



**2017 3<sup>rd</sup> QUARTER  
OPERATING REVIEW  
REPORT**

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## I. INTRODUCTION

### A. REPORTING PERIOD

01.01.2017 – 30.09.2017

### 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](mailto:gubretas@gubretas.com.tr)

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

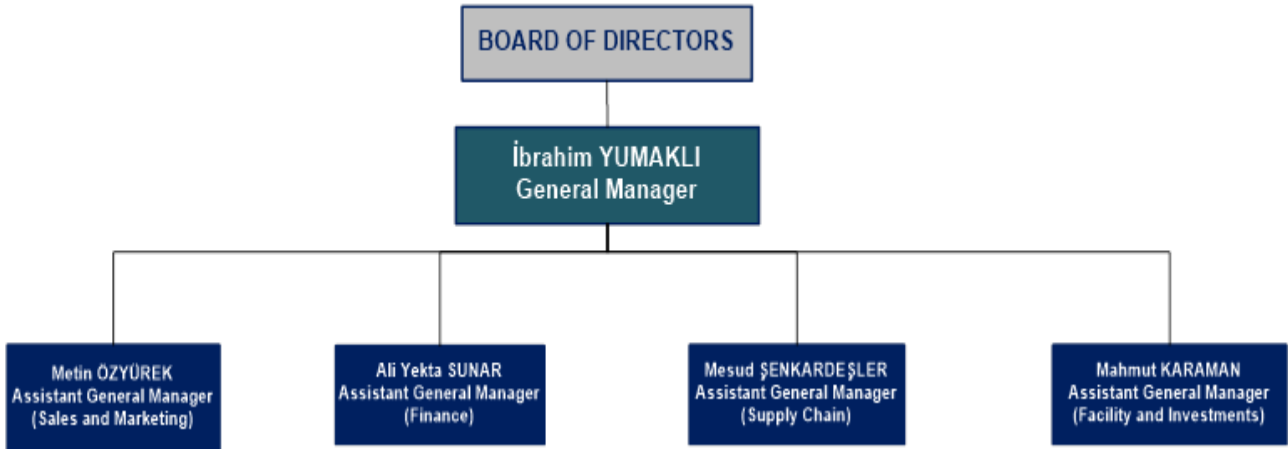
**ANTALYA REGIONAL OFFICE**

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

\* As announced by our company in the Public Disclosure Platform (PDP) dated 16.10.2017, in line with the resolutions of the Board of Directors of our Company; it was decided to open our 8th regional sales office in Şanlıurfa and necessary work and operations have started.

**E. ORGANIZATION CHART****F. CAPITAL STRUCTURE**

As of 30.09.2017 authorized capital of the company is 1.000.000.000 ₺ and issued capital is 334.000.000 ₺. There has not been any change in terms of issued capital and shareholder structure of Gübretas within the fiscal period.

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

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

**Tablo 1 : CAPITAL STRUCTURE**

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

**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:

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:

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 30<sup>th</sup> of September 2017, our number of personel increased by 4% 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 4.330 hours of educational activities with the participation of 261 employees were carried out in the first nine months of 2017.

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

### A. PRODUCTION

In the first nine months of 2017, Gübretaş produced a total of 478.095 tons of solid fertilizers as 424.002 tons of compound, 54.015 tons of TSP and 78 tons of nitrogen-based. In addition 16.561 tons of liquid and powder fertilizers were produced.

Solid fertilizer production increased by 20,2% and liquid-powder production also increased by 124,0 % in 2017 compared to 2016. Total fertilizer production including solid, liquid and powder increased by 22,1 %.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 71,54 % in the first nine months of 2017.

**Table 5 : PRODUCTION BY GROUP -TON**

PRODUCT	2017/9	2016/9	Change
Solid Fertilizer	478.095	397.752	20,2%
Liquid - Powder Fertilizer	16.561	7.393	124,0%
<b>GRAