIOD

01.01.2016 - 30.06.2016

### B. CORPORATE'S NAME

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

### C. TRADE REGISTER NUMBER

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

### D. CONTACT INFORMATION

#### HEADQUARTERS

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

E-mail address: [gubretas@gubretas.com.tr](mailto:gubretas@gubretas.com.tr)

Web address: [www.gubretas.com.tr](http://www.gubretas.com.tr)

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

#### YARIMCA PRODUCTION FACILITIES MANAGEMENT

Address: Gübretaş Yarımca Tesisleri 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

E-mail address: [yarimca@gubretas.com.tr](mailto:yarimca@gubretas.com.tr)

#### TEKİRDAĞ REGIONAL OFFICE

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

Phone : +90 (282) 262 76 50 / (282) 262 47 94 / (282) 262 84 39

Fax : +90 (282) 262 98 51

**İSKENDERUN REGIONAL OFFICE**

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

Phone : +90 (326) 626 14 42 - 44 - 49 - 50

Fax : +90 (326) 626 14 50

**ANKARA REGIONAL OFFICE**

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

Phone : +90 (312) 231 91 97

Fax : +90 (312) 231 92 99

**İZMİR REGIONAL OFFICE**

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

**SAMSUN REGIONAL OFFICE**

Address: Gübretaş Samsun Tesisleri Organize Sanayi Bölgesi Kızılırmak Cad. No: 7  
Kutlukent - SAMSUN

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

**DİYARBAKIR REGIONAL OFFICE**

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

**ANTALYA REGIONAL OFFICE**

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

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

Fax : +90 (242) 311 43 93

**E. BOARD OF DIRECTORS**

Title	Name	Date of appointment
Chairman	Ayhan KARAYAMA	13.04.2016
Vice Chairman	Mahmut GÜNGÖR	27.07.2016
Member	Ertekin ÇOLAK	24.06.2016
Member	Kazım AYDIN	17.06.2016
Executive Member	Tahir OKUTAN	13.04.2016
Executive Member	Şenol DUMAN	27.07.2016
Independent Member	Ali Yekta SUNAR	13.04.2016
Independent Member	Bahattin YILDIZ	13.04.2016
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016

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

Title	Name	Date of Appointment	Date of Completion
Member	Selahattin AYDOĞAN	30.12.2014	29.02.2016
Chairman	İrfan GÜVENDİ	17.12.2014	03.03.2016
Executive Member	Şükrü KUTLU	23.02.2015	12.04.2016
Member	Adem DANIŞIK	05.01.2015	13.04.2016
Member	Veli ALTUNKAŞ	05.01.2015	13.04.2016
Member	Ali Erdem SAATÇİ	29.02.2016	13.04.2016
Independent Member	Prof. Dr. Nuh BOYRAZ	16.04.2015	13.04.2016
Independent Member	Av. Dr. Cahit SULUK	16.04.2015	13.04.2016
Independent Member	Hasan SEZER	16.04.2015	13.04.2016
Member	Hüsamettin GÜLHAN	13.04.2016	06.05.2016
Independent Member	İsmet SU	13.04.2016	13.05.2016
Member	Mahmut GÜNGÖR	13.04.2016	24.06.2016
Vice Chairman	Kazım ÇALIŞKAN	28.05.2015	27.07.2016
Executive Member	Ferhat ŞENEL	13.04.2016	27.07.2016

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

## F. TOP MANAGEMENT

Title	Name	Date of Appointment
General Manager (per pro.)	Tahir OKUTAN	27.07.2016
Deputy General Manager - Sales & Marketing		20.01.2006
Deputy General Manager – Finance (per pro.)		27.07.2016
Deputy General Manager - Supply Chain Management	Dr. Şenol DUMAN	08.01.2015
Deputy General Manager - Facilities and Investments	Dr. Mahmut KARAMAN	04.02.2015

Members of Top Management, which resigned during the period and after balance sheet date:

Title	Name	Date of Appointment	Date of Completion
General Manager	Şükrü KUTLU	23.02.2015	12.04.2016
Deputy General Manager	Ferhat ŞENEL	09.02.2004	27.07.2016

## G. CAPITAL STRUCTURE

As of 30.06.2016 authorized capital of the company is 1.000.000.000 TRY and issued capital is 334.000.000 TRY.

**Tablo 1 : CAPITAL STRUCTURE**

Shareholders	Share Amount -TRY	Share %
Central Union of Turkish Agricultural Credit Coop.	253.684.606,88	75,95
Other	80.315.393,12	24,05
<b>Total</b>	<b>334.000.000,00</b>	<b>100,00</b>

## H. AFFILIATES AND SUBSIDIARIES

**Table 2 : SUBSIDIARIES**

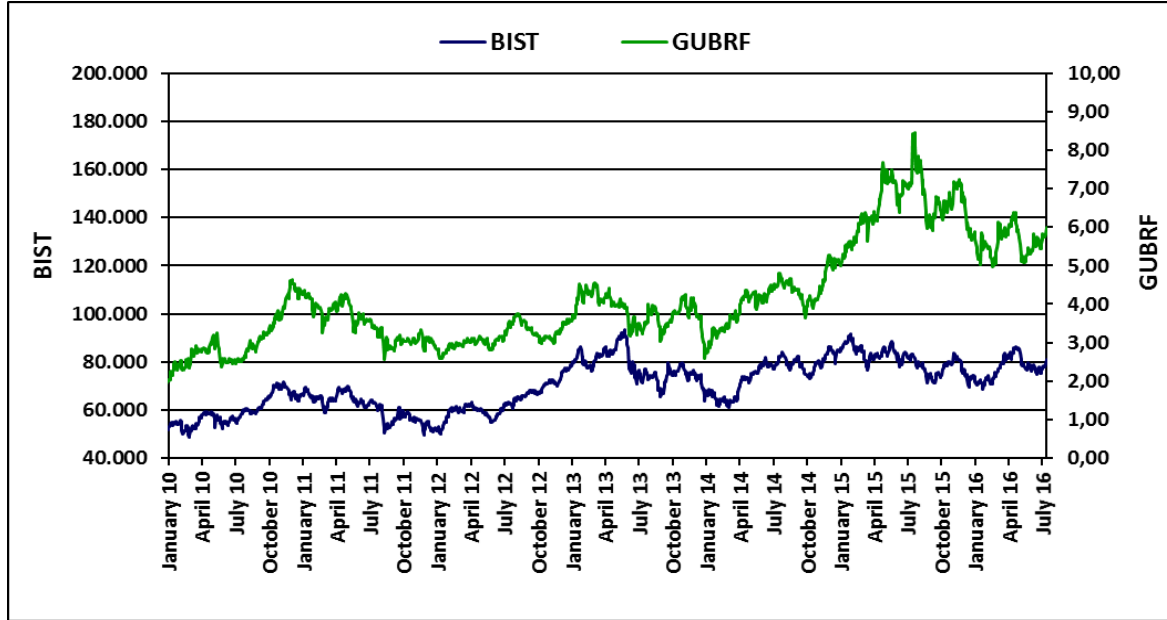
Company Name	Share %
Razi Petrochemical Co.	48,88

**Table 3 : AFFILIATES**

Company Name	Share %
Negmar Denizcilik Yatırım A.Ş.	40,00
Tarkim Bitki Koruma San. ve Tic. A.Ş.	40,00
Tarnet Tarım Kredi Bil. ve İle. Hiz. San Tic. A.Ş.	17,00
İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş.	15,00

## I. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



## II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

### A. PRODUCTION

Gübretaş produced 38.440 tons of TSP, 242.263 tons of compound fertilizers and a total of 280.703 tons in the first six months of 2016. In addition, 5.326 tons of liquid and powder fertilizers were produced.

Solid fertilizer production decreased by 7,40% and liquid-powder production increased by 45,76% in 2016 compared to 2015. Total fertilizer production including solid, liquid and powder decreased by 6,77% in 2016 compared to 2015.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 61,12% in the first six months of 2016.

Table 4 : PRODUCTION BY GROUP -TON

Production	2016/6	2015/6	Change
Solid Fertilizer	280.703	303.138	-7,40%
Liquid - Powder Fertilizer	5.326	3.654	45,76%
<b>GRAND TOTAL</b>	<b>286.029</b>	<b>306.792</b>	<b>-6,77%</b>

## B. SALES AND PURCHASES

Our Company sold 983.545 tons of solid, 16.324 tons of liquid and powder fertilizers in the first six months of 2016. In the first six months of 2015, 933.033 tons of solid, 11.133 tons of liquid and powder fertilizers were sold.

The sales increased by 5,41% in the first six months of 2016, compared to the same period of the year before.

The volume of purchases was 734.038 tons in the first six months of 2015, and it decreased by 20,32% to 584.864 tons in first six months of 2016. There has not been any export in the first six months of 2016, while it was 1.625 tons in the same period of 2015.

**Table 5 : SALES, IMPORT AND DOMESTIC PURCHASES-TON**

	2016/6	2015/6	Change
Domestic Purchases	43.080	81.678	-47,26%
Import	541.784	652.360	-16,95%
<b>Total Purchases</b>	<b>584.864</b>	<b>734.038</b>	<b>-20,32%</b>
<b>Sales</b>	<b>983.545</b>	<b>933.033</b>	<b>5,41%</b>

**Table 6: SALES BY PRODUCT GROUPS-TON**

Solid Chemical Fertilizer	2016/6	2015/6	Change
COMPOUND	294.442	287.511	2,41%
AN	211.579	183.594	15,24%
UREA	212.820	212.110	0,33%
CAN	123.826	107.099	15,62%
AS	88.684	83.463	6,26%
DAP	42.850	48.479	-11,61%
Other	9.344	10.777	-13,30%
<b>Total Solid Fertilizer</b>	<b>983.545</b>	<b>933.033</b>	<b>5,41%</b>
<b>Total Liquid - Powder Fertilizer</b>	<b>16.324</b>	<b>11.133</b>	<b>46,63%</b>
<b>Grand Total</b>	<b>999.869</b>	<b>944.166</b>	<b>5,90%</b>



### C. INVESTMENTS

In Turkish operations, our company spent 15.074.181 TRY for capital expenditure in the first half of 2015, while this figure was 23.484.540 TRY in the same period of 2016.

### D. ADMINISTRATIVE ACTIVITIES

#### Number of Personnel

Our number of personnel increased by 22,63% to 531 persons in the first six months of 2016.

#### Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. A total of 6.248 hours of educational activities with the participation of 213 employees were carried out in the first six months of 2016.

## III. RAZİ PETROCHEMICAL CO. ACTIVITIES

### A. PRODUCTION

In the first quarter of 2016, 860.560 tons of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co., capacity utilization rate was 47,27%.

**Table 7: RAZİ PETROCHEMICAL CO. PRODUCTION-TON**

Product	2016/6	2015/6	Change	Capacity	2016/6 CUR
Ammonia	361.758	344.473	5,02%	1.336.000	54,16%
Urea	159.810	127.193	25,64%	594.000	53,81%
Sulphur	132.717	127.897	3,77%	627.000	42,33%
Sulphuric Acid	128.782	148.845	-13,48%	508.000	50,70%
Phosphoric Acid	39.361	35.556	10,70%	126.000	62,48%
DAP	38.132	40.954	-6,89%	450.000	16,95%
<b>Total</b>	<b>860.560</b>	<b>824.917</b>	<b>4,32%</b>	<b>3.641.000</b>	<b>47,27%</b>

## B. SALES

In the first six months of 2016, 533.032 tons of fertilizer were sold and 581.537.251 TRY of revenue were achieved in Razi Petrochemical Co. and its subsidiaries. Razi Petrochemical Co. exported 348.483 tons and sold 184.549 tons in the domestic market in the first six months of 2016. Share of export in total sales was 65%.

**Table 8 : RAZI PETROCHEMICAL CO. SALES-TON**

Product	2016/6	2015/6	Change
Ammonia	234.572	279.427	-16,05%
Urea	159.160	186.704	-14,75%
Sulphur	76.905	98.795	-22,16%
DAP	31.557	40.932	-22,90%
Phosphoric Acid	17.899	22.240	-19,52%
Sulphuric Acid	12.939	17.059	-24,15%
<b>Total</b>	<b>533.032</b>	<b>645.157</b>	<b>-17,38%</b>

## C. INVESTMENTS

In Iran operations, our company spent 32.929.464 TRY for capital expenditure in 2015, while this figure was 12.931.111 TRY in 2016.

## IV. FINANCIAL STRUCTURE

### A. BALANCE SHEET ASSETS-TRY

ASSETS	30 June 2016	31 December 2015
<b>Current Assets</b>	<b>1.439.571.631</b>	<b>2.015.222.364</b>
Cash and Cash Equivalents	184.323.205	364.409.394
Financial Investments	7.540.326	7.720.146
Trade Receivables	377.941.271	387.125.926
- <i>Trade receivables from related parties</i>	71.423.306	135.955.617
- <i>Other trade receivables</i>	306.517.965	251.170.309
Other Receivables	193.286.406	193.773.614
- <i>Other receivables from related parties</i>	348.472	228.630
- <i>Other receivables</i>	192.937.934	193.544.984
Inventories	628.261.117	958.089.021
Prepaid expenses	46.246.671	54.210.898
Current tax assets	19.794	387.155
Other Current Assets	1.952.841	49.506.210
<b>Fixed Assets</b>	<b>1.575.713.126</b>	<b>1.612.334.138</b>
Financial Investments	38.648.316	39.504.710
Other receivables	150.845.073	158.434.667
- <i>Other receivables from related parties</i>	87.278.984	102.902.884
- <i>Other receivables from third parties</i>	63.566.089	55.531.783
Investments Valued by Equity Method	9.451.294	8.581.263
Investment Properties	14.266.000	14.266.000
Tangible Fixed Assets	1.147.177.325	1.157.908.601
Intangible Fixed Assets	163.860.568	168.679.210
- <i>Goodwill</i>	163.413.515	168.244.294
- <i>Other intangible assets</i>	447.053	434.916
Prepaid expenses	23.597.947	20.020.062
Deferred Tax Assets	27.866.603	44.939.625
<b>TOTAL ASSETS</b>	<b>3.015.284.757</b>	<b>3.627.556.502</b>

**B. BALANCE SHEET LIABILITY-TRY**

<b>LIABILITIES</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Short-term Liabilities</b>	<b>1.510.381.413</b>	<b>1.717.823.392</b>
Financial Liabilities	618.684.056	919.798.706
Short-term portion of long-term borrowings	36.815.175	36.809.807
Trade payables	408.064.911	517.380.539
- <i>Trade payables to related parties</i>	11.350.974	3.706.743
- <i>Other trade payables to third payables</i>	396.713.937	513.673.796
Payables for Employment Termination Benefits	17.763.043	16.622.317
Other Payables	256.964.683	45.040.111
Deferred Incomes	9.163.323	32.648.994
Current Tax Liabilities	72.620.052	61.851.406
Short-term provisions	90.306.170	87.671.512
- <i>Short-term provisions for employee benefits</i>	27.784.906	19.438.117
- <i>Provisions for payables</i>	62.521.264	68.233.395
<b>Long-term Liabilities</b>	<b>296.591.529</b>	<b>304.108.890</b>
Long-term borrowings	103.123.418	119.304.435
Provisions for employee benefits	157.467.792	152.525.000
Deferred tax liabilities	36.000.319	32.279.455
<b>EQUITY CAPITAL</b>	<b>1.208.311.815</b>	<b>1.605.624.220</b>
<b>Equities of Parent Company</b>	<b>986.823.815</b>	<b>1.049.507.393</b>
Paid-in Capital	334.000.000	334.000.000
Value Appreciation Funds	262.570.832	262.570.832
Foreign Currency Adjustments (-)	(119.650.271)	(74.870.622)
Translation reserve belongs to investment valued by equity method (-)	(12.973.308)	(13.780.834)
Restricted Reserves From Profit	41.378.380	39.708.380
- <i>Legal Reserves</i>	39.995.728	38.325.728
- <i>Gains from fixed asset sales</i>	1.382.652	1.382.652
Previous Years Profit / (Loss)	466.809.637	416.698.169
Net Period Profit / (Loss)	14.688.545	85.181.468
<b>Minority Shares</b>	<b>221.488.000</b>	<b>556.116.827</b>
<b>TOTAL LIABILITIES</b>	<b>3.015.284.757</b>	<b>3.627.556.502</b>

**C. INCOME STATEMENT-TRY**

<b>CONTINUING OPERATIONS</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Sales (net)	1.590.987.830	1.522.918.843
Costs of Sales (-)	(1.356.118.268)	(1.230.831.605)
<b>GROSS PROFIT</b>	<b>234.869.562</b>	<b>292.087.238</b>
Administrative Expenses (-)	(68.450.339)	(58.700.609)
Marketing, Sales and Distribution Expenses (-)	(105.028.243)	(103.225.093)
Other Operating Incomes	98.564.719	136.846.570
Other Operating Expenses (-)	(58.019.249)	(98.360.261)
<b>OPERATION PROFIT/(LOSS)</b>	<b>101.936.450</b>	<b>168.647.845</b>
Income from investing activities	-	-
Shares in Profit/Loss of Investments Valued by Equity Method	1.972.605	(10.171)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE</b>	<b>103.909.055</b>	<b>168.637.674</b>
Finance Expenses (-)	(18.129.064)	(40.363.054)
<b>PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS</b>	<b>85.779.991</b>	<b>128.274.620</b>
<b>Total Tax Income / Expense (-)</b>	<b>(38.310.364)</b>	<b>8.006.836</b>
- Period Tax Income / Expense (-)	(16.668.557)	(3.244.462)
- Deferred Tax Income / Expense(-)	(21.641.807)	11.251.298
<b>PERIOD PROFIT/ (LOSS)</b>	<b>47.469.627</b>	<b>136.281.456</b>
<b>PERIOD PROFIT/ (LOSS)</b>	<b>47.469.627</b>	<b>136.281.456</b>
<b>Distribution of Period Profit / (Loss)</b>		
Minority Shares	32.781.082	100.812.615
Parent Company's Shares	14.688.545	35.468.841
<b>Earnings / (Loss) Per Share (kr)</b>	<b>0,0004</b>	<b>0,0011</b>

## V. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 3.1.2014, within the second quarter of 2016 covering the dates of 1.4.2016 - 31.6.2016, the following works have been realized by the Company in order to be compliant with the principles issued in the related communiqué:

1. 64th Ordinary General Meeting of Gübretaş, which belongs to the 2015 accounting period, was held in our headquarters Merdivenköy Mahallesi Bora Sokak No: 1 Nida Kule İş Merkezi Göztepe, Kadıköy/İstanbul in April 13, 2016, 10:00. The General Meeting was held in the conference hall of the headquarters with the participation around %79,7 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 64th Ordinary General Meeting, Attendance list and Profit Distribution Table has been announced both in Public Disclosure Platform and company official website in April 13, 2016. The minutes of the meeting have been registered by İstanbul Trade Registry Office and have been announced in the Turkish Trade Registry Gazette no. 9066, which is dated 2<sup>nd</sup> May 2016. These minutes have also been brought to the investors and public attention at e-Company portal.
3. Regarding to the article 2.1.3 of Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communiqué, our 1st quarter financial statements including footnotes have been announced in the Public Disclosure Platform both in Turkish and English.
4. Regarding to the article 11.1 of Corporate Governance Principles, Investor Relations Department has prepared "Investor Relations 2016 - 1st Half Year Operating Report" related to activities of the first six months of 2016, and presented it to the Board.
5. After the 64th Ordinary General Meeting, the committees that perform under Board of Directors, has been formed and the Board members of the committees announced in the Public Disclosure Platform.

## VI. EVENTS AFTER BALANCE SHEET DATE

1. 33.400.000 TRY, dividend amount of 2015 activities, which was calculated according to Communique on Dividends numbered II-19.1 has been paid out to our shareholders as of July 29, 2016.

2. Deputy General Manager and Board Member Mr. Ferhat Şenel, acting as General Manager of our company, resigned from his aforementioned duties as of 27.07.2016.

With the resolution of the Board dated 27.07.2016, the Board elected Mr. Şenol Duman to the duty of membership of the Board after the resignation of Mr. Ferhat Şenel in accordance with 363th article of Turkish Commercial Code.

After the resignation of Mr. Ferhat Şenel, the Board decided to appoint Deputy General Manager Mr. Tahir Okutan to the position of General Manager by proxy.

3. Board Member and Vice Chairman Mr. Kazım Çalışkan resigned from his aforementioned duties as of 27.07.2016.

With the resolution of the Board dated 27.07.2016, the Board elected Mr. Mahmut Güngör to the duty of membership and vice chairmanship of the Board after the resignation of Mr. Kazım Çalışkan in accordance with 363th article of Turkish Commercial Code.

4. The consortium has finalised the appeal of our company against administrative fine amounting to 47.026.819,74-TRY given by Orta Akdeniz Gümrük ve Ticaret Bölge Müdürlüğü Mersin Gümrük Müdürlüğü to our company in accordance with the Customs law numbered 4458.

Orta Akdeniz Gümrük ve Ticaret Bölge Müdürlüğü has justified our appeal about administrative fine amounting to 47.026.819,74-TRY and decided to remove aforementioned fine. Mersin Gümrük Müdürlüğü notified the judgement to our company via official letter dated 10.08.2016.

## **VII. CONCLUSION**

### **DEAR SHAREHOLDERS,**

286.029 tons of various types of chemical fertilizer has been produced at our facilities in the first six months of 2016. 584.864 tons of fertilizers and raw materials, which start with nitrogenous fertilizers that cannot be produced in our facilities and is consumed heavily in our country, are procured from domestic and foreign markets. On the other hand, 983.545 tons of solid, 16.324 tons of liquid and powder fertilizers has been sold in the first six months of 2016. Net sale revenues realized as 976.988.346 TRY.

Also 860.560 tons of fertilizer and fertilizer raw materials have been produced, 581.537.251 TRY sale revenues has been realized by the sale of 533.032 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co.

Our company reached to 1.590.987.830 TRY consolidated sales revenue. Beside, by adding 1.356.118.268 TRY cost of goods sold, 173.478.582 TRY operation expenses, 40.545.470 TRY net effect of other operating expenses-income, 1.972.605 TRY shares in profit of investments valued by equity method and 18.129.064 TRY financial expenses; 85.779.991 TRY profit realized before tax. 47.469.627 TRY consolidated profit occurred after deducting 21.641.807 TRY deferred tax expense and 16.668.557 TRY current period tax. 14.688.545 TRY profit to shareholders has occurred after deducting 32.781.082 TRY shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first six months of 2016 activities.

**Best Regards,**  
**BOARD OF DIRECTORS**



(Convenience translation of the independent auditor's review report into English together with interim condensed consolidated financial statements originally issued in Turkish)

## **Gübre Fabrikaları Türk Anonim Şirketi**

**Interim condensed consolidated financial statements  
together with independent auditors' review report for the interim  
period January 1 - June 30, 2016**

## **Review Report on the Interim Financial Information**

To the Shareholders of Gübre Fabrikaları T.A.Ş.

### **Introduction**

We have reviewed the accompanying condensed consolidated financial statements of Gübre Fabrikaları T.A.Ş. (“the Company”) and its subsidiaries (all together referred to as “the Group”) as of June 30, 2016, which comprise the statement of condensed consolidated financial position and the condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month-period then ended. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with TAS 34 Interim Financial Reporting (“TAS 34”). Our responsibility is to express a conclusion on these interim financial information based on our review.

### **Scope of a 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 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 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 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.

### **Emphasis of matter**

As explained in note numbered 12, corporate tax declarations of Razi Petrochemical Co. (Razi), subsidiary of the Company, for the previous years were examined by the tax authority of Islamic Republic of Iran. As a result of investigations, the tax authority accrued an additional tax expenditure at an amount of TL15 million for 2012, TL 45 million for 2013 and TL 35 million for 2014. The amount accrued related to 2013 has been fully paid and no payments has made for 2012 and 2014 but provision corresponding to aforementioned tax expenditure was made in consolidated financial statements. Additionally, Razi Management appealed to fine at an amount of TL 13.3 million by tax authority and has not made a provision in its consolidated financial statements. Razi Management examined the tax assessment declared in 2015 taking investigation results of tax authority in 2016 into account and decided to accrue an additional tax amounting to TL 8.6 million. Therefore, the impact of aforementioned provision was included through restating consolidated financial statements dated 31 December 2015.

As explained in note numbered 12 the sanctions imposed since 2010 on Iran by United Nations may have an effect on the operations of the subsidiary of the Group. The economic stability of the Iran depends on the measures that will be taken by the government and the outcome of the legal, administrative and political processes. These processes are beyond the control of the companies established in the country. Consequently, the entities operating within Iran must consider risks that may not necessarily be observable in other markets. These consolidated financial statements contain the Group management’s estimations on the economic and financial positions of its subsidiaries and affiliates operating in Iran. The future economic situation of Iran might differ from the Group’s expectations.

As explained in Notes 12 Iskenderun State Treasury Office (“Treasury”) has filed a lawsuit against the Group in 2011 for the cancellation of its title deed and demanded enforced evacuation of Group’s 79.350 m2 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 119.457.959 TL 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 Notes 12; one of the consortium partners that bought shares of Razi, Tabosan Manufacturing Engineering and Construction, Inc. (Tabosan) in 2011, has applied to the court to postpone its bankruptcy claim, the court rejected the request and has decided to transfer the entire process to bankruptcy estate. During the purchase of Razi shares, Group funded banks as the joint guarantor on behalf of Tabosan to the Iranian Privatization Administration. Within this scope, Group has paid the debt of Tabosan amounting to 46.994.091 TL to the banks and the Iranian Privatization Administration as the guarantor and accounted this amount to other receivables. Capital receivable sourcing from surety payments and accrued interest receivable as of the date of the report of the Group is 35.260.975 TL. The Group management has not made a provision for the aforementioned receivable in current and prior periods through considering mortgages and guarantees transferred to the Group by the bank and its acquisition right of the shares owned by Tabosan from initial purchased share value in accordance with the protocol made with Tabosan during the purchasing of Razi shares.

As explained in Note 12, 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.

Our opinion does not include additional conditions related to the subjects explained under emphasis of matter.

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

Kaan Birdal, SMMM  
Partner

17 August 2016  
İstanbul, Turkey

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of financial position as of 30 June 2016**

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

		<b>Current Period</b>	Prior Year
		<b>Reviewed</b>	Audited
			(Restated – Note 2.4)
	<b>Notes</b>	<b>30 June 2016</b>	31 December 2015
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	<b>184.323.205</b>	364.409.394
Financial investments		<b>7.540.326</b>	7.720.146
Trade receivables			
- Trade receivables from related parties	16	<b>71.423.306</b>	135.955.617
- Trade receivables from third parties	6	<b>306.517.965</b>	251.170.309
Other receivables			
- Other receivables from related parties	16	<b>348.472</b>	228.630
- Other receivables from third parties	7	<b>192.937.934</b>	193.544.984
Inventories	8	<b>628.261.117</b>	958.089.021
Prepaid expenses		<b>46.246.671</b>	54.210.898
Assets related to the current period taxes		<b>19.794</b>	387.155
Other current assets		<b>1.952.841</b>	49.506.210
<b>Total current assets</b>		<b>1.439.571.631</b>	2.015.222.364
<b>Non-current assets:</b>			
Financial investments		<b>38.648.316</b>	39.504.710
Other receivables			
- Other receivables from related parties	16	<b>87.278.984</b>	102.902.884
- Other receivables from third parties	7	<b>63.566.089</b>	55.531.783
Investments valued by equity method		<b>9.451.294</b>	8.581.263
Investment properties		<b>14.266.000</b>	14.266.000
Property, plant and equipment	9	<b>1.147.177.325</b>	1.157.908.601
Intangible assets			
- Goodwill	10	<b>163.413.515</b>	168.244.294
- Other intangible assets	10	<b>447.053</b>	434.916
Prepaid expenses		<b>23.597.947</b>	20.020.062
Deferred tax assets		<b>27.866.603</b>	44.939.625
<b>Total non-current assets</b>		<b>1.575.713.126</b>	1.612.334.138
<b>Total assets</b>		<b>3.015.284.757</b>	3.627.556.502

The interim condensed consolidated financial statements for the year ended 30 June 2016 have been approved by the Board of Directors on 17 August 2016.

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of financial position as of 30 June 2016**

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

		Curent Period Reviewed	Prior Year Audited
	Notes	30 June 2016	31 December 2015 (Restated – Note 2.4)
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Short term borrowings	5	<b>618.684.056</b>	919.798.706
Current portion of long-term borrowings	5	<b>36.815.175</b>	36.809.807
Trade payables			
- Trade payables to related parties	16	<b>11.350.974</b>	3.706.743
- Trade payables to third parties	6	<b>396.713.937</b>	513.673.796
Employee benefit obligations		<b>17.763.043</b>	16.622.317
Other payables			
- Other payables to third parties	7	<b>256.964.683</b>	45.040.111
Deferred income		<b>9.163.323</b>	32.648.994
Current income tax liability		<b>72.620.052</b>	61.851.406
Short-term provisions			
- Short-term provisions for employee benefits		<b>27.784.906</b>	19.438.117
- Other short term provisions	12	<b>62.521.264</b>	68.233.395
<b>Total current liabilities</b>		<b>1.510.381.413</b>	1.717.823.392
<b>Non-current liabilities:</b>			
Long-term borrowings	5	<b>103.123.418</b>	119.304.435
Long-term provisions			
- Long-term provisions for employee benefits		<b>157.467.792</b>	152.525.000
Deferred tax liability		<b>36.000.319</b>	32.279.455
<b>Total non-current liabilities</b>		<b>296.591.529</b>	304.108.890
<b>Total liabilities</b>		<b>1.806.972.942</b>	2.021.932.282
<b>Shareholders' equity:</b>			
Share capital		<b>334.000.000</b>	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation gains/losses		<b>262.570.832</b>	262.570.832
Accumulated other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency translation reserve		<b>(119.650.271)</b>	(74.870.622)
- Translation reserve belongs to investment valued by equity method		<b>(12.973.308)</b>	(13.780.834)
Restricted reserves			
- Legal reserves		<b>39.995.728</b>	38.325.728
- Real estate sales gain to be added to capital		<b>1.382.652</b>	1.382.652
Retained earnings		<b>466.809.637</b>	416.698.169
Net income		<b>14.688.545</b>	85.181.468
<b>Equity attributable to equity holders of the parent</b>		<b>986.823.815</b>	1.049.507.393
<b>Non-controlling interests</b>		<b>221.488.000</b>	556.116.827
<b>Total shareholders' equity</b>		<b>1.208.311.815</b>	1.605.624.220
<b>Total liabilities and equity</b>		<b>3.015.284.757</b>	3.627.556.502

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of profit or loss and other comprehensive income as of 30 June 2016**

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

	Notes	Current Period		Previous Period	
		Reviewed	Not Reviewed	Reviewed	Not Reviewed
		1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Sales	13	1.590.987.830	605.176.195	1.522.918.843	610.933.352
Cost of sales (-)	13	(1.356.118.268)	(495.813.389)	(1.230.831.605)	(524.896.002)
<b>Gross profit</b>		<b>234.869.562</b>	<b>109.362.806</b>	292.087.238	86.037.350
General and administrative expense (-)		(68.450.339)	(48.912.549)	(58.700.609)	(40.940.961)
Marketing, selling and distribution expense (-)		(105.028.243)	(46.462.458)	(103.225.093)	(50.591.401)
Other operating income	14	98.564.719	46.233.217	136.846.570	33.573.900
Other operating expenses (-)	14	(58.019.249)	(12.845.203)	(98.360.261)	27.823.266
<b>Operating profit</b>		<b>101.936.450</b>	<b>47.375.813</b>	168.647.845	55.902.154
Income from investment activities		-	-	-	(657.431)
Profit / (loss) from investments accounted by equity method		1.972.605	3.006.643	(10.171)	4.290.520
<b>Financial income/(expense) before operating profit</b>		<b>103.909.055</b>	<b>50.382.456</b>	168.637.674	59.535.243
Financial income / (expense)		(18.129.064)	4.151.216	(40.363.054)	(48.446.178)
<b>Profit before tax from continuing operations</b>		<b>85.779.991</b>	<b>54.533.672</b>	128.274.620	11.089.065
Current period tax income/expense		(16.668.557)	(15.444.974)	(3.244.462)	4.094.634
Deferred tax income/(expense)		(21.641.807)	(25.297.679)	11.251.298	6.060.806
<b>Total tax (expense)/income</b>		<b>(38.310.364)</b>	<b>(40.742.653)</b>	8.006.836	10.155.440
<b>Net profit for the period</b>		<b>47.469.627</b>	<b>13.791.019</b>	136.281.456	21.244.505
<b>Distribution of income for the period</b>					
Non-controlling interests		32.781.082	29.371.310	100.812.615	18.595.064
Equity holders of the parent		14.688.545	(15.580.291)	35.468.841	2.649.442
<b>Other comprehensive income</b>					
<b>Items to be reclassified to profit or loss</b>					
Changes in currency translation differences		(51.215.236)	(32.003.423)	60.876.424	(20.032.667)
Changes in currency translation difference from investments accounted by equity method		807.526	(433.616)	(4.196.445)	(4.196.445)
<b>Other comprehensive income / (expense)</b>		<b>(50.407.710)</b>	<b>(32.437.039)</b>	56.679.979	(24.229.112)
<b>Total comprehensive income</b>		<b>(2.938.083)</b>	<b>(18.646.020)</b>	192.961.435	(2.984.607)
<b>Distribution of total comprehensive income</b>					
-Non-controlling interests		26.345.495	32.756.404	131.931.378	8.353.099
-Equity holders of the parent		(29.283.578)	(51.402.424)	61.030.057	(11.337.708)
<b>Earnings per share</b>	15	<b>0,0004</b>	<b>(0,0005)</b>	0,0011	0,0001

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of changes in equity as of 30 June 2016**

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

	Items not to be reclassified to profit or loss			Items to be reclassified to profit or loss	Retained Earnings			Equity attributable to equity holders of the parent	Non-controlling interests	Total equity	
	Share Capital	Revaluation reserves	Other comprehensive income not to be reclassified to profit/loss of equity method investments	Foreign currency translation reserve	Restricted reserves	Gain on PPE added to equity	Retained earnings				Net profit for the period
<b>1 January 2015</b>	<b>334.000.000</b>	<b>218.073.621</b>	<b>-</b>	<b>(133.068.622)</b>	<b>27.094.749</b>	<b>1.382.652</b>	<b>267.419.383</b>	<b>210.609.765</b>	<b>925.511.548</b>	<b>352.900.809</b>	<b>1.278.412.357</b>
Transfers	-	-	-	-	11.230.979	-	199.378.786	(210.609.765)	-	-	-
Dividend paid	-	-	-	-	-	-	(50.100.000)	-	(50.100.000)	(23.109.513)	(73.209.513)
Total comprehensive income	-	-	(4.196.445)	29.757.661	-	-	-	35.468.841	61.030.057	131.931.378	192.961.435
<b>30 June 2015</b>	<b>334.000.000</b>	<b>218.073.621</b>	<b>(4.196.445)</b>	<b>(103.310.961)</b>	<b>38.325.728</b>	<b>1.382.652</b>	<b>416.698.169</b>	<b>35.468.841</b>	<b>936.441.605</b>	<b>461.722.674</b>	<b>1.398.164.279</b>
	<b>334.000.000</b>	<b>262.570.832</b>	<b>(13.780.834)</b>	<b>(74.870.622)</b>	<b>38.325.728</b>	<b>1.382.652</b>	<b>416.698.169</b>	<b>89.382.336</b>	<b>1.053.708.261</b>	<b>560.509.841</b>	<b>1.614.218.102</b>
<b>1 January 2016</b>											
Financial statement of Razi restatement affect (Note 2.4)	-	-	-	-	-	-	-	(4.200.868)	(4.200.868)	(4.393.014)	(8.593.882)
<b>1 January 2016 (restated)</b>	<b>334.000.000</b>	<b>262.570.832</b>	<b>(13.780.834)</b>	<b>(74.870.622)</b>	<b>38.325.728</b>	<b>1.382.652</b>	<b>416.698.169</b>	<b>85.181.468</b>	<b>1.049.507.393</b>	<b>556.116.827</b>	<b>1.605.624.220</b>
Transfers	-	-	-	-	1.670.000	-	83.511.468	(85.181.468)	-	-	-
Dividend paid	-	-	-	-	-	-	(33.400.000)	-	(33.400.000)	(360.974.322)	(394.374.322)
Total comprehensive income	-	-	807.526	(44.779.649)	-	-	-	14.688.545	(29.283.578)	26.345.495	(2.938.083)
<b>30 June 2016</b>	<b>334.000.000</b>	<b>262.570.832</b>	<b>(12.973.308)</b>	<b>(119.650.271)</b>	<b>39.995.728</b>	<b>1.382.652</b>	<b>466.809.637</b>	<b>14.688.545</b>	<b>986.823.815</b>	<b>221.488.000</b>	<b>1.208.311.815</b>

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



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

## Gübre Fabrikaları Türk Anonim Şirketi

### Interim consolidated statement of cash flows as of 30 June 2016

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

		Current Period Reviewed	Previous Period Reviewed
	Notes	1 January – 30 June 2016	1 January – 30 June 2015
<b>Cash Flows From Operating Activities:</b>			
<b>Profit for the period</b>		<b>47.469.627</b>	136.281.456
<i>Adjustments to reconcile net profit/(loss) for the period</i>			
Depreciation and amortization expense	9, 10	<b>33.824.743</b>	29.485.946
Income / expenses from subsidiaries valued by equity method		<b>(1.972.605)</b>	(831.135)
Retirement pay provision, early retirement pay liability interest (income)/expense		<b>38.201.691</b>	41.621.499
Interest Income	14	<b>(4.567.154)</b>	(8.774.788)
Interest expense		<b>28.914.738</b>	18.398.950
Exchange rate difference income/expense		<b>1.149.964</b>	(10.705.480)
Impairment on inventories	8	<b>635.231</b>	3.416.076
Deferred financial income/expense		<b>2.466.099</b>	2.945.812
Provision for lawsuit /cancellation	12	<b>278.367</b>	736.275
Provisions for doubtful receivables	6	<b>-</b>	456.606
Current tax income/expense		<b>38.310.364</b>	(8.006.836)
<b>Net cash provided by the operating activities before changes in the assets and liabilities</b>		<b>184.711.065</b>	205.024.381
Changes in working capital (net):			
Increase / decrease in trade receivables		<b>7.728.770</b>	23.077.150
Increase / decrease in other receivables		<b>8.076.802</b>	(33.836.378)
Increase / decrease in inventories		<b>291.510.858</b>	113.182.363
Increase / decrease in trade payables		<b>(110.325.842)</b>	(246.354.443)
Employee benefit obligations		<b>1.140.726</b>	6.749.462
Deferred income		<b>(23.485.671)</b>	(42.354.632)
Increase / decrease in prepaid expenses		<b>4.386.342</b>	58.442.788
Increase /decrease in other payables		<b>44.311.332</b>	(77.290.471)
Other increase / decrease in working capital		<b>44.377.006</b>	(1.308.789)
<b>Cash provided by the operations after the changes in working capital</b>		<b>452.431.388</b>	5.331.431
Interest received		<b>4.567.154</b>	8.774.788
Interest paid		<b>(28.914.738)</b>	(18.398.950)
Taxes paid		<b>(4.248.325)</b>	(6.754.066)
Severance paid		<b>(27.771.117)</b>	(18.676.219)
<b>Cash flow regarding investment activities</b>		<b>396.064.362</b>	(29.723.016)
<b>Cash flows from investing activities:</b>			
Cash outflows from the purchase of property, plant and equipment and intangible assets	9, 10	<b>(36.510.742)</b>	(48.003.645)
Cash inflows from the sales of property, plant and equipment and intangible assets	9	<b>358.717</b>	449.646
Other cash inflows / outflows		<b>1.036.214</b>	7.690.360
<b>Net cash amount used in investment activities</b>		<b>(35.115.811)</b>	(39.863.639)
<b>Cash flows (used in)/from financing activities</b>			
Cash inflows from financial borrowings		<b>1.620.064.618</b>	3.365.855.58
Principle repayment of financial borrowings		<b>(1.938.504.881)</b>	(3.242.141.737)
Dividends paid		<b>(224.850.982)</b>	(17.626.874)
<b>Net cash (used)/provided by financial activities</b>		<b>(543.291.245)</b>	106.086.977
<b>Change in cash and cash equivalents</b>		<b>(182.342.694)</b>	36.500.322
<b>Cash and cash equivalents as of January 1</b>	4	<b>364.409.394</b>	378.469.391
Foreign currency translation		<b>(2.504.914)</b>	23.156.512
<b>Cash and cash equivalents as of June 30</b>	4	<b>179.561.786</b>	438.126.224

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS**

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

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

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

The number of employees of the Company and its subsidiaries for the year ended 30 June 2016 is 1.616 (31 December 2015 – 1.613)

24,05% of the shares of the Company are traded in the Istanbul Stock Exchange and is registered to the Capital Market Board (CMB).

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

<b>Name</b>	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>Share %</b>	<b>Share amount</b>	<b>Share %</b>	<b>Share amount</b>
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	<b>75,95%</b>	<b>253.684.607</b>	75,95%	253.684.607
Other	<b>24,05%</b>	<b>80.315.393</b>	24,05%	80.315.393
<b>Total</b>	<b>100,00%</b>	<b>334.000.000</b>	100,00%	334.000.000

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

**Subsidiaries**

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

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

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

The Company and its Subsidiaries together will be referred to as "the Group"

**Associates**

On June 30, 2008, the Company has invested in Negmar Denizcilik Yatırım A.Ş., operating in sea transportation. As of the balance sheet date, the participation percentage is 40% (31 December 2015: 40%).

On April 13, 2009, the Company has invested in Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. (Tarkim), operating in the production and sales of agricultural pesticide in Turkey. As of the balance sheet date, the participation percentage is 40% (31 December 2015: 40%).

**Financial assets available for sale**

Other than its associates and subsidiaries, the Group has invested in İmece Prefabrik Yapı Tarım Makineleri Temizlik ve Güvenlik Hizmetleri Tic. A.Ş. and Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. in Turkey with shares of 15% of 17% respectively that are the associates of its controlling shareholder.

**The approval of the financial statements:**

The interim condensed consolidated financial statements have been approved by the Board of Directors and instructed to be issued on 17 August 2016. The General Assembly has the power to amend the financial statements.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**2.1. Basis of Presentation**

**Applied Financial Reporting Standards**

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

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

The companies are free to prepare their interim financial statements either as full set or in condensed form as per the Turkish accounting standard no: 34 - "interim financial reporting". In this regard, the Group has selected to prepare interim consolidated financial statements. Therefore, these interim condensed and consolidated financial statements should be evaluated together with the consolidated financial statements of the Group as of December 31, 2015.

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

**Going concern**

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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

**Functional currency**

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

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

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

The conversion rates used are as follows:

Currency	30 June 2016		30 June 2015		31 December 2015	
	Period End	Period Average	Period End	Period Average	Period End	Period Average
IRR / TL	0,00009425	0,00009630	0,0000916	0,0000909	0,0000965	0,00009371

**2.2. Summary of Significant Accounting Policies**

**The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2016 are consistent with those of the previous financial year, Therefore these financial statements should be taken into consideration together with consolidated financial statements as of 31 December 2015.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:**

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

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that 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. The amendments did not have an impact on the financial position or performance of the Group.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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

**2.2. Summary of Significant Accounting Policies**

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

The amendments to IAS 16 and IAS 38, have prohibited 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 did not have an impact on the financial position or performance of the Group.

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

IAS 16 is amended to provide guidance 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. The amendments did not have an impact on the financial position or performance of the Group.

**IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)**

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9,
- Or
- Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

**IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments did not have an impact on the financial position or performance of the Group.

**IAS 1: Disclosure Initiative (Amendments to IAS 1)**

**Amendments issued to IAS 1.** Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

**2.2. Summary of Significant Accounting Policies**

**Annual Improvements to IFRSs - 2012-2014 Cycle**

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have significant impact on the financial position or performance of the Group.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

**IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment will not have an impact on the financial position or performance of the Group.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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

**2.2. Summary of Significant Accounting Policies**

**IFRS 15 Revenue from Contracts with Customers**

The IASB 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 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the the Group.

**Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)**

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

**IFRS 9 Financial Instruments - Final standard (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 is in the process of assessing the impact of the standard on financial position or performance of the Group.

**IFRS 16 Leases**

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.



**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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

**2.2. Summary of Significant Accounting Policies**

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

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

**IAS 7 Statement of Cash Flows (Amendments)**

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

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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

**2.3 Basis of consolidation**

- a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended 30 June 2016 and include financial statements of Gübretaş and its Subsidiaries.
- b) As of 30 June 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2015.

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

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

**2.4 Restatement of consolidated financial statements**

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

**NOTE 3 - SEGMENT REPORTING**

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

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

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

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

The distribution of segment assets and liabilities pertaining to the periods ending on 30 June 2016 and 31 December 2015 is as follows:

	Turkey	Iran	Consolidation	Total
Assests	30 June 2016	30 June 2016	Adjustments	30 June 2016
Current assets	636.769.512	802.802.119	-	1.439.571.631
Non-current assets	1.086.128.016	757.404.991	(267.819.881)	1.575.713.126
<b>Total assests</b>	<b>1.722.897.528</b>	<b>1.560.207.110</b>	<b>(267.819.881)</b>	<b>3.015.284.757</b>
<b>Liabilities</b>				
Short term liabilities	775.510.345	835.495.260	(100.624.192)	1.510.381.413
Long term liabilities	112.511.914	184.079.615	-	296.591.529
Equities	834.875.269	540.632.235	(167.195.689)	1.208.311.815
<b>Total liabilities</b>	<b>1.722.897.528</b>	<b>1.560.207.110</b>	<b>(267.819.881)</b>	<b>3.015.284.757</b>

	Turkey	Iran	Consolidation	Total
Assests	31 December	31 December	Adjustments	31 December
	2015	2015	2015	2015
Current assets	1.012.177.945	1.143.571.734	(140.527.315)	2.015.222.364
Non-current assets	1.083.652.046	788.935.617	(260.253.525)	1.612.334.138
<b>Total assests</b>	<b>2.095.829.991</b>	<b>1.932.507.351</b>	<b>(400.780.840)</b>	<b>3.627.556.502</b>
<b>Liabilities</b>				
Short term liabilities	1.290.213.915	556.581.067	(128.971.590)	1.717.823.392
Long term liabilities	127.425.543	176.683.347	-	304.108.890
Equities	678.190.533	1.199.242.937	(271.809.250)	1.605.624.220
<b>Total liabilities</b>	<b>2.095.829.991</b>	<b>1.932.507.351</b>	<b>(400.780.840)</b>	<b>3.627.556.502</b>

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

**NOTE 3 - SEGMENT REPORTING (continued)**

The distribution of income statements by segments for the periods ending on 30 June 2016 and 30 June 2015 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
Operating income	1 January 2016- 30 June 2016	1 January 2016- 30 June 2016	1 January 2016- 30 June 2016	1 January 2016- 30 June 2016
Sales (Net)	976.988.346	581.537.251	32.462.233	1.590.987.830
Cost of sales (-)	(870.722.831)	(464.488.928)	(20.906.509)	(1.356.118.268)
Gross profit	106.265.515	117.048.323	11.555.724	234.869.562
Marketing, selling and distribution expense (-)	(48.506.881)	(56.521.362)	-	(105.028.243)
General and administrative expense (-)	(16.985.395)	(51.464.944)	-	(68.450.339)
Other operating income / expense (-)(net)	6.435.578	34.109.892	-	40.545.470
Operating profit	47.208.817	43.171.909	11.555.724	101.936.450
Income / (expense) from investments	233.658.677	-	(233.658.677)	-
Profit / (loss) from investments accounted by equity method	1.972.605	-	-	1.972.605
Operation profit before financial income / (expense)	282.840.098	43.171.909	(222.102.952)	103.909.055
Financial income / (expense)	(66.072.564)	20.220.761	27.722.739	(18.129.064)
Profit before tax	216.767.534	63.392.670	(194.380.213)	85.779.991
Tax expense	(13.434.544)	(3.234.013)	-	(16.668.557)
Deferred tax income / (expense)	(14.055.779)	(4.697.097)	(2.888.931)	(21.641.807)
Profit / (loss) for the period	189.277.211	55.461.560	(197.269.144)	47.469.627

	Turkey	Iran	Consolidation Adjustments	Total
Operating income	1 January 2015- 30 June 2015	1 January 2015- 30 June 2015	1 January 2015- 30 June 2015	1 January 2015- 30 June 2015
Sales	849.537.491	740.444.957	(67.063.605)	1.522.918.843
Cost of sales (-)	(767.715.363)	(523.779.434)	60.663.192	(1.230.831.605)
Gross profit	81.822.128	216.665.523	(6.400.413)	292.087.238
Marketing, selling and distribution expense (-)	(49.079.794)	(54.145.299)	-	(103.225.093)
General and administrative expense (-)	(10.772.266)	(47.928.343)	-	(58.700.609)
Other operating income / expense (-)	(52.134.562)	90.620.869	2	38.486.309
Operating profit	(30.164.494)	205.212.750	(6.400.411)	168.647.845
Income / (expense) from investments	18.728.472	-	(18.728.472)	-
Profit / (loss) from investments accounted by equity method	(10.171)	-	-	(10.171)
Financial income / (expense) before operating profit	(11.446.193)	205.212.750	(25.128.883)	168.637.674
Financial income / (expense)	(40.924.246)	561.192	-	(40.363.054)
Profit before tax	(52.370.439)	205.773.942	(25.128.883)	128.274.620
Tax expense	-	(3.244.462)	-	(3.244.462)
Deferred tax income / (expense)	10.164.576	(193.360)	1.280.082	11.251.298
Profit / (loss) for the period	(42.205.863)	202.336.120	(23.848.801)	136.281.456

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 3 - SEGMENT REPORTING (continued)**

**Investment expenditures:**

Investment expenditures pertaining to segment assets for the periods ending on 30 June 2016 and 30 June 2015 are as follows:

	<b>1 January – 30 June 2016</b>	1 January – 30 June 2015
Gubre Fabrikaları T.A.Ş	<b>23.579.632</b>	15.074.181
Razi Petrochemical Co.	<b>12.931.110</b>	32.929.464
<b>Total</b>	<b>36.510.742</b>	48.003.645

**Depreciation and amortization:**

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on 30 June 2016 and 30 June 2015 are as follows:

	<b>1 January - 30 June 2016</b>	1 January – 30 June 2015
Gubre Fabrikaları T.A.Ş	<b>7.365.864</b>	4.348.465
Razi Petrochemical Co.	<b>26.458.879</b>	25.137.481
<b>Total</b>	<b>33.824.743</b>	29.485.946

**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>30 June 2015</b>	31 December 2015
Cash on hands	<b>1.486.205</b>	274.762
Bank	<b>180.574.726</b>	362.244.428
- demand deposits	<b>16.298.326</b>	161.740.581
- time deposits	<b>164.276.400</b>	200.503.847
Other cash equivalents(**)	<b>2.262.274</b>	1.890.204
<b>Total</b>	<b>184.323.205</b>	364.409.394
Pledge cash and cash equivalents (*)	<b>(4.761.419)</b>	-
<b>Cash and cash equivalents at the statement of cash flow</b>	<b>179.561.786</b>	364.409.394

(\*) As of 30 June 2016, pledge cash and cash equivalents include 4.761.419 TL, which is related with the letters of credit opened by Raintrade.

(\*\*) As of 30 June 2016 and 31 December 2015, other cash equivalents consist of Gübretaş's receivables from the sales by credit card.

**Gübre Fabrikaları Türk Anonim Şirketi**

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**NOTE 4 - CASH AND CASH EQUIVALENTS (continued)**

**Time Deposits**

As of June 30, 2016 and December 31, 2015 the maturity of time deposits are less than 3 months and values with effective interest method are as below:

**Time Deposits (TL):**

Interest Rate (%)	Maturity	31 December 2015
10	January 2016	1.600.373
		1.600.373

**Time Deposits (Foreign Currency):**

30 June 2016				
Interest Rate (%)	Maturity	Currency	Foreign currency amount	Amount in TL
Libor+0,5	July 2016	EUR	132.883	425.812
10-22	July 2016	Mil. IRR	682.187	64.298.911
1,67-1,98	August 2016	USD	34.404.091	99.551.677
<b>Total</b>				<b>164.276.400</b>

31 December 2015				
Interest Rate (%)	Maturity	Currency	Foreign currency amount	Amount in TL
Libor + 0,5	January 2016	EUR	152.515	484.632
20 - 22	January 2016	Mil. IRR	93.767	9.048.687
1,90 - 2,10	January 2016	USD	65.129.370	189.370.155
<b>Total</b>				<b>198.903.474</b>

**Gübre Fabrikaları Türk Anonim Şirketi**

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**NOTE 5 – FINANCIAL BORROWINGS**

As of June 30, 2016 and December 31, 2015, details of short and long term borrowings are as follows:

	<b>30 June 2016</b>	31 December 2015
Short term borrowings	<b>618.684.056</b>	919.798.706
Short term portion of long term borrowings	<b>36.815.175</b>	36.809.807
<b>Total</b>	<b>655.499.231</b>	956.608.513

<b>Short and long term borrowings</b>	<b>30 June 2016</b>	31 December 2015
Payable within 1 year	<b>655.499.231</b>	956.608.513
Payable within 1 – 5 years	<b>103.123.418</b>	119.304.435
<b>Total</b>	<b>758.622.649</b>	1.075.912.948

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

As of June 30, 2016 details of short term borrowings and short term portion of long term borrowings are as follows:

**Bank Loans:**

<b>Currency</b>	<b>Maturity</b>	<b>Average effective annual Interest Rate (%)</b>	<b>Original Amount</b>	<b>Amount in TL</b>
EUR	July 2016	3,40	11.488.945	36.815.175
TL	July 2016	11,50-12,00	436.830.156	436.830.156
<b>Toplam</b>				<b>473.645.331</b>

**Other Finansal Borrowings (\*):**

<b>Currency</b>	<b>Maturity</b>	<b>Average effective annual Interest Rate (%)</b>	<b>Original Amount</b>	<b>Amount in TL</b>
EUR	Temmuz 2016	Libor+0,5	56.751.311	181.853.900
<b>Toplam</b>				<b>181.853.900</b>

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 5 – FINANCIAL BORROWINGS (continued)**

As December 31, 2015 details of short term borrowings and short term portion of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January - July 2016	3,40	11.584.154	36.809.807
USD	January - February 2016	2,30 - 3,10	60.349.446	175.472.050
TL	January - December 2016	12,75 - 13,00	570.382.162	570.382.162
<b>Total</b>				<b>782.664.019</b>

Other Financial Borrowings (\*):

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2016	Libor+0,5	54.740.840	173.944.494
<b>Total</b>				<b>173.944.494</b>

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

**b) Long term borrowings**

	<b>30 June 2016</b>	31 December 2015
Long term bank loans (Gübretaş)	<b>103.123.418</b>	119.304.435
<b>Total</b>	<b>103.123.418</b>	119.304.435

As June 30, 2016 details of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2020	3,40	32.181.818	103.123.418
<b>Toplam</b>				<b>103.123.418</b>



**Gübre Fabrikaları Türk Anonim Şirketi**

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**NOTE 5 – FINANCIAL BORROWINGS (continued)**

As December 31, 2015 details of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2020	3,40	37.545.454	119.304.435
<b>Total</b>				<b>119.304.435</b>

**NOTE 6 - TRADE RECEIVABLES AND PAYABLES**

**Short term trade receivables:**

	<b>30 June 2016</b>	31 December 2015
Trade receivables	<b>294.970.639</b>	226.906.125
Notes receivables	<b>2.625.102</b>	125.380
Receivables from National Petrochemical Company ("NPC") (Razi)	<b>13.288.033</b>	28.504.613
<b>Trade receivables from third parties (gross)</b>	<b>310.883.774</b>	255.536.118
Allowance for doubtful receivables (-)	<b>(4.365.809)</b>	(4.365.809)
<b>Trade receivables from third parties (net)</b>	<b>306.517.965</b>	251.170.309

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

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

<b>Overdue following the maturity</b>	<b>30 June 2016</b>	30 June 2015
More than 9 months	<b>4.365.809</b>	3.887.346
<b>Total</b>	<b>4.365.809</b>	3.887.346

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 6 - TRADE RECEIVABLES AND PAYABLES (continued)**

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

	<b>30 June 2016</b>	30 June 2015
<b>Balance at January 1</b>	<b>4.365.809</b>	3.430.740
Charge for the period	-	456.606
Payments during the period	-	-
<b>Balance at June 30</b>	<b>4.365.809</b>	3.887.346

As of June 30, 2016 and December 31, 2015 guarantees related to not overdue receivables are as follows:

	<b>30 June 2016</b>	31 December 2015
Guarantee Letters	<b>262.329.724</b>	243.038.812
Collateral cheques and notes	<b>61.106.521</b>	60.831.521
<b>Total</b>	<b>323.436.245</b>	303.870.333

**Overdue receivables**

	<b>Shorter than 1 month</b>	<b>Between 1 - 3 months</b>	<b>Between 3 - 12 months</b>	<b>Between 1 - 5 years</b>	<b>Total</b>	<b>Total of Contractual Cash Outflows</b>
<b>30 June 2016</b>	<b>3.903.365</b>	<b>7.820.356</b>	<b>9.890.709</b>	<b>9.416.588</b>	<b>31.031.018</b>	<b>31.031.018</b>
31 December 2015	6.608.107	7.720.340	9.396.622	4.156.220	27.881.289	27.881.289

**Short term trade payables:**

	<b>30 June 2016</b>	31 December 2015
Trade payables (Gübretaş)	<b>197.564.854</b>	338.897.353
Trade payables (Razi)	<b>120.284.596</b>	93.492.706
Payables to NPC (Razi)	<b>75.111.164</b>	78.779.458
Other trade payables	<b>3.753.323</b>	2.504.279
<b>Total</b>	<b>396.713.937</b>	513.673.796

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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**NOTE 7 – OTHER RECEIVABLES AND PAYABLES**

**Other short term receivables:**

	<b>30 June 2016</b>	<b>31 December 2015</b>
VAT receivables (Razi)	<b>76.239.064</b>	67.916.248
Receivables from Non-controlling interests (Razi) (**)	-	53.210.914
Other various receivables (Tabosan) (*)	<b>35.260.975</b>	34.870.723
Due from personnel	<b>6.070.007</b>	20.930.410
Other various receivables	<b>75.367.888</b>	16.616.689
<b>Other short term receivables</b>	<b>192.937.934</b>	193.544.984

(\*) The total amount of capital receivables sourcing from payments made as co-guarantor and accrued interest receivable as of the report date of the Group is 35.260.975 TL. The Group management have requested from the Bankruptcy Administration as of report date to realize share transfer of Razi shares owned by Tabosan at a rate of 1,31% corresponding to payments at an amount of 5.439.402 Euro made as co-guarantor. Since the aforementioned request was not accepted by the Bankruptcy Administration, the Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. The share transfer file brought to the court by the Group has been rejected and appealed by the Group but the decision of the court is approved by the Supreme Court. Therefore the Group has made a request of revision of the decision. The Group shall apply to record the receivable subject to the aforementioned case in the Bankruptcy estate if the case with a share transfer request which was brought to court by the Group to the Bankruptcy Administration is resulted in a negative manner.

Additionally, since the request of the Group regarding the recording of its other receivables sourcing from payments made as a co-guarantor to the bankruptcy estate was dismissed, the Group brought a lawsuit against Bankruptcy Administration regarding the recording of its receivables to the court. Bankruptcy Administration accepted the aforementioned lawsuit and the Court decided to accept the lawsuit regarding recording of receivables following this acceptance declaration in 15 July 2015. Since the accumulated dividend receivables striking to 10,88% shares of Tabosan at Razide reverted to bankruptcy estate, the Bankruptcy Administration has made a payment to the Group at an amount of 25.278.225 TL for its capital receivable. The aforementioned registration acceptance file has been finalized. Administration of Bankruptcy paid the remaining principal receivable of the Group, for which registration admission decision is made, amounting to TL 5.548.880 to the Group on August 4, 2016. Administration of Bankruptcy shall be able to pay interest receivable accrued to the receivable of the Group, for which registration admission decision is made, provided that dividend receivable of Tabosan in Razi arises and lapsing of the receivable in question to bankruptcy estate and to the extent that the amount of the aforementioned receivable.

(\*\*) The amount is Razi's receivables from non-controlling interests.

(\*\*\*) As of 30 June 2016, 57.202.354 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Continued)**

**Other long term receivables:**

	<b>30 June 2016</b>	31 December 2015
Deposits & guarantees given	<b>49.822.335</b>	41.561.985
Due from personnel (*)	<b>13.741.395</b>	13.969.798
Other long term receivables	<b>2.359</b>	-
<b>Other long term receivables</b>	<b>63.566.089</b>	55.531.783

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

**Other short term payables:**

	<b>30 June 2016</b>	31 December 2015
Dividend payables to non-controlling interests	<b>169.523.340</b>	5.774.573
Payables from investments accounted by equity method	<b>23.703.863</b>	25.613.963
Other payables	<b>63.737.480</b>	13.651.575
<b>Other short term payables</b>	<b>256.964.683</b>	45.040.111

**NOTE 8 – INVENTORIES**

	<b>30 June 2016</b>	31 December 2015
Raw materials and supplies	<b>223.935.114</b>	258.573.487
Work in progress	<b>77.643.444</b>	-
Finished goods	<b>128.915.252</b>	213.142.287
Trade goods	<b>158.430.387</b>	445.366.727
Other inventories	<b>39.336.920</b>	41.006.520
<b>Total</b>	<b>628.261.117</b>	958.089.021

The Group carried out net realisable value analysis for inventories and the result of this analysis stock impairment of inventories has been made provisioned amounting to 424.522 TL. (2015: None). In addition, the Group made provision for inactive inventories amounting to 210.709 TL. (2015: None).

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**  
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**NOTE 9 –PROPERTY, PLANT AND EQUIPMENT**

The depreciation cost and amortization of the company is 33.824.743 TL as of 30 June 2016 details are given below;

			<b>30 June 2016</b>
	<b>Gübretaş</b>	<b>Razi</b>	<b>Total</b>
<b>Amortization Cost</b>	<b>7.282.909</b>	<b>26.458.879</b>	<b>33.741.788</b>
<b>Depreciation Cost</b>	<b>82.955</b>	<b>-</b>	<b>82.955</b>
<b>Total</b>	<b>7.365.864</b>	<b>26.458.879</b>	<b>33.824.743</b>

Total depreciation expense amounting to TL 33.824.743 in the consolidated statement of comprehensive income for the period ended 30 June 2016 has been allocated to cost of goods sold amounting to TL 32.640.981, to marketing, sales and distribution expenses amounting to TL 332.871, to general administration expenses amounting to TL 850.891.

	<b>Gübretaş</b>	<b>Razi</b>	<b>Total</b>
Amortization Cost	3.526.512	25.137.481	28.663.993
Depreciatipon Cost	821.953	-	821.953
<b>Total</b>	<b>4.348.465</b>	<b>25.137.481</b>	<b>29.485.946</b>

Total depreciation expense amounting to TL 29.485.946 in the consolidated statement of comprehensive income for the period ended 30 June 2015 has been allocated to cost of goods sold amounting to TL 28.071.913, to marketing, sales and distribution expenses amounting to TL 800.620, to general administration expenses amounting to TL 613.413.

**Pledges and Mortgages on Assets**

There are no pledges or mortgages on the property, plant and equipment of the company as of the dates 30 June 2016 and 31 December 2015.

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**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

**NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost</b>									
Opening balance at 1 January 2016	442.159.860	59.045.134	268.218.825	930.988.887	9.418.267	21.331.584	956.608	206.418.175	1.938.537.340
Foreign currency translation differences	(3.109.819)	-	(2.260.280)	(19.975.048)	(136.352)	(323.567)	-	(1.343.002)	(27.148.068)
Additions	465.300	632.879	2.166.185	213.485	644.791	1.501.320	11.050	30.780.640	36.415.650
Disposals	-	(16.102)	(75.607)	(260.919)	(1.016.394)	(76.126)	-	-	(1.445.148)
Transfer from construction in progress	-	-	32.744.815	133.470.791	209.904	317.825	-	(166.743.335)	-
<b>Closing Balance at 30 June 2016</b>	<b>439.515.341</b>	<b>59.661.911</b>	<b>300.793.938</b>	<b>1.044.437.196</b>	<b>9.120.216</b>	<b>22.751.036</b>	<b>967.658</b>	<b>69.112.478</b>	<b>1.946.359.774</b>
<b>Accumulated depreciation</b>									
Opening balance at 1 January 2016	-	(48.807.274)	(103.344.501)	(612.726.157)	(5.990.380)	(9.680.084)	(80.343)	-	(780.628.739)
Foreign currency translation differences	-	-	963.380	12.872.113	99.610	166.544	-	-	14.101.647
Expenses of the period	-	(485.615)	(5.132.039)	(26.271.368)	(522.038)	(1.244.161)	(86.567)	-	(33.741.788)
Disposals	-	15.566	-	243.385	751.288	76.192	-	-	1.086.431
<b>Closing Balance at 30 June 2016</b>	<b>-</b>	<b>(49.277.323)</b>	<b>(107.513.160)</b>	<b>(625.882.027)</b>	<b>(5.661.520)</b>	<b>(10.681.509)</b>	<b>(166.910)</b>	<b>-</b>	<b>(799.182.449)</b>
<b>Net Book Value at 30 June 2016</b>	<b>439.515.341</b>	<b>10.384.588</b>	<b>193.280.778</b>	<b>418.555.169</b>	<b>3.458.696</b>	<b>12.069.527</b>	<b>800.748</b>	<b>69.112.478</b>	<b>1.147.177.325</b>

As of 30 June 2016, there is capitalized interest and foreign currency exchange difference amounting to 6.818.857 within construction in progress (31 December 2015 – TL 31.391.356).

