



**2017 2nd QUARTER
OPERATING REVIEW
REPORT**

**GÜBRE FABRİKALARI TÜRK A. Ş.
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I. INTRODUCTION	2
A. REPORTING PERIOD	2
B. COMMERCIAL TITLE	2
C. TRADE REGISTER NUMBER	2
D. CONTACT INFORMATION	2
E. ORGANIZATION CHART	4
F. CAPITAL STRUCTURE.....	4
G. BOARD OF DIRECTORS	5
H. TOP MANAGEMENT.....	6
İ. ADMINISTRATIVE ACTIVITIES	6
II. TURKISH FERTILIZER INDUSTRY	7
III. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES.....	8
A. PRODUCTION	8
B. SALES AND PURCHASES	8
C. INVESTMENTS.....	9
IV. AFFILIATES AND SUBSIDIARIES	9
V. RAZİ PETROCHEMICAL CO. ACTIVITIES.....	10
A. PRODUCTION	10
B. SALES	10
C. INVESTMENTS	11
VI. REVIEW	12
VII. FINANCIAL STRUCTURE.....	13
A. BALANCE SHEET ASSETS-TRY	13
B. BALANCE SHEET LIABILITY-TRY	14
C. INCOME STATEMENT-TRY	15
VIII. EVENTS AFTER BALANCE SHEET DATE	16
IX. PERFORMANCE OF THE STOCK	17
X. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT	18
XI. CONCLUSION	19

I. INTRODUCTION

A. REPORTING PERIOD

01.01.2017 – 30.06.2017

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

C. TRADE REGISTER NUMBER

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

D. CONTACT INFORMATION

HEAD OFFICE

The address of 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

Web address: www.gubretas.com.tr

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

YARIMCA PRODUCTION FACILITIES

Address: Gübretaş Yarımca Tesisleri 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR PRODUCTION FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

FOÇA PRODUCTION FACILITIES

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

Phone : +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

TEKİRDAĞ REGIONAL OFFICE

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

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

Fax : +90 (282) 262 98 51

İSKENDERUN REGIONAL OFFICE

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

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

Fax : +90 (326) 626 14 50

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 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

DIYARBAKIR 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

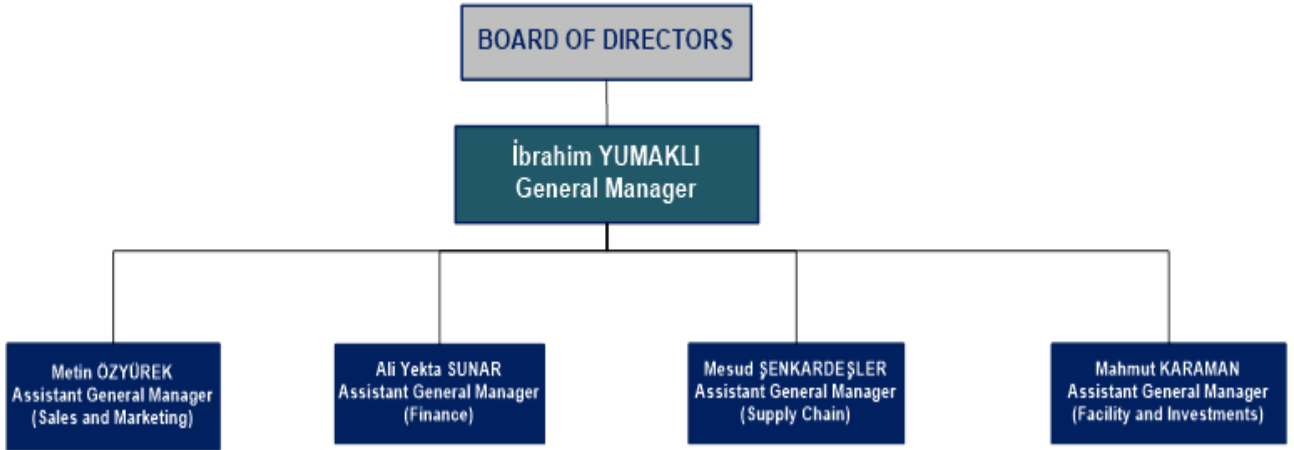
ANTALYA REGIONAL OFFICE

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. ORGANIZATION CHART**F. CAPITAL STRUCTURE**

As of 30.06.2017 authorized capital of the company is 1.000.000.000 TRY and issued capital is 334.000.000 TRY. There has not been any change in terms of issued capital and shareholder structure of Gübretaş within the fiscal period.

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

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

Tablo 1 : CAPITAL STRUCTURE

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

G. BOARD OF DIRECTORS

Title	Name	Date of appointment
Chairman	Ayhan KARAYAMA	13.04.2016
Vice Chairman	Mahmut GÜNGÖR	27.07.2016
Member	Ertekin ÇOLAK	24.06.2016
Executive Member	İbrahim YUMAKLI	28.10.2016
Executive Member	Mesud ŞENKARDEŞLER	07.03.2017
Executive Member	Ali Yekta SUNAR	10.07.2017
Independent Member	Bahattin YILDIZ	13.04.2016
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016
Independent Member	Murat YAŞA	11.05.2017

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

Title	Name	Date of Appointment	Date of Resignation
Member	Kazım AYDIN	17.06.2016	07.03.2017
Independent Member	Ali Yekta SUNAR	13.04.2016	05.05.2017
Executive Member	Tahir OKUTAN	13.04.2016	10.07.2017

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

H. TOP MANAGEMENT

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

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

Members of top managers, which resigned during the period and after balance sheet date:

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

İ. ADMINISTRATIVE ACTIVITIES

Number of Personnel

As of 30th of June 2017, our number of personel increased by 0,9% to 536 persons, compared to the same date of the year before.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. A total of 2.954 hours of educational activities with the participation of 234 employees were carried out in the first six months of 2017.

Collective Bargaining Agreement

Collective bargaining agreement between our company and Petrol-İş Union, which workers' union involves the years of 2017 - 2018, ended up by an agreement in June 7, 2017.

II. TURKISH FERTILIZER INDUSTRY

A. PRODUCTION

Fertilizer production was 2.026.781 tons in the first six months of 2016, it decreased by 5,30 % to 1.919.375 tons in the first six months of 2017. Compound fertilizers' production corresponded to 48,26 % of total production.

Table 2 : SECTOR PRODUCTION BY PRODUCT GROUP-TON

PRODUCT	2017/6	2016/6	Change
Compound	926.336	961.706	-3,68%
Nitrogen-based	821.092	963.270	-14,76%
Phosphate-based and others	171.947	101.805	68,90%
TOTAL	1.919.375	2.026.781	-5,30%

B. SALES

According to 2017 2nd quarter data, fertilizer consumption was 3.745.765 tons recording a 12,59 % decrease while in the same period of the previous year, it was 4.285.148 tons.

As of June 30, 2017 exports increased by 60,06 % to 216.131 tons and imports increased by 18,51 % to 2.373.793 tons.

Table 2 : SECTOR SALES BY PRODUCT GROUP-TON

PRODUCT	2017/6	2016/6	Change
Compound	953.766	980.942	-2,77%
Nitrogen-based	2.490.824	3.013.549	-17,35%
Phosphate-based and others	301.175	290.657	3,62%
TOTAL	3.745.765	4.285.148	-12,59%

Table 3 : SECTOR IMPORTS BY PRODUCT GROUP-TON

PRODUCT	2017/6	2016/6	Change
Compound	92.292	136.612	-32,44%
Nitrogen-based	1.982.378	1.536.644	29,01%
Phosphate-based and others	299.123	329.702	-9,27%
TOTAL	2.373.793	2.002.959	18,51%

III. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

A. PRODUCTION

Gübretaş produced 29.280 tons of TSP, 297.889 tons of compound fertilizers and a total of 327.169 tons in the first six months of 2017. In addition 12.854 tons of liquid and powder fertilizers were produced.

Solid fertilizer production increased by 16,55 % and liquid-powder production also increased by 141,07 % in 2017 compared to 2016. Total fertilizer production including solid, liquid and powder increased by 18,87 %.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 76,86 % in the first six months of 2017.

Table 5 : PRODUCTION BY GROUP -TON

PRODUCT	2017/6	2016/6	Change
Solid Fertilizer	327.169	280.703	16,55%
Liquid - Powder Fertilizer	12.854	5.332	141,07%
GRAND TOTAL	340.023	286.035	18,87%

B. SALES AND PURCHASES

Our Company sold 1.134.296 tons of solid, 29.398 tons of liquid and powder fertilizers in the first six months of 2017. In the first six months of 2016, 982.936 tons of solid, 16.316 tons of liquid and powder fertilizers were sold.

The sales increased by 15,40 % in the first six months of 2017, compared to the same period of the year before.

The volume of purchases was 584.864 tons in the first six months of 2016, and it increased by 89,99 % to 1.111.171 tons in first six months of 2017. Export has been 1.763 tons in the first six months of 2017, while it was 1.698 tons in the same period of 2016.

Table 6: RAW MATERIAL AND COMMODITY IMPORTS-TON

	2017/6	2016/6	Change
Raw Material	282.327	219.906	28,39%
Commodity	828.844	364.958	127,11%
Total Purchases	1.111.171	584.864	89,99%
Sales	1.134.296	982.936	15,40%

Table 7: SALES BY PRODUCT GROUPS-TON

SOLID CHEMICAL FERTILIZER	2017/6	2016/6	Change
Compound	311.206	294.442	5,69%
Nitrogen-based	716.974	636.909	12,57%
Phosphate-based and others	106.116	51.585	105,71%
Total Solid Fertilizer	1.134.296	982.936	15,40%
Total Liquid - Powder Fertilizer	29.398	16.316	80,18%
GRAND TOTAL	1.163.694	999.252	16,46%

C. INVESTMENTS

In Turkish operations, our company spent 34.089.180 TRY for capital expenditure in the first two quarters of 2017, while this figure was 23.579.632 TRY in the same period of 2016.

IV. AFFILIATES AND SUBSIDIARIES

Table 8: SUBSIDIARIES

Company Name	Share %
Razi Petrochemical Co.	48,88

Table 9: AFFILIATES

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

V. RAZI PETROCHEMICAL CO. ACTIVITIES

A. PRODUCTION

In the first half of 2017, 851.821 tons of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co., capacity utilization rate was 46,79 %.

Table 10: PRODUCTION BY PRODUCTS-TON

PRODUCT	2017/6	2016/6	Change	Capacity	2017/6 CUR
Ammonia	421.715	361.758	16,57%	1.336.000	63,13%
Urea	178.737	159.810	11,84%	594.000	60,18%
Sulphur	133.064	128.782	3,32%	508.000	52,39%
Sulphuric Acid	79.563	132.717	-40,05%	627.000	25,38%
Phosphoric Acid	24.437	39.361	-37,92%	450.000	10,86%
DAP	14.306	38.132	-62,48%	126.000	22,71%
TOTAL	851.821	860.560	-1,02%	3.641.000	46,79%

B. SALES

In the first six months of 2017, 774.398 tons of fertilizer were sold and 955.946.032 TRY of revenue were achieved in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co. Razi Petrochemical Co. exported 599.004 tons and sold 175.394 tons in the domestic market in the first six months of 2017. Share of export in total sales was 77%.

Table 11 : SALES BY PRODUCTS-TON

PRODUCT (Razi & Arya)	2017/6	2016/6	Change
Ammonia	308.117	234.572	31,35%
Urea	158.728	159.160	-0,27%
Sulphur	84.309	76.905	9,63%
DAP	26.206	31.557	-16,96%
Phosphoric Acid	17.617	17.899	-1,58%
Sulphuric Acid	10.597	12.939	-18,10%
Subtotal	605.574	533.032	13,61%
Urea	93.498	-	-
Ammonium Sulphate	75.326	-	-
Other Sales	168.824	-	-
GRAND TOTAL	774.398	533.032	45,28%

C. INVESTMENTS

In Iran operations, our company spent 32.671.693 TRY for capital expenditure in 2017, while this figure was 12.931.110 TRY in 2016.

VI. REVIEW

At the last quarter of 2015, the expectation of the VAT relief in fertilizers caused the fertilizer sales to be postponed. The VAT in fertilizers was reduced to 1 percent in the first quarter of 2016 and then the VAT in the purchase and sales of fertilizers were totally abolished. This resulted as 4.3 million tons total fertilizer consumption in the first half of 2016. Contrary to that, 2017 was a year closer to the sector averages, where there was not any deferred demand.

With its strong distribution network, brand value, supply and production capabilities, Gübretaş increased its sales amount and strengthened its market leadership despite the shrinking market as a result of the deferred demand from 2015.

One of the important developments in the market is partial removal of the sales ban in nitrate based fertilizers, which were banned as a result of security reasons. According to the new regulation, while the ban in sodium and potassium nitrate were totally lifted, CAN (calcium ammonium nitrate) became usable going through some controls. The ban in AN (ammonium nitrate) was decided that to continue.

The evaluation of Gübretaş following the ban in nitrate based fertilizers was that producers will meet their plant nutrition demand from other types of fertilizers, which can be used as substitutes of the banned ones. In accordance with our evaluations, the consumption of urea and AS (ammonium sulphate) fertilizers, which are substitutes for AN – CAN, increased and there were new types of fertilizers introduced to the industry.

Nitropower N33, which is a fertilizer specially designed by Gübretaş in order to meet the demand of producers, took its place in the market as a preferred product.

The fall in the fertilizer prices, which has been observed since 2014, caused the lowest prices in recent years to be seen in market. The first half of 2017 points to a period where there is a recovery tendency after the lowest prices were observed but fluctuations still continue. In accordance with the increased demand in the first few months of the year, there was an upward trend in the prices of nitrogen based fertilizers, which are mostly consumed in the first half of the year, but there were price falls seen after the heavy season ended. Prices moved in a narrower range in phosphate based fertilizers and raw materials.

VII. FINANCIAL STRUCTURE

A. BALANCE SHEET ASSETS-TRY

ASSETS	30 June 2017	31 December 2016
Current Assets	1.844.478.382	1.648.288.615
Cash and Cash Equivalents	287.459.831	136.519.570
Financial Investments	33.424.156	24.961.482
Trade Receivables	436.576.439	386.499.874
- <i>Trade receivables from related parties</i>	49.704.983	97.413.609
- <i>Other trade receivables</i>	386.871.456	289.086.265
Other Receivables	207.553.444	170.524.480
- <i>Other receivables from related parties</i>	51.524	2.756.403
- <i>Other receivables</i>	207.501.920	167.768.077
Inventories	803.967.695	814.012.500
Prepaid expenses	41.594.674	75.887.364
Derivative Instruments	19.222.825	16.743.178
Current tax assets	120.448	5.687.893
Other Current Assets	14.558.870	17.452.274
Fixed Assets	1.691.477.103	1.734.843.766
Financial Investments	43.865.438	44.152.656
Other receivables	76.434.624	117.641.163
- <i>Other receivables from related parties</i>	54.414.259	94.567.063
- <i>Other receivables from third parties</i>	22.020.365	23.074.100
Investments Valued by Equity Method	10.997.328	9.025.166
Investment Properties	57.028.000	57.028.000
Tangible Fixed Assets	1.243.755.282	1.219.905.720
Intangible Fixed Assets	216.049.948	217.591.062
- <i>Goodwill</i>	187.154.261	188.461.258
- <i>Other intangible assets</i>	28.895.687	29.129.804
Prepaid expenses	15.886.526	40.975.917
Deferred Tax Assets	27.459.957	28.524.082
TOTAL ASSETS	3.535.955.485	3.383.132.381

B. BALANCE SHEET LIABILITY-TRY

LIABILITIES	30 June 2017	31 December 2016
Short-term Liabilities	1.938.599.278	1.855.080.961
Financial Liabilities	702.009.553	798.391.047
Short-term portion of long-term borrowings	53.959.969	42.297.246
Trade payables	815.589.950	632.250.973
- <i>Trade payables to related parties</i>	11.260.807	5.224.461
- <i>Other trade payables to third parties</i>	804.329.143	627.026.512
Payables for Employment Termination Benefits	25.435.923	35.667.368
Other Payables	182.522.816	153.941.939
- <i>Other payables to third parties</i>	182.522.816	153.941.939
Deferred Incomes	19.396.174	34.436.793
Current Tax Liabilities	42.001.433	53.959.350
Short-term provisions	97.683.460	104.136.245
- <i>Short-term provisions for employee benefits</i>	36.648.583	24.212.339
- <i>Provisions for payables</i>	61.034.877	79.923.906
Long-term Liabilities	368.096.970	326.433.355
Long-term borrowings	128.130.370	99.492.773
Provisions for employee benefits	198.736.154	185.422.202
Deferred tax liabilities	41.230.446	41.518.380
EQUITY CAPITAL	1.229.259.237	1.201.618.065
Equities of Parent Company		
Paid-in Capital	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss	261.593.223	261.625.497
- <i>Revaluation gains/losses on property, plant and equipment</i>	262.570.832	262.570.832
- <i>Actuarial gain/(loss) arising from defined benefit plans</i>	(977.609)	(945.335)
Accumulated other comprehensive income / expense to be reclassified to profit or loss	(85.317.577)	(87.917.670)
- <i>Foreign currency translation reserve</i>	(60.127.282)	(62.489.158)
- <i>Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method</i>	(23.027.197)	(25.428.512)
Restricted Reserves From Profit	41.378.380	41.378.380
Retained earnings	398.072.667	466.809.637
Net Period Profit / (Loss)	25.012.862	(68.736.970)
Equity attributable to equity holders of the parent	976.902.653	947.158.874
Minority Shares	252.356.584	254.459.191
TOTAL LIABILITIES	3.535.955.485	3.383.132.381

C. INCOME STATEMENT-TRY

CONTINUING OPERATIONS	30 June 2017	30 June 2016
Sales (net)	2.066.047.871	1.590.987.830
Costs of Sales (-)	(1.814.971.869)	(1.356.118.268)
GROSS PROFIT	251.076.002	234.869.562
Administrative Expenses (-)	(97.497.942)	(68.450.339)
Marketing, Sales and Distribution Expenses (-)	(137.805.959)	(105.028.243)
Other Operating Incomes	167.326.709	98.564.719
Other Operating Expenses (-)	(133.926.110)	(58.019.249)
OPERATION PROFIT/(LOSS)	49.172.700	101.936.450
Shares in Profit/Loss of Investments Valued by Equity Method	(14.337.929)	1.972.605
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	34.834.771	103.909.055
Finance Expenses (-)	(1.504.776)	(18.129.064)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	33.329.995	85.779.991
Total Tax Income / Expense (-)	(6.164.618)	(38.310.364)
- Period Tax Income / Expense (-)	(3.922.718)	(16.668.557)
- Deferred Tax Income / Expense(-)	(2.241.900)	(21.641.807)
PERIOD PROFIT/ (LOSS)	27.165.377	47.469.627
PERIOD PROFIT/ (LOSS)	27.165.377	47.469.627
Distribution of Period Profit / (Loss)		
Minority Shares	2.152.515	32.781.082
Parent Company's Shares	25.012.862	14.688.545
Earnings / (Loss) Per Share (kr)	0,0007	0,0004

VIII. EVENTS AFTER BALANCE SHEET DATE

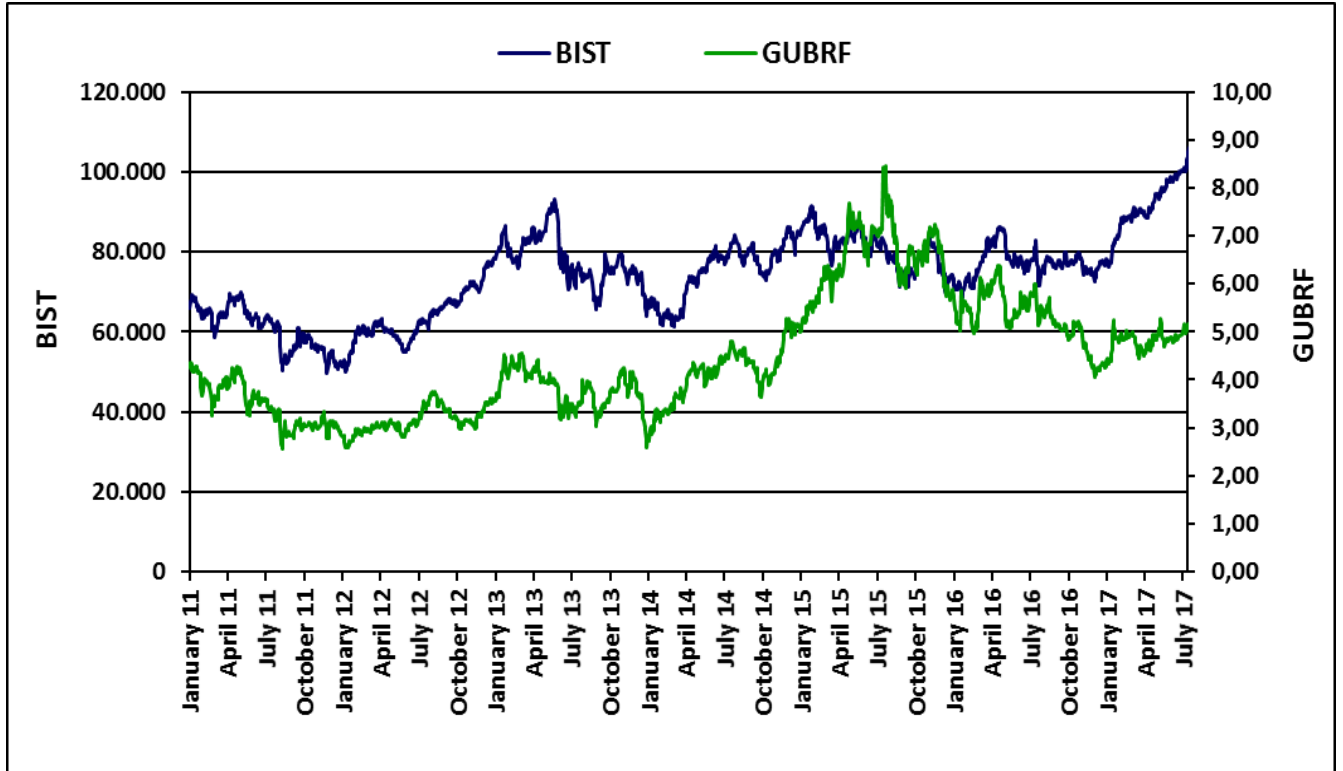
1. In accordance with the resolutions of the board, it has been decided to acquire;
 - all of the shares of Gök Denizcilik Turizm İç ve Dış Ticaret A.Ş. which has operations in port management,
 - 30% of the shares of our indirect subsidiary Narlı Feribot İşletmeciliği, belonging to Etis Denizcilik Yatırım A.Ş.,
 - 20% of the shares of our subsidiary Negmar Denizcilik Yatırım A.Ş.'s belonging to Etis Denizcilik Yatırım A.Ş.,on the condition that not exceeding the value which will occur after valuation studies
2. Our board member and assistant general manager in charge of sales and marketing Mr. Tahir OKUTAN has resigned from these duties as of 10.07.2017.

With the resignation of our board member, Mr. Tahir OKUTAN, dated 10.07.2017, our assistant general manager in charge of finance, Mr. Ali Yekta SUNAR, has been elected to the position of vacant board membership in order to complete the remaining time and be submitted to the approval of first general assembly in accordance with Article 363 of the Turkish Commercial Code.

3. After the organizational change in our company, the positions of Assistant General Manager in charge of Logistics and Support Services and Assistant General Manager in charge of Sales and Marketing has been merged. After Tahir OKUTAN's resignation, Mr. Metin ÖZYÜREK, Assistant General Manager in charge of Logistics and Support Services, has been appointed to the position of Assistant General Manager Responsible for Sales and Marketing.

IX. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



X. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 3.1.2014, within the first six months of 2017 covering the dates of 1.4.2017 - 30.6.2017, the following works have been realized by the Company in order to be compliant with the principles issued in the related communiqué:

1. 65th Ordinary General Meeting of Gübretaş, which belongs to the 2016 accounting period, was held in our headquarters Merdivenköy Mahallesi Bora Sokak No: 1 Nida Kule İş Merkezi Göztepe, Kadıköy/İstanbul in May 11, 2017, 10:00. The General Meeting was held in the conference hall of the headquarters with the participation of around %80,7 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 65th Ordinary General Meeting, Attendance list and Profit Distribution Table has been announced both in Public Disclosure Platform and company official website in May 11, 2017. The minutes of the meeting have been registered by İstanbul Trade Registry Office and have been announced in the Turkish Trade Registry Gazette no. 9332, which is dated May 24, 2017. These minutes have also been brought to the investors and public attention at e-Company portal.
3. After the 65th 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.
4. 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.
5. Regarding to the article 11.1 of Corporate Governance Principles, Investor Relations Department has prepared "Investor Relations 2017 - 1st Half Year Operating Report" related to activities of the first six months of 2017, and presented it to the Board.

XI. CONCLUSION

DEAR SHAREHOLDERS,

In the first six months of 2017, 1.111.171 tons of fertilizers and raw materials were procured from domestic and foreign markets and 327.169 tons of various types of chemical solid fertilizer were produced at our facilities. On the other hand, 1.134.296 tons of solid, liquid and powder fertilizers were sold in the first six months of 2017. Net sale revenues realized as 1.134.296 TRY.

Also 851.821 tons of fertilizer and fertilizer raw materials were produced, 955.946.032 TRY sale revenues were realized by the sale of 774.398 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co and its subsidiaries.

Our company reached to 2.066.047.871 TRY consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 33.329.995 TRY profit realized before tax. 27.165.377 TRY consolidated profit occurred after deducting 6.164.618 TRY net tax expense. 25.012.862 TRY profit to shareholders has occurred after deducting 2.152.515 TRY shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first six months of 2017 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
for the period January 1 – June 30, 2017**

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, 2017, 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 Turkish Accounting Standards 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 the sanctions imposed since 2010 on Iran by United Nations may have an effect on the operations of the subsidiary of the Group. The economic stability of the Iran depends on the measures that will be taken by the government and the outcome of the legal, administrative and political processes. These processes are beyond the control of the companies established in the country. Consequently, the entities operating within Iran must consider risks that may not necessarily be observable in other markets. These consolidated financial statements contain the Group management's estimations on the economic and financial positions of its subsidiaries and affiliates operating in Iran. The future economic situation of Iran might differ from the Group's expectations.

Razi Petrochemical Co ("Razi") has trade payables to National Iranian Oil Company ("NIOC") at an amount of 2,553 billion Rials (for 78,5 Million USD) for price of sour gas purchased up to 30 June 2017. In accordance with the contract between Razi and NIOC and letter dated 20 October 2014 by Ministry of Petroleum, the price of gas should be calculated and billed based on Rials. Despite of the aforementioned contract and letter, NIOC has issued all the invoices in foreign currency in 2016 and on this basis, claims the balance sum owed by the Company as 94,5 million. The discussions between Razi Management and NIOC for the mutual agreement on such difference are ongoing. The Group management has not provided any provision in the consolidated financial statements for this subject.

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 117.259.606 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 lawsuits filed have been dismissed but the Group applied for an amendment to the appeal court within the legal period. 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 7 and 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 34.870.723 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. Bankruptcy administration made payment to the Group at an amount of 25.278.225 TL on 8 July 2015 and 5.548.880 TL on 4 August 2016 which corresponds to dividend income of Tabosan from Razi for its 10,88% shares. The aforementioned registration acceptance file has been finalized. Accrued interest receivable of the Group shall be paid by the Bankruptcy administration provided that a dividend income of Tabosan from Razi accrued and such amount covers its receivable. The Group management do not provide any provision on this matter, by taking into account the protocol made during the acquisition of Razi shares from Tabosan and also taking into consideration the right to receive the shares of Tabosan from the initial purchased unit shares and the pledges and mortgages of Tabosan transferred by the bank to the Company.

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.

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

Kaan Birdal, SMMM
Partner

21 August 2017
İstanbul, Turkey

CONTENTS	PAGE
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
INTERIM CONSOLIDATED STATEMENT OF CASH FLOW.....	5
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	6-39
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS.....	6-7
NOTE 2 BASIS OF PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8-15
NOTE 3 SEGMENT REPORTING.....	16-18
NOTE 4 CASH AND CASH EQUIVALENTS	18-19
NOTE 5 FINANCIAL BORROWINGS.....	20-22
NOTE 6 TRADE RECEIVABLES AND PAYABLES	22-23
NOTE 7 OTHER RECEIVABLES AND PAYABLES.....	24-25
NOTE 8 INVENTORIES.....	25
NOTE 9 PROPERTY, PLANT AND EQUIPMNET	26-28
NOTE 10 INTANGIBLE ASSETS	29
NOTE 11 COMMITMENTS	29
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	30-33
NOTE 13 REVENUE AND COST OF SALES	33-34
NOTE 14 OTHER OPERATING INCOME AND EXPENSES.....	34
NOTE 15 EARNINGS PER SHARE	35
NOTE 16 RELATED PARTIES TRANSACTIONS.....	35-36
NOTE 17 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	37-39
NOTE 18 SUBSEQUENT EVENTS.....	39

(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 June 30, 2017**

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

		Current Period	Prior Year
		Reviewed	Audited
	Notes	June 30, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	4	287.459.831	136.519.570
Financial investments		33.424.156	24.961.482
Trade receivables			
- Trade receivables from related parties	16	49.704.983	97.413.609
- Trade receivables from third parties	6	386.871.456	289.086.265
Other receivables			
- Other receivables from related parties	16	51.524	2.756.403
- Other receivables from third parties	7	207.501.920	167.768.077
Inventories	8	803.967.695	814.012.500
Prepaid expenses		41.594.674	75.887.364
Assets related to the current period taxes		120.448	16.743.178
Derivative financial Instruments		19.222.825	5.687.893
Other current assets		14.558.870	17.452.274
Total current assets		1.844.478.382	1.648.288.615
Non-current assets:			
Financial investments		43.865.438	44.152.656
Other receivables			
- Other receivables from related parties	16	54.414.259	94.567.063
- Other receivables from third parties	7	22.020.365	23.074.100
Investments valued by equity method		10.997.328	9.025.166
Investment properties		57.028.000	57.028.000
Property, plant and equipment	9	1.243.755.282	1.219.905.720
Intangible assets			
- Goodwill	10	187.154.261	188.461.258
- Other intangible assets	10	28.895.687	29.129.804
Prepaid expenses		15.886.526	40.975.917
Deferred tax assets		27.459.957	28.524.082
Total non-current assets		1.691.477.103	1.734.843.766
Total assets		3.535.955.485	3.383.132.381

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 June 30, 2017

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

		Current Period	Prior Year
		Reviewed	Audited
	Notes	June 30, 2017	December 31, 2016
LIABILITIES			
Current liabilities:			
Short term borrowings	5	702.009.553	798.391.047
Current portion of long-term borrowings	5	53.959.969	42.297.246
Trade payables			
- Trade payables to related parties	16	11.260.807	5.224.461
- Trade payables to third parties	6	804.329.143	627.026.512
Employee benefit obligations		25.435.923	35.667.368
Other payables			
- Other payables to third parties	7	182.522.816	153.941.939
Deferred income		19.396.174	34.436.793
Current income tax liability		42.001.433	53.959.350
Short-term provisions			
- Short-term provisions for employee benefits		36.648.583	24.212.339
- Other short term provisions	12	61.034.877	79.923.906
Total current liabilities		1.938.599.278	1.855.080.961
Non-current liabilities:			
Long-term borrowings	5	128.130.370	99.492.773
Long-term provisions			
- Long-term provisions for employee benefits		198.736.154	185.422.202
Deferred tax liability		41.230.446	41.518.380
Total non-current liabilities		368.096.970	326.433.355
Total liabilities		2.306.696.248	2.181.514.316
Shareholders' equity:			
Share capital		334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation gains/losses on property, plant and equipment		262.570.832	262.570.832
- Actuarial gain/(loss) arising from defined benefit plans		(977.609)	(945.335)
- Foreign currency translation reserve		(60.127.282)	(62.489.158)
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method		(23.027.197)	(25.428.512)
Restricted reserves			
-Legal reserves		41.378.380	41.378.380
Retained earnings		398.072.667	466.809.637
Net income or expense		25.012.862	(68.736.970)
Equity attributable to equity holders of the parent		976.902.653	947.158.874
Non-controlling interests		252.356.584	254.459.191
Total shareholders' equity		1.229.259.237	1.201.618.065
Total liabilities and equity		3.535.955.485	3.383.132.381

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 June 30, 2017**

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

	Notes	Current Period		Previous Period	
		Reviewed January 1 – June 30, 2017	Not Reviewed April 1 – June 30, 2017	Reviewed January 1 – June 30, 2016	Not Reviewed April 1 – June 30, 2016
Sales	13	2.066.047.871	950.502.306	1.590.987.830	605.176.195
Cost of sales (-)	13	(1.814.971.869)	(831.061.410)	(1.356.118.268)	(495.813.389)
Gross profit		251.076.002	119.440.896	234.869.562	109.362.806
General and administrative expense (-)		(97.497.942)	(67.252.628)	(68.450.339)	(48.912.549)
Marketing, selling and distribution expense (-)		(137.805.959)	(52.463.750)	(105.028.243)	(46.462.458)
Other operating income	14	167.326.709	60.817.298	98.564.719	46.233.217
Other operating expenses (-)	14	(133.926.110)	(45.404.134)	(58.019.249)	(12.845.203)
Operating profit		49.172.700	15.137.682	101.936.450	47.375.813
Profit / (loss) from investments accounted by equity method		(14.337.929)	(682.390)	1.972.605	3.006.643
Financial income/(expense) before operating profit		34.834.771	14.455.292	103.909.055	50.382.456
Financial income / (expense)		(1.504.776)	1.658.897	(18.129.064)	4.151.216
Profit before tax from continuing operations		33.329.995	16.114.189	85.779.991	54.533.672
Current period tax income/expense		(3.922.718)	(2.883.765)	(16.668.557)	(15.444.974)
Deferred tax income/(expense)		(2.241.900)	1.617.999	(21.641.807)	(25.297.679)
Total tax (expense)/income		(6.164.618)	(1.265.766)	(38.310.364)	(40.742.653)
Net profit for the period		27.165.377	14.848.423	47.469.627	13.791.019
Distribution of income for the period					
Non-controlling interests		2.152.515	573.955	32.781.082	29.371.310
Equity holders of the parent		25.012.862	14.274.468	14.688.545	(15.580.291)
Other comprehensive income					
Items not to be reclassified to profit or loss					
Actuarial gain/(loss) arising from defined benefit plans		(40.343)	259.997	-	-
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss		8.069	(51.999)	-	-
Items to be reclassified to profit or loss					
Changes in currency translation differences		(811.697)	(26.330.930)	(51.215.236)	(32.003.423)
Changes in currency translation difference from investments accounted by equity method		2.401.315	2.783.294	807.526	(433.616)
Other comprehensive income / (expense)		1.557.344	(23.339.638)	(50.407.710)	(32.437.039)
Total comprehensive income		28.722.721	(8.491.215)	(2.938.083)	(18.646.020)
Distribution of total comprehensive income					
-Non-controlling interests		(1.021.058)	(10.343.783)	26.345.495	32.756.404
-Equity holders of the parent		29.743.779	1.852.568	(29.283.578)	(51.402.424)
Earnings per share	15	0,0007	0,0004	0,0004	(0,0005)

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 June 30, 2017**

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

	Items not to be reclassified to profit or loss			Items to be reclassified to profit or loss		Restricted reserves	Retained earnings		Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Share capital	Revaluation reserves	Actuarial gain/(loss) arising from defined benefit plans	Changes in currency translation differences from investments accounted by equity method	Foreign currency translation reserve		Retained earnings	Net profit for the period			
January 1, 2016	334.000.000	262.570.832	-	(13.780.834)	(74.870.622)	39.708.380	416.698.169	85.181.468	1.049.507.393	556.116.827	1.605.624.220
Transfers	-	-	-	-	-	1.670.000	83.511.468	(85.181.468)	-	-	-
Dividend paid	-	-	-	-	-	-	(33.400.000)	-	(33.400.000)	(360.974.322)	(394.374.322)
Total comprehensive income/ (expense)	-	-	-	807.526	(44.779.649)	-	-	14.688.545	(29.283.578)	26.345.495	(2.938.083)
June 30, 2016	334.000.000	262.570.832	-	(12.973.308)	(119.650.271)	41.378.380	466.809.637	14.688.545	986.823.815	221.488.000	1.208.311.815
January 1, 2017	334.000.000	262.570.832	(945.335)	(25.428.512)	(62.489.158)	41.378.380	466.809.637	(68.736.970)	947.158.874	254.459.191	1.201.618.065
Transfers	-	-	-	-	-	-	(68.736.970)	68.736.970	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(1.081.549)	(1,081.549)
Total comprehensive income / (expense)	-	-	(32.274)	2.401.315	2.361.876	-	-	25.012.862	29.743.779	(1,021.058)	28.722.721
June 30, 2017	334.000.000	262.570.832	(977.609)	(23,027.197)	(60,127.282)	41,378.380	398,072.667	25,012.862	976,902.653	252,356.584	1,229,259.237

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 June 30, 2017

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

		Current Period Reviewed	Previous Period Reviewed
	Notes	January 1 – June 30, 2016	January 1 – June 30, 2015
Cash Flows From Operating Activities:			
Profit for the period		27.165.377	47.469.627
<i>Adjustments to reconcile net profit/(loss) for the period</i>			
Depreciation and amortization expense	9, 10	34.402.492	33.824.743
Income / expenses from subsidiaries valued by equity method		14.337.929	(1.972.605)
Retirement pay provision, early retirement pay liability interest (income)/expense		54.039.572	38.201.691
Interest expense		28.777.490	28.914.738
Interest income		(979.815)	(4.567.154)
Impairment on inventories		16.944.270	635.231
Deferred financial income/expense		3.350.120	2.466.099
Provision for lawsuit /cancellation	12	1.570.812	278.367
Current tax income/expense		6.164.618	38.310.364
Adjustments related to losses (gains) on sale of property, plant and equipments	9, 10	(499.052)	-
Adjustments related to fair value losses (gains) on derivative financial instruments		(2.479.647)	-
Net cash provided by the operating activities before changes in the assets and liabilities		182.794.166	183.561.101
Changes in working capital (net):			
Increase / decrease in trade receivables		(53.362.717)	7.728.770
Increase / decrease in other receivables		7.070.979	8.076.802
Increase / decrease in inventories		(4.859.675)	291.510.858
Increase / decrease in trade payables		183.275.009	(110.325.842)
Employee benefit obligations		(10.231.445)	1.140.726
Deferred income		(15.040.619)	(23.485.671)
Increase / decrease in prepaid expenses		59.382.081	4.386.342
Increase /decrease in other payables		17.178.813	44.311.332
Other increase / decrease in working capital		4.808.179	44.377.006
Cash provided by the operations after the changes in working capital		371.014.771	451.281.424
Interest received		979.815	4.567.154
Interest paid		(12.411.363)	(28.914.738)
Taxes paid		(16.135.503)	(4.248.325)
Severance paid		(38.458.198)	(27.771.117)
Cash flow regarding investment activities		304.989.522	394.914.398
Cash flows from investing activities:			
Cash outflows from the purchase of property, plant and equipment and intangible assets	9, 10	(66.760.873)	(36.510.742)
Cash inflows from the sales of property, plant and equipment and intangible assets	9	2.076.248	358.717
Other cash inflows / outflows		(8.175.456)	2.186.178
Net cash amount used in investment activities		(72.860.081)	(33.965.847)
Cash flows (used in)/from financing activities			
Cash inflows from financial borrowings		1.498.965.644	1.620.064.618
Principle repayment of financial borrowings		(1.571.412.948)	(1.938.504.881)
Dividends paid		(1.081.549)	(224.850.982)
Net cash (used)/provided by financial activities		(73.528.853)	(543.291.245)
Change in cash and cash equivalents		158.600.588	(182.342.694)
Cash and cash equivalents as of January 1	4	125.519.427	364.409.394
Foreign currency translation		(2.852.148)	(2.504.914)
Cash and cash equivalents as of June 30	4	281.267.867	179.561.786

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 June 30, 2017**

(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:

Operational units	Operation details
Yarımca 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 June 30, 2017 is 1.531 (December 31, 2016 – 1.676).

25,18% of the shares of the Company are traded in the Istanbul Stock Exchange and is registered to the Capital Market Board (CMB).

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

Name	June 30, 2017		December 31, 2016	
	Share %	Share amount	Share %	Share amount
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	%75,95	253.684.607	75,95%	253.684.607
Other	%24,05	80.315.393	24,05%	80.315.393
Total	%100,00	334.000.000	100,00%	334.000.000

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

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, 2014: 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 Jonoub Co., which operates in the same region and has a production facility with an annual production capacity of 126.000 tons of phosphoric acid. In 2013, Razi has purchased the remaining 12,5% of the shares and fully owns Arya Phosphoric Jonoub Co. Consequently, Arya Phosphoric Jonoub Co 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% (December 31, 2016: 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% (December 31, 2016: 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.

As of October 5, 2017, İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş. has been transferred to Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. and with this transaction, the share percentage of Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. has changed as 15,78 %.

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 August 21, 2017. The General Assembly has the power to amend the financial statements.

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

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, 2016

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 June 30, 2017**

(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	June 30, 2017		December 31, 2016	
	Period End	Period Average	Period End	Period End
IRR / TL	0,00010795	0,00011214	0,00009364	0,0000974

2.2. Changes in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at June 30, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) 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 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.

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

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

2.2 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

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

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

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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

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

2.2 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

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

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.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

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.

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 January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of 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 January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. The amendment are not applicable for the Group and 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 June 30, 2017**

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

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

2.2 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

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 January 1, 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. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

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

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

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 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. The amendment are not applicable for the Group and 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 June 30, 2017**

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

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

2.2 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

The interpretation is effective for annual reporting periods beginning on or after January 1, 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. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.

IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 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. The amendment are not applicable for the Group and 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 June 30, 2017**

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

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

2.2 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

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

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

IFRS 17 - The new Standard for insurance contracts

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements

as of June 30, 2017

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

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 June 30, 2017 and include financial statements of Gübretaş and its Subsidiaries.
- b) As of June 30, 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 December 31, 2016.

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

- 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 Summary of significant accounting policies

Condensed consolidated financial statements for the period ended June 30, 2016, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of June 30, 2017 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended December 31, 2016. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended December 31, 2016.

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

(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 January 1, 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 June 30, 2017 and December 31, 2016 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
Assets	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Current assets	952.790.354	892.265.020	(576.992)	1.844.478.382
Non-current assets	1.190.487.662	745.887.241	(244.897.800)	1.691.477.103
Total assets	2.143.278.016	1.638.152.261	(245.474.792)	3.535.955.485
Liabilities				
Short term liabilities	1.105.833.001	808.415.321	24.350.956	1.938.599.278
Long term liabilities	138.788.395	229.308.575	-	368.096.970
Equities	898.656.620	600.428.365	(269.825.748)	1.229.259.237
Total liabilities	2.143.278.016	1.638.152.261	(245.474.792)	3.535.955.485

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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

(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 June 30, 2017 and June 30, 2016 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
Operating income	January 1, 2017 June 30, 2017	January 1, 2017 June 30, 2017	January 1, 2017 June 30, 2017	January 1, 2017 June 30, 2017
Sales (Net)	1.264.054.554	955.946.032	(153.952.715)	2.066.047.871
Cost of sales (-)	(1.146.413.889)	(821.936.146)	153.378.166	(1.814.971.869)
Gross profit	117.640.665	134.009.886	(574.549)	251.076.002
Marketing, selling and distribution expense (-)	(66.119.689)	(71.686.270)	-	(137.805.959)
General and administrative expense (-)	(13.222.239)	(84.275.703)	-	(97.497.942)
Other operating income / expense (-)(net)	31.959.880	1.435.726	4.993	33.400.599
Operating profit	70.258.617	(20.516.361)	(569.556)	49.172.700
Profit / (loss) from investments accounted by equity method	(14.337.929)	-	-	(14.337.929)
Operation profit before financial income / (expense)	55.920.688	(20.516.361)	(569.556)	34.834.771
Financial income / (expense)	(28.516.600)	26.970.956	40.868	(1.504.776)
Profit before tax	27.404.088	6.454.595	(528.688)	33.329.995
Tax expense	-	(3.922.718)	-	(3.922.718)
Deferred tax income / (expense)	(4.495.453)	2.138.643	114.910	(2.241.900)
Profit / (loss) for the period	22.908.635	4.670.520	(413.778)	27.165.377

	Turkey	Iran	Consolidation Adjustments	Total
Operating income	January 1, 2016- June 30, 2016	January 1, 2016- June 30, 2016	January 1, 2016- June 30, 2016	January 1, 2016- June 30, 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	233.658.676	-	(233.658.676)	-
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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

(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 June 30, 2017 and June 30, 2016 are as follows:

	January 1 - June 30, 2017	January 1 – June 30, 2016
Gubre Fabrikaları T.A.Ş	34.089.180	23.579.632
Razi Petrochemical Co.	32.671.693	12.931.110
Total	66.760.873	36.510.742

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on June 30, 2017 and June 30, 2016 are as follows:

	January 1 - June 30, 2017	January 1 – June 30, 2016
Gübre Fabrikaları T.A.Ş.	8.709.834	7.365.864
Razi Petrochemical Co. and its subsidiary	25.692.658	26.458.879
Total	34.402.492	33.824.743

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016
Cash on hands	319.944	17.237
Bank	283.083.768	119.788.896
- demand deposits	67.215.902	52.772.601
- time deposits	215.867.866	67.016.295
Other cash equivalents(**)	4.056.119	16.713.437
Total	287.459.831	136.519.570
Pledge cash and cash equivalents (*)	(6.191.964)	(11.000.143)
Cash and cash equivalents at the statement of cash flow	281.267.867	125.519.427

(*) As of June 30, 2017, pledge cash and cash equivalents include 6.191.964 TL, which is related with the letters of credit opened by Raintrade.(December 31,2016 : 11.000.143 TL)

(**) As of June 30, 2017 and December 31, 2016, other cash equivalents consist of Gübretaş's receivables from the sales by credit card.

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 4 - CASH AND CASH EQUIVALENTS (continued)

Time Deposits

As of June 30, 2017 and December 31, 2016 the maturity of time deposits are less than 6 months and values with effective interest method are as below:

Time Deposits (TL):

Interest Rate (%)	Maturity	December 31, 2016
8,00	January 2017	1.200.000
Total		1.200.000

Time Deposits (Foreign Currency):

				June 30, 2017	
Interest Rate (%)	Maturity	Currency	Foreign currency amount	Amount in TL	
0,41 - 2,49	Temmuz 2017	USD	44.526.867	156.160.175	
10 - 22	Temmuz 2017	Mil. IRR	375.707	40.556.558	
Libor+0,5	Temmuz 2017	EUR	4.784.195	19.151.133	
Total				215.867.866	

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

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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 5 – FINANCIAL BORROWINGS

As of June 30, 2017 and December 31, 2016, details of short and long term borrowings are as follows:

	June 30, 2017	December 31, 2016
Short term borrowings	702.009.553	798.391.047
Short term portion of long term borrowings	53.959.969	42.297.246
Total	755.969.522	840.688.293

Short and long term borrowings	June 30, 2017	December 31, 2016
Payable within 1 year	755.969.522	840.688.293
Payable within 1 – 5 years	128.130.370	99.492.773
Total	884.099.892	940.181.066

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

As of June 30, 2017 details of short term borrowings and short term portion of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	July 2017	3,40	13.479.882	53.959.969
USD	September 2017	3,95 - 3,25	98.725.734	346.241.022
TL	July 2017	13 - 14,40	175.139.657	175.139.657
Total				575.340.648

Other Financial Borrowings (*):

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	July 2017	Libor + 0,5	45.123.376	180.628.874
Total				180.628.874

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 5 – FINANCIAL BORROWINGS (continued)

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

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2017	0,03	11.401.182	42.297.246
USD	September 2017	3,25	60.659.750	213.473.792
TL	November 2017	10,85-11,45	318.892.475	318.892.475
Total				574.663.513

Other Financial Borrowings (*):

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

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

b) Long term borrowings

	June 30, 2017	December 31, 2016
Long term bank loans (Gübretaş)	128.130.370	99.492.773
Total	128.130.370	99.492.773

As of June 30, 2017 details of long term borrowings are as follows:

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	2020	3,40%	21.061.774	84.310.283
TL	2022	14,65%	43.820.087	43.820.087
Total				128.130.370

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 5 – FINANCIAL BORROWINGS (continued)

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

Bank Loans:

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:

	June 30, 2017	December 31, 2016
Trade receivables	384.619.989	274.744.041
Notes receivables	6.617.276	3.321.819
Receivables from National Petrochemical Company ("NPC") (Razi)	-	15.386.214
Trade receivables from third parties (gross)	391.237.265	293.452.074
Allowance for doubtful receivables (-)	(4.365.809)	(4.365.809)
Trade receivables from third parties (net)	386.871.456	289.086.265

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

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

Overdue following the maturity	June 30, 2017	June 30, 2016
More than 9 months	4.365.809	4.365.809
Total	4.365.809	4.365.809

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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

(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:

	June 30, 2017	June 30, 2016
Balance at January 1	4.365.809	4.365.809
Payments during the period	-	-
Balance at June 30	4.365.809	4.365.809

As of June 30, 2017 and December 31, 2016 guarantees related to not overdue receivables are as follows:

	June 30, 2017	December 31, 2016
Guarantee Letters	262.237.525	253.128.074
Collateral cheques and notes	60.787.401	60.937.401
Total	323.024.926	314.065.475

Short term trade payables:

	June 30, 2017	December 31, 2016
Trade payables (Gübretaş)	470.433.672	345.133.568
Trade payables (Razi)	56.859.948	96.247.990
Payables to NPC (Razi)	275.625.093	182.745.018
Other trade payables	1.410.430	2.899.936
Total	804.329.143	627.026.512

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:

	June 30, 2017	December 31, 2016
VAT receivables (Razi)	116.186.599	101.569.275
Other various receivables (**)	50.870.368	21.818.830
Other various receivables (Tabosan) (*)	34.452.905	33.135.093
Due from personnel	5.992.048	11.244.879
Other short term receivables	207.501.920	167.768.077

- (*) The total amount of capital receivables sourcing from payments made as co-guarantor and accrued interest receivable as of the report date of the Group is 34.452.905 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 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. The aforementioned registration acceptance file has been 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.

- (**) As of June 30, 2017, 36.262.411 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns.