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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**NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Devices	Vehicles	Furniture and Fixtures	Special Costs	Construction in progress	Total
<b>Cost Value</b>									
Opening Balance ar 1 January 2015	279.717.778	21.927.229	413.105.436	725.324.950	7.586.194	15.528.993	167.654	238.413.824	1.701.772.059
Foreign currency translation differences	11.621.351	-	8.474.985	54.514.972	408.497	1.045.922	-	4.522.709	80.588.435
Additions	2.912.394	22.397.067	1.973.578	986.534	256.083	734.457	65.019	18.678.513	48.003.645
Disposals	-	-	-	-	(86.300)	(363.346)	-	-	(449.646)
Transfer from construction in progress	-	-	-	-	(57.448)	57.448	-	-	-
<b>Closing Balance at 30 June 2015</b>	<b>294.251.523</b>	<b>44.324.297</b>	<b>423.553.998</b>	<b>780.826.455</b>	<b>8.107.027</b>	<b>17.003.473</b>	<b>232.674</b>	<b>261.615.046</b>	<b>1.829.914.493</b>
<b>Accumulated depreciation</b>									
Opening Balance at 1 January 2015	-	(11.971.331)	(302.130.621)	(468.715.504)	(4.639.364)	(6.860.781)	(33.469)	-	(794.351.070)
Foreign currency translation differences	-	-	(3.164.044)	(44.853.427)	(312.911)	(520.465)	-	-	(48.850.847)
Expenses of the Period	-	(444.911)	(4.982.695)	(21.826.647)	(456.694)	(933.168)	(19.879)	-	(28.663.993)
Disposals	-	-	-	-	137.617	342.445	-	-	480.062
<b>Closing Balance at 30 June 2015</b>	<b>-</b>	<b>(12.416.242)</b>	<b>(310.277.360)</b>	<b>(535.395.578)</b>	<b>(5.271.351)</b>	<b>(7.971.968)</b>	<b>(53.348)</b>	<b>-</b>	<b>(871.385.847)</b>
<b>Net Book Value at 30 June 2015</b>	<b>294.251.523</b>	<b>31.908.054</b>	<b>113.276.638</b>	<b>245.430.877</b>	<b>2.835.676</b>	<b>9.031.505</b>	<b>179.326</b>	<b>261.615.046</b>	<b>958.528.646</b>

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## Gübre Fabrikaları Türk Anonim Şirketi

### Notes to the interim condensed consolidated financial statements as of 30 June 2016

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#### NOTE 10 – INTANGIBLE ASSETS

##### Rights:

	30 June 2016	30 June 2015
Opening Balance on 1 January	1.020.640	660.747
Additions	95.092	-
<b>Closing Balance on 30 June</b>	<b>1.115.732</b>	<b>660.747</b>
<b>Accumulated Amortization</b>		
Opening Balance on 1 January	(585.724)	409.102
Amortization Expenses for Current Period	(82.955)	(821.953)
<b>Closing Balance on 30 June</b>	<b>(668.679)</b>	<b>(412.851)</b>
<b>Net Book Value</b>	<b>447.053</b>	<b>247.896</b>

##### Goodwill:

	30 June 2016	30 June 2015
Balances on 1 January	168.244.294	148.146.765
Translation Differences	(4.830.779)	10.705.480
<b>Balance as of 30 June</b>	<b>163.413.515</b>	<b>158.852.245</b>

#### NOTE 11- COMMITMENTS

##### *Razis' Share Purchase*

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

##### *Purchasing Commitments*

As of 30 June 2016 the Group has USD 65.958.111 accredited purchasing commitment. (31 December 2015: USD 28.971.400).



**Gübre Fabrikaları Türk Anonim Şirketi**

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**NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**Short Term Debt Provision:**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Provision for cost expenses	<b>60.462.539</b>	66.453.037
Provisions for law suits	<b>2.058.725</b>	1.780.358
<b>Other Short Term Debt Provision</b>	<b>62.521.264</b>	68.233.395

**Law suit Provision:**

	<b>30 June 2016</b>	<b>30 June 2015</b>
As of 1 January	<b>1.780.358</b>	897.864
Additon /Reversal of Provision	<b>278.367</b>	736.275
<b>As of 30 June</b>	<b>2.058.725</b>	1.634.139

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued against the Group for 7.645.856 TL profit loss. The Group Management has not made any provision for this lawsuit in the added consolidated financial statements according to recieved legal opinion but it has made 2.058.637 TL (2015: 1.780.358 TL) provision for other lawsuits.

As from 30 June 2016 and 31 December 2015, the tables related to the Group's tables related to Assurance- Pledge-Hypothecs position are as follows:

	<b>30 June 2016</b>			<b>31 December 2015</b>		
	<b>Currency</b>	<b>Currency Amount</b>	<b>Amount in TL</b>	<b>Currency</b>	<b>Currency Amount</b>	<b>Amount in TL</b>
APH Given by the Company						
A. Total amount of APH's given for own legal entity (Assurance)	<b>TL</b>	<b>10.974.023</b>	<b>10.974.023</b>	<b>TL</b>	9.987.517	9.987.517
B. Total Amount of APH's given for the Partnership included to full consolidation (hypethec)	-	-	-	-	-	-
C. APH given for guaranteeing the debts of other 3 <sup>rd</sup> parties for the performance of ordinary businesss activites	<b>USD</b>	<b>32.178.514</b>	<b>93.111.748</b>	<b>USD</b>	34.644.944	100.733.640
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	-	-	-	-	-	-
		<b>104.085.771</b>				<b>110.721.157</b>

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

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**NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

***Contingent Liabilities***

The cost of natural gas which took a significant part of production costs of Razi Petrochemical Co. was determined by National Iranian Oil Company (NOIC) at the rate of cubic meter. NOIC is determine the price of natural gas in March of every year. NOIC was decided to increase the cost of natural gas as far as fifteen times of Razi's original costs in 21 March of 2010 and realize the billing with this price level. Razi has protest this price decision, and did not record the liability worth as 65 Million TL which was formed by the price discrimination as a result of NOIC decision. The price of the natural gas was rearranged in 19 December 2010 and unit price on the basis of cubic meter was increased as far as seven times of Razi's original costs. All of the billing has realize over this price level since 19 December 2010. Special Envoy of Petroleum Affairs of Islamic Republic of Iran was decided about price which was rated with 21 March 2010 and 19 December 2010 period at 13 November 2011. So invoices were calculated over 67% of Razi's original costs for mentioned period. Based on this the effect of the increase on the price was recorded in current period but the NOIC has not applied this decision yet and has not started to billing on new price. The Group management did not make any additional provision as a result continuation of the process.

As explained in note numbered 12, corporate tax declarations of Razi Petrochemical Co. (Razi), subsidiary of the Company, for the previous years were examined by the tax authority of Islamic Republic of Iran. As a result of investigations, the tax authority accrued an additional tax expenditure at an amount of TL15 million for 2012, TL 45 million for 2013 and TL 35 million for 2014. The amount accrued related to 2013 has been fully paid and no payments has made for 2012 and 2014 but provision corresponding to aforementioned tax expenditure was made in consolidated financial statements. Additionally, Razi Management appealed to fine at an amount of TL 13.3 million by tax authority and has not made a provision in its consolidated financial statements. Razi Management examined the tax assessment declared in 2015 taking investigation results of tax authority in 2016 into account and decided to accrue an additional tax amounting to TL 8.6 million. Therefore, the impact of aforementioned provision was included through restating consolidated financial statements dated 31 December 2015.

The sanctions imposed since 2010 on Iran by United Nations may have an effect on the operations of the subsidiary of the Group. The economic stability of the Iran depends on the measures that will be taken by the government and the outcome of the legal, administrative and political processes. These processes are beyond the control of the companies established in the country. Consequently, the entities operating within Iran must consider risks that may not necessarily be observable in other markets. These consolidated financial statements contain the Group management's estimations on the economic and financial positions of its subsidiaries and affiliates operating in Iran. The future economic situation of Iran might differ from the Group's expectations

Iskenderun Fiscal Directorate ("Treasury") brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m<sup>2</sup> located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 119.457.959 TL as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favour of Treasury. Judicial process is going on as of balance sheet date. The Group Management has not made a provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors and tax experts.

**Gübre Fabrikaları Türk Anonim Şirketi**

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**NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

Tabosan Mühendislik İmalat ve Montaj A.Ş. ("Tabosan"), one of the consortium partners of the Group at the acquisition of Razi shares have filed a petition for adjournment of bankruptcy in 2011 but the bankruptcy court rejected the petition and decided on the bankruptcy of Tabosan and formation of a trustee committee to manage the assets of Tabosan. The Group becomes a co-guarantor in the name of Tabosan to Iran Privatization Administration and banks for the finance obtained during the acquisition process of Razi shares. The amounts of 46.994.091 TL which should be paid by Tabosan to banks and Iran Privatization Administration have been paid by the Group in scope of this surety. Receivables rising as a result of these transactions have been accounted in other receivables account. The Group management have not made a provision at this stage yet in the current period related to this receivable, taking hypothecs and deposits transferred to the Group by bank and its right to purchase shares owned by Tabosan at initial purchase price per share in accordance with the protocol concluded during the purchase of Razi shares with Tabosan into consideration. In addition, the Group Management has made a request to realize a share transfer of 1,31%, corresponding to a partial payment made for surety from Razi shares owned by Tabosan, to Bankruptcy Administration as of report date. The Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. Additionally, since the request of the Group regarding the recording of its other receivables sourcing from payments made as a co-guarantor to the bankruptcy estate was dismissed, the Group brought a lawsuit against Bankruptcy Administration regarding the recording of its receivables to the court. Bankruptcy Administration accepted the aforementioned lawsuit and the Court decided to accept the lawsuit regarding recording of receivables following this acceptance declaration in 15 July 2015. Since the accumulated dividend receivables striking to 10,88% shares of Tabosan at Razi reverted to bankruptcy estate, the Bankruptcy Administration has made a payment to the Group at an amount of 25.278.225 TL for its capital receivable in 8 July 2015. This receivable acceptance case is finalized. Balance receivable of the Group, which a registration acceptance decision is made, shall be paid provided that a dividend receivable of Tabosan in Razi arisen and reverted to Bankruptcy Estate. Accrued interest receivable of the Group shall be paid provided that a dividend receivable of Tabosan in Razi arisen and reverted to Bankruptcy Estate following the complete payment of capital receivables of the Bankruptcy Estate.

An administrative fine at an amount of 47.026.820 TL, having a judicial remedy and appeal right, was imposed in the framework of Customs law numbered 4458 by the Mersin Custom Office on October 2, 2015 and notified to the Company. The parties could not come to an agreement in the meeting held with the company representatives on February 10, 2016 upon the invitation of Ministry of Customs and Trade Department of Central Conciliation Commission. The objection appeal is made on February 11, 2016 to Orta Akdeniz Regional Directorate of Ministry of Custom and Trade. Central Mediterranean Customs and Trade Regional Office has decided to remove the fine via cancellation through accepting the appeal of the Group regarding the administrative fine at an amount of TL 47.026.880 and aforementioned decision is notified to the Group by Mersin Customs Office with its letter dated August 10, 2016.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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**NOTE 13 – REVENUE AND COST OF SALES**

<b>Sales</b>	<b>1 Januray – 30 June 2016</b>	<b>1 April – 30 June 2016</b>	<b>1 January – 30 June 2015</b>	<b>1 April – 30 June 2015</b>
Domestic Sales	1.314.291.990	472.069.818	986.889.626	321.268.000
Overseas Sales	294.103.092	138.920.270	542.458.882	292.382.300
Sales Returns(-)	(1.151.250)	(660.068)	(606.347)	(350.837)
Sales Discounts(-)	(12.926.016)	(3.495.592)	(5.581.948)	(2.140.204)
Other Discounts from Sales(-)	(3.329.986)	(1.658.233)	(241.370)	(225.907)
<b>Total</b>	<b>1.590.987.830</b>	<b>605.176.195</b>	<b>1.522.918.843</b>	<b>610.933.352</b>

<b>Cost of Sales (-)</b>	<b>1 Januray – 30 June 2016</b>	<b>1 April – 30 June 2016</b>	<b>1 January – 30 June 2015</b>	<b>1 April – 30 June 2015</b>
Cost of Good Produced	662.245.773	312.832.798	625.549.380	294.373.481
Change in the Good Inventory	6.583.591	(69.329.765)	(28.773.285)	3.850.027
-Goods at the beginning of the Period	213.142.287	137.228.931	46.346.717	-
-Goods at the end of the Period	(206.558.696)	(206.558.696)	(75.120.002)	3.850.027
Cost of Good Sold	668.829.364	243.503.033	596.776.095	298.223.508
-Merchandise Inventory at the beginning of the Period	445.366.727	217.959.619	469.424.512	-
-Purchases	398.949.918	191.826.804	474.193.023	306.784.329
-Merchandise Inventory at the end of the Period	(158.430.387)	(158.430.387)	(309.761.565)	(80.267.121)
Cost of merchandise Sold	685.886.258	251.356.036	633.855.970	226.517.208
Cost of services sold	937.903	937.903	-	-
Cost of Other Sales	464.743	16.417	199.540	155.286
<b>Total</b>	<b>1.356.118.268</b>	<b>495.813.389</b>	<b>1.230.831.605</b>	<b>524.896.002</b>

**NOTE 14 – OTHER OPERATING INCOME AND EXPENSES**

<b>Other Operating Income</b>	<b>1 Januray – 30 June 2016</b>	<b>1 April – 30 June 2016</b>	<b>1 January – 30 June 2016</b>	<b>1 April – 30 June 2016</b>
Exchange difference income arising from commercial transactions	79.652.805	36.410.696	109.049.131	17.670.080
Interest income	4.567.154	4.536.942	8.774.788	6.861.230
Delay interest income arising from commercial transactions	9.429.231	5.645.611	8.195.750	4.927.392
Other income	4.915.529	(360.032)	10.826.901	4.115.198
<b>Total</b>	<b>98.564.719</b>	<b>46.233.217</b>	<b>136.846.570</b>	<b>33.573.900</b>

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## Gübre Fabrikaları Türk Anonim Şirketi

### Notes to the interim condensed consolidated financial statements as of 30 June 2016

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#### NOTE 14 – OTHER OPERATING INCOME AND EXPENSES (continued)

Other Operating Expenses	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2016	1 April – 30 June 2016
Exchange difference expenses arising from commercial transactions	35.037.420	3.583.861	82.570.916	(36.629.094)
Interest expenses	2.542.850	(1.970.960)	-	(2.648.409)
Delay interest expenses arising from commercial transactions	3.193.083	1.772.102	3.531.582	2.163.781
Other expenses	17.245.896	9.460.200	12.257.763	9.290.456
<b>Total</b>	<b>58.019.249</b>	<b>12.845.203</b>	<b>98.360.261</b>	<b>(27.823.266)</b>

#### NOTE 15 - EARNINGS PER SHARE

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

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

The weighted average of the shares and profit per share calculations of the company as of 30 June 2016 and 30 June 2015 are as follows.

	1 January- 30 June 2016	1 April – 30 June 2016	1 January- 30 June 2015	1 April – 30 June 2015
Net profit for the period	14.688.545	(15.580.291)	35.468.841	2.649.442
Weighted average number of ordinary shares outstanding during the year (each 1 kr)	33.400.000.000	33.400.000.000	33.400.000.000	33.400.000.000
<b>Earnings per share (kr) (*)</b>	<b>0,0004</b>	<b>(0,0005)</b>	<b>0,0011</b>	<b>0,0001</b>

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

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**NOTE 16 - RELATED PARTIES TRANSACTIONS**

**(i) Balances due from related parties**

**(a) Trade and other receivables**

	30 June 2016	31 December 2015
<b>Main parent</b>		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	61.376.130	125.807.493
Other related parties	10.047.176	10.148.124
<b>Total</b>	<b>71.423.306</b>	<b>135.955.617</b>
<b>Affiliates and other related parties (Short Term)</b>		
Negmar Denizcilik A.Ş.	348.472	228.630
<b>Total</b>	<b>348.472</b>	<b>228.630</b>
<b>Affiliates and other related parties (Long Term)</b>		
Negmar Denizcilik A.Ş.	67.049.591	73.131.945
Other related parties	20.229.393	29.770.939
<b>Total</b>	<b>87.278.984</b>	<b>102.902.884</b>

**(b) Trade payables:**

	30 June 2016	31 December 2015
<b>Affiliates and other related parties</b>		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	4.209.918	873.868
Other related parties	7.028.188	2.626.489
Tarnet A.Ş.	55.886	206.386
Negmar Denizcilik A.Ş.	56.982	
<b>Total</b>	<b>11.350.974</b>	<b>3.706.743</b>

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

**Sales of Goods and Services:**

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<b>Main parent</b>				
Tarım Kredi Koop. Merkez Birliği	679.682.720	157.848.910	604.192.141	218.679.545
<b>Subsidiaries</b>				
Negmar Maritime Company	776.987	295.412	1.043.169	359.381
Tarkim Bitki Koruma San. ve Tic. A.Ş.	108.410	87.410	27.650	27.650
Raintrade Petrokimya ve Dış Ticaret A.Ş.	-	-	126	(52.491)
<b>Total</b>	<b>680.568.117</b>	<b>158.231.732</b>	<b>605.263.086</b>	<b>219.014.085</b>

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**NOTE 16 - RELATED PARTIES TRANSACTIONS (continued)**

**(ii) Transactions with Related Parties**

**Purchase of Goods and Services:**

	<b>1 Januray – 30 June 2016</b>	<b>1 April – 30 June 2016</b>	<b>1 January – 30 June 2015</b>	<b>1 April – 30 June 2015</b>
<b>Main parent</b>				
Tarım Kredi Koop. Merkez Birliği	<b>3.341.446</b>	<b>3.341.446</b>	-	-
<b>Subsidiaries</b>				
Negmar Maritime Company	<b>52.895.917</b>	<b>12.640.911</b>	66.525.448	29.223.708
Tarkim Bitki Koruma San. ve Tic. A.Ş.	<b>22.254.240</b>	<b>7.604.686</b>	283.386	53.810
Tarnet A.Ş.	<b>301.401</b>	<b>124.350</b>	781.225	400.179
<b>Total</b>	<b>78.793.004</b>	<b>23.711.393</b>	67.590.059	29.677.697

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

**Remuneration of board of directors and executive management:**

The total benefits the company has provided to its board of directors and executive management as of 30 June 2015 shown below table:

	<b>30 June 2016</b>		<b>30 June 2015</b>	
	<b>Gübretaş</b>	<b>Razi</b>	<b>Gübretaş</b>	<b>Razi</b>
Short-term employee benefits (*)	<b>633.300</b>	<b>3.130.787</b>	943.977	1.576.016
<b>Total</b>	<b>633.300</b>	<b>3.130.787</b>	943.977	1.576.016

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

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**NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of 30 June 2016 is as follows;

		30 June 2016	
	TL (functional currency)	USD	EURO
1 Trade receivables	48.709.861	10.555.009	5.669.670
2 Monetary financial assets (cash and bank accounts included)	100.313.235	34.519.411	133.525
3 Other current assets	13.955.255	2.444.856	2.147.303
4 Current assets (1+2+3)	162.978.351	47.519.276	7.950.498
5 Trade payables	188.422.561	64.322.382	717.549
6 Financial liabilities	218.669.075	-	68.240.256
7 Other short term liabilities, net	177.616	61.383	-
8 Short term liabilities (5+6+7)	407.269.252	64.383.765	68.957.805
9 Trade payables	-	-	-
10 Financial liabilities	103.123.418	-	32.181.818
11 Long term liabilities (9+10)	103.123.418	-	32.181.818
12 Total liabilities (8+11)	510.392.670	64.383.765	101.139.623
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(347.414.319)	(16.864.489)	(93.189.125)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(347.414.319)	(16.864.489)	(93.189.125)



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**NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

Foreign exchange position table of the foreign asset and liabilities of the company in terms of original and Turkish Lira currency units as of 31 December 2015 is as follows;

	TL (functional currency)	31 December 2015	
		USD	EURO
1 Trade receivables	176.457.348	53.010.321	-
2 Monetary financial assets (cash and bank accounts included)	196.357.556	67.294.692	342.496
3 Other current assets	8.449.531	568.285	2.139.041
4 Current assets (1+2+3)	381.264.435	120.873.298	2.481.537
5 Trade payables	363.300.902	123.483.439	1.340.779
6 Financial liabilities	386.226.351	60.349.446	66.324.994
7 Other short term liabilities, net	210.756	72.479	-
8 Short term liabilities (5+6+7)	749.738.009	183.905.364	67.665.773
9 Trade payables	-	-	-
10 Financial liabilities	119.304.436	-	37.545.455
11 Long term liabilities (9+10)	119.304.436	-	37.545.455
12 Total liabilities (8+11)	869.042.445	183.905.364	105.211.228
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(487.778.010)	(63.032.066)	(102.729.691)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(487.778.010)	(63.032.066)	(102.729.691)

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**NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

In the periods ending on 30 June 2016 and 30 June 2015, in case there is a (+) / (-) 10% change in foreign exchange rates when the other variables are kept fixed according to the net foreign exchange position on the balance sheet of the company, the change on the pre-tax profit is as follows:

	<b>30 June 2016</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by %10 against TL</b>		
1- Assets/liability denominated in USD - net	(4.879.908)	4.879.908
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(4.879.908)	4.879.908
<b>Change of EUR by %10 against TL</b>		
1- Assets/liability denominated in EUR - net	(29.861.523)	29.861.523
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit for the period	(29.861.523)	29.861.523

As explained in Note 2, the Group management has used the rates published by the Foreign Exchange Center ("Center") monitored by Central Bank of Iran Islam Republic. Had the Group used Turkish Lira /Iran Riyal market rate based on expected American Dollar/Iran Riyal market rate and the current Turkish Lira/ American Dollar rate net income would decrease by approximately 5.822.454 TL and the foreign currency adjustments would decrease by 58 Million TL.

	<b>30 June 2015</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by %10 against TL</b>		
1- Assets/liability denominated in USD - net	(4.069.438)	4.069.438
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(4.069.438)	4.069.438
<b>Change of EUR by %10 against TL</b>		
1- Assets/liability denominated in EUR - net	(17.372.509)	17.372.509
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit for the period	(17.372.509)	17.372.509
<b>Change of JPY by %10 against TL</b>		
1- Assets/liability denominated in JPY - net	5.920	(5.920)
2- The part hedged for JPY risk (-)	-	-
3- The impact of TL net profit for the period	5.920	(5.920)

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements as of 30 June 2016**

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

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**NOTE 18 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING)**

Fair values of financial instruments

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

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

*Financial assets*

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

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

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

*Financial liabilities*

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

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

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

**NOTE 19 - SUBSEQUENT EVENTS**

As regard to case in Tabosan, an administration of Bankruptcy paid the remaining principal receivable of the Group, for which registration admission decision is made, amounting to TL 5.548.880 to the Group on August 4, 2016. Administration of Bankruptcy shall be able to pay interest receivable accrued to the receivable of the Group, for which registration admission decision is made, provided that dividend receivable of Tabosan in Razi arises and lapsing of the receivable in question to bankruptcy estate and to the extent that the amount of the aforementioned receivable.

Central Mediterranean Customs and Trade Regional Office has decided to remove the fine via cancellation through accepting the appeal of the Group regarding the administrative fine at an amount of TL 47.026.880 and aforementioned decision is notified to the Group by Mersin Customs Office with its letter dated August 10, 2016.