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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other long term receivables:

	June 30, 2017	December 31, 2016
Due from personnel (*)	9.310.239	9.884.196
Deposits & guarantees given	12.710.126	13.189.904
Other long term receivables	22.020.365	23.074.100

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

Other short term payables:

	June 30, 2017	December 31, 2016
Dividend payables to non-controlling interests	102.518.204	101.120.883
Payables from investments accounted by equity method	57.849.055	41.538.964
Other payables	22.155.557	11.282.092
Other short term payables	182.522.816	153.941.939

NOTE 8 – INVENTORIES

	June 30, 2017	December 31, 2016
Raw materials and supplies	263.314.007	214.676.484
Finished goods	137.914.966	142.129.647
Trade goods	358.487.683	408.573.898
Other inventories	61.734.383	49.171.545
Total	821.451.039	814.551.574
Minus: Impairment of inventories	(17.483.344)	(539.074)
Toplam	803.967.695	814.012.500

The Group has realized the net realisable value analysis for inventories and the results of this analysis impairment of inventories has been made provisioned amounting to TL 17,483,344 provision for impairment is allocated (2016: 539.074).

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

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT

The depreciation cost and amortization of the company is 17.482.540 TL as of June 30, 2017 and June 30, 2016 details are given below;

			June 30, 2017
	Gübretaş	Razi	Total
Amortization Cost	8.676.937	25.692.659	34.369.596
Depreciation Cost	32.896	-	32.896
Total	8.709.833	25.692.659	34.402.492

June 30, 2017: Out of the total of 34.402.492 TL depreciation and amortization costs; 33.268.114 TL have been included in General Production Costs, 280.495 TL in Sales and Marketing Costs, 853.883 TL in General Management Costs.

			June 30, 2016
	Gübretaş	Razi	Total
Amortization Cost	7.282.909	26.458.879	33.741.788
Depreciation Cost	82.955	-	82.955
Total	7.365.864	26.458.879	33.824.743

June 30, 2016: Out of the total of 33.824.743 TL depreciation and amortization costs; 32.640.981 TL have been included in General Production Costs, 332.871 TL in Sales and Marketing Costs, 850.891 TL in General Management Costs.

Pledges and Mortgages on Assets

There are no pledges or mortgages on the property, plant and equipment of the company as of the dates June 30, 2017 and December 31, 2016.

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance on January 2017	460.149.818	59.895.278	334.392.130	1.133.978.599	10.230.291	27.012.387	1.018.158	88.846.999	2.115.523.660
Foreign currency translation differences	(1.042.973)	-	(795.107)	(6.345.492)	(94.574)	(124.019)	-	(778.614)	(9.180.779)
Additions	1.622.260	12.556	38.046	18.039.051	322.964	800.803	-	45.781.573	66.617.253
Sales/Cancellations	-	(7.010.449)	-	(909.095)	(913.431)	(2.133.705)	-	-	(10.966.680)
Transfer from construction in progress	-	-	-	1.813.322	-	-	-	(1.813.322)	-
Closing Balance on June 30, 2017	460.729.105	52.897.385	333.635.069	1.146.576.385	9.545.250	25.555.466	1.018.158	132.036.636	2.161.993.454
Accrued Depreciation									
Opening balance on January 2017	-	(49.754.294)	(119.448.834)	(706.506.946)	(6.763.208)	(12.919.553)	(225.106)	-	(895.617.941)
Foreign currency translation differences	-	-	(507.905)	2.735.637	51.716	80.430	-	-	2.359.878
Expenses of the period	-	(491.340)	(4.916.074)	(26.766.356)	(647.089)	(1.489.835)	(58.902)	-	(34.369.596)
Sales/Cancellations	-	6.999.077	718.191	703.384	97.078	871.757	-	-	9.389.487
Closing Balance on June 30, 2017	-	(43.246.557)	(124.154.622)	(729.834.281)	(7.261.503)	(13.457.201)	(284.008)	-	(918.238.172)
Net Book Value on June 30, 2017	460.729.105	9.650.828	209.480.447	416.742.104	2.283.747	12.098.265	734.150	132.036.636	1.243.755.282

As of June 30, 2017, 3.802.354TL within construction in progress is capitalized interest and foreign currency exchange difference (December 31, 2016 – TL 24.319.420).

Gübre Fabrikaları Türk Anonim Şirketi

**Notes to the interim condensed consolidated financial statements
as of June 30, 2017**

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost									
Opening balance at January 1, 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)	-
Closing Balance at June 30, 2016	439.515.341	59.661.911	300.793.938	1.044.437.196	9.120.216	22.751.036	967.658	69.112.478	1.946.359.774
Accumulated depreciation									
Opening balance at January 1, 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
Closing Balance at June 30, 2016	-	(49.277.323)	(107.513.160)	(625.882.027)	(5.661.520)	(10.681.509)	(166.910)	-	(799.182.449)
Net Book Value at June 30, 2016	439.515.341	10.384.588	193.280.778	418.555.169	3.458.696	12.069.527	800.748	69.112.478	1.147.177.325

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

NOTE 10 – INTANGIBLE ASSETS

Rights:

	June 30, 2017	June 30, 2016
Opening Balance on 1 January	29.914.969	1.020.640
Foreign currency translation differences	(344.839)	-
Additions	143.618	95.092
Closing Balance on 30 June	29.713.748	1.115.732

Accumulated Amortization

Opening Balance on 1 January	(785.165)	(585.724)
Amortization Expenses for Current Period	(32.896)	(82.955)
Closing Balance on 30 June	(818.061)	(668.679)
Net Book Value	28.895.687	447.053

Goodwill:

	June 30, 2017	June 30, 2016
Opening balance on January 1	188.461.258	168.244.294
Foreign currency translation differences	(1.306.997)	(4.830.779)
Balance as of June 30	187.154.261	163.413.515

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. As of the date of the report, 1.225.559.793 shares out of purchased 1.368.698.169 shares of the Group have been delivered and the delivery of remaining shares amounting 143.138.376 is in the process.

Purchasing Commitments

As of June 30, 2017 Group has USD 161.394.114 accredited purchasing commitment. (December 31, 2016: USD 142.539.315).

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provision:

	June 30, 2017	December 31, 2016
Provision for cost expenses	57.475.433	74.807.731
Provisions for law suits	3.351.170	3.378.518
Other short term provisions	208.274	1.737.657
Other Short Term Debt Provision	61.034.877	79.923.906

Law suit Provision:

	June 30, 2017	June 30, 2016
As of January 1	3.378.518	1.780.358
Addition / Cancellation	(27.348)	278.367
As of June 30	3.351.170	2.058.725

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued against the Group for 785.193TL 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 3.351.170 TL (2016: 3.378.518 TL) provision for other lawsuits.

As from June 30, 2017 and December 31, 2016, the tables related to the Group's tables related to Assurance- Pledge-Hypothecs position are as follows:

	June 30, 2017			December 31, 2016		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
APH Given by the Company						
A. Total amount of APH's given for own legal entity (Assurance)	TL	12.247.963	12.247.963	TL	13.622.890	13.622.890
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 rd parties for the performance of ordinary businesss activites	USD	29.050.884	101.884.357	USD	30.418.152	107.047.561
D. Total amount of other APH's given	-	-	-	-	-	-
i. Total amount of APH's given for main partner	-	-	-	-	-	-
ii. Total amount of APH's given for other group companies not falling into the scope of articles B and C (Assurance)	-	-	-	-	-	-
iii. Total amount of APH's given for 3rd parties not falling in to the scope of article	-	-	-	-	-	-
		114.132.320			120.670.451	

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

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

Contingent Liabilities

As explained in Note 16, corporate tax declarations of Razi Petrochemical Co. ("Razi") for the previous years were examined by the tax authority of Islamic Republic of Iran. As a result of investigations, it is established that exports carried out by Razi are recorded as income exempted from taxation in its tax calculations. The tax authority accrued additional tax expenditure at an amount of 85 Million TL for 2012, 2013 and 2014, the Company has objected to 19.6 Million TL of the related tax amount, paid 15.6 Million TL and made a provision 49.8 million TL. Razi has not made a provision for 2015 and 2016 since it has losses from its operations except for export exemption.

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

Razi Petrochemical Co ("Razi") has trade payables to National Iranian Oil Company ("NIOC") at an amount of 2,553 billion Rials (for 78,5 Million USD) for price of sour gas purchased up to 30 June 2017. In accordance with the contract between Razi and NIOC and letter dated 20 October 2014 by Ministry of Petroleum, the price of gas should be calculated and billed based on Rials. Despite of the aforementioned contract and letter, NIOC has issued all the invoices in foreign currency in 2016 and on this basis, claims the balance sum owed by the Company as 94,5 million. The discussions between Razi Management and NIOC for the mutual agreement on such difference are ongoing. The Group management has not provided any provision in the consolidated financial statements for this subject.

Iskenderun Fiscal Directorate ("Treasury") brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m2 located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 117.259.606 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. The lawsuits filed have been dismissed but the Group requested a correction to the appeal court within the legal period. 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

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

NOTE 13 – REVENUE AND COST OF SALES

Sales	Januray 1 – June 30, 2017	April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Domestic Sales	1.698.777.024	750.584.243	1.314.291.990	472.069.818
Overseas Sales	404.156.100	214.492.370	294.103.092	138.920.270
Sales Returns(-)	(2.834.327)	(2.396.361)	(1.151.250)	(660.068)
Sales Discounts(-)	(33.695.445)	(12.068.048)	(12.926.016)	(3.495.592)
Other Discounts from Sales(-)	(355.481)	(109.898)	(3.329.986)	(1.658.233)
Total	2.066.047.871	950.502.306	1.590.987.830	605.176.195
Cost of Sales (-)		April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Cost of Good Produced	773.033.775	365.396.075	662.245.773	312.832.798
Change in the Good Inventory	21.698.025	(22.968.527)	6.583.591	(69.329.765)
-Goods at the beginning of the period	142.129.647	97.463.095	213.142.287	137.228.931
-Goods at the end of the period	(120.431.622)	(120.431.622)	(206.558.696)	(206.558.696)
Cost of Good Sold	794.731.800	342.427.548	668.829.364	243.503.033
-Merchandise Inventory at the beginning of the Period	408.573.898	285.881.988	445.366.727	217.959.619
-Purchases	967.721.018	559.814.729	398.949.918	191.826.804
-Merchandise Inventory at the end of the Period	(358.487.683)	(358.487.683)	(158.430.387)	(158.430.387)
Cost of merchandise Sold	1.017.807.233	487.209.034	685.886.258	251.356.036
Cost of services sold	1.962.780	1.231.801	937.903	937.903
Cost of Other Sales	470.056	193.027	464.743	16.417
Total	1.814.971.869	831.061.410	1.356.118.268	495.813.389

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 – OTHER OPERATING INCOME AND EXPENSES

Other Operating Income	Januray 1 – June 30, 2017	April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Exchange difference income arising from commercial transactions	151.511.288	57.170.161	79.652.805	36.410.696
Interest income	1.133.891	767.305	4.567.154	4.536.942
Delay interest income arising from commercial transactions	12.039.289	3.364.008	9.429.231	5.645.611
Other income	2.642.241	(484.176)	4.915.529	(360.032)
Total	167.326.709	60.817.298	98.564.719	46.233.217

Other Operating Expenses	Januray 1 – June 30, 2017	April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Exchange difference expenses arising from commercial transactions	107.076.350	34.800.267	35.037.420	3.583.861
Interest expenses	6.514.608	489.685	5.735.933	(198.858)
Other expenses	20.335.152	10.114.182	17.245.896	9.460.200
Total	133.926.110	45.404.134	58.019.249	12.845.203

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 June 30, 2017 and June 30, 2016 are as follows.

	Januray 1 – June 30, 2017	April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Net profit for the period	25.012.862	14.274.468	14.688.545	(15.580.291)
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
Earnings per share (kr) (*)	0,0007	0,0004	0,0004	(0,0005)

(*) 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.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - RELATED PARTIES TRANSACTIONS

(i) Balances due from related parties

(a) Trade and other receivables

	June 30, 2017	December 31, 2016
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	49.704.983	85.191.486
Other related parties	-	12.222.123
Total	49.704.983	97.413.609
Affiliates and other related parties (Short Term)		
Negmar Denizcilik A.Ş.	1.309	346.024
Etis Lojistik A.Ş.	-	2.300.000
Tarnet A.Ş.	-	88.902
Other related parties	50.215	21.477
Total	51.524	2.756.403
Affiliates and other related parties (Long Term)		
Negmar Denizcilik A.Ş.	54.414.259	85.252.157
Other related parties	-	9.314.906
Total	54.414.259	94.567.063

(b) Trade payables:

	June 30, 2017	December 31, 2016
Affiliates and other related parties		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	8.551.657	739.929
Negmar Denizcilik A.Ş.	69.064	69.303
Etis Lojistik A.Ş.	1.199.879	-
Tarnet A.Ş.	33.672	65.675
Other related parties	1.406.535	4.349.554
Total	11.260.807	5.224.461

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

Sales of Goods and Services:

	Januray 1 – June 30, 2017	April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Main parent				
Tarım Kredi Koop. Merkez Birliği	849.804.661	306.507.007	679.682.720	157.848.910
Subsidiaries				
Negmar Maritime Company	896.989	498.748	776.987	295.412
Tarkim Bitki Koruma San. ve Tic. A.Ş.	443.759	137.992	108.410	87.410
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	269.611	157.786	-	-
Tarnet A.Ş.	58.258	57.628	-	-
Total	851.473.278	307.359.161	680.568.117	158.231.732

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - RELATED PARTIES TRANSACTIONS (continued)

(ii) Transactions with Related Parties

Purchase of Goods and Services:

	Januray 1 – June 30, 2017	April 1 – June 30, 2017	January 1 – June 30, 2016	April 1 – June 30, 2016
Main parent				
Tarım Kredi Koop. Merkez Birliği	256.162	140.926	3.341.446	3.341.446
Subsidiaries				
Raintrade Petrokimya ve Dış Ticaret A.Ş.	153.683.104	39.596.622	-	-
Negmar Maritime Company	71.670.431	25.081.002	52.895.917	12.640.911
Tarkim Bitki Koruma San. ve Tic. A.Ş.	31.591.920	10.203.768	22.254.240	7.604.686
Tarnet A.Ş.	539.607	296.345	301.401	124.350
Total	257.741.224	75.318.663	78.793.004	23.711.393

(*) Group gets service for logistics and handling from Negmar Denizcilik A.Ş. and its subsidiaries.

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 June 30, 2017 shown below table:

	June 30, 2017		June 30, 2016	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	1.037.477	3.159.554	633.300	3.130.787
Total	1.037.477	3.159.554	633.300	3.130.787

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

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 June 30, 2017 is as follows;

		June 30, 2017	
	TL (Functional currency)	USD	EURO
1 Trade receivables	97.080.968	21.137.330	5.733.259
2 Monetary financial assets (cash and bank accounts included)	144.616.876	35.439.218	5.078.191
3 Other current assets	9.303.165	1.551.153	965.055
4 Current assets (1+2+3)	251.001.009	58.127.701	11.776.505
5 Trade payables	458.932.611	130.710.755	129.134
6 Financial liabilities	438.815.295	61.171.625	56.028.051
7 Other short term liabilities, net	52.388	14.938	-
8 Short term liabilities (5+6+7)	897.800.294	191.897.318	56.157.185
9 Trade payables	-	-	-
10 Financial liabilities	85.877.412	-	21.453.263
11 Long term liabilities (9+10)	85.877.412	-	21.453.263
12 Total liabilities (8+11)	983.677.706	191.897.318	77.610.448
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(732.676.697)	(133.769.617)	(65.833.943)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(732.676.697)	(133.769.617)	(65.833.943)

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

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 December 31, 2016 is as follows;

	TL (Functional currency)	December 31, 2016	
		USD	EURO
1 Trade receivables	61.894.207	11.547.014	5.730.061
2 Monetary financial assets (cash and bank accounts included)	29.160.486	7.464.521	779.359
3 Other current assets	36.405.091	9.062.024	1.216.749
4 Current assets (1+2+3)	127.459.784	28.073.559	7.726.169
5 Trade payables	266.491.383	74.031.530	1.606.411
6 Financial liabilities	521.795.818	60.659.750	83.107.907
7 Other short term liabilities, net	3.232.817	918.623	-
8 Short term liabilities (5+6+7)	791.520.018	135.609.903	84.714.318
9 Trade payables	-	-	-
10 Financial liabilities	99.492.773	-	26.818.182
11 Long term liabilities (9+10)	99.492.773	-	26.818.182
12 Total liabilities (8+11)	891.012.791	135.609.903	111.532.500
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(763.553.007)	(107.536.344)	(103.806.331)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(763.553.007)	(107.536.344)	(103.806.331)

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of June 30, 2017

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

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

In the years ending on June 30, 2017 and June 30, 2016, in case there is a (+) / (-) 10% change in foreign exchange rates when the other variables are kept fixed according to the net foreign exchange position on the balance sheet of the company, the change on the pre-tax profit is as follows:

	June 30, 2017	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(46.914.342)	46.914.342
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(46.914.342)	46.914.342
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(26.353.327)	26.353.327
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit fort the period	(26.353.327)	26.353.327

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 KTL160, and the foreign currency adjustments would decrease by 90 Million TL.

	June 30, 2016	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD - net	(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
Change of EUR by %10 against TL		
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 fort the period	(29.861.523)	29.861.523

NOTE 18 - SUBSEQUENT EVENTS

None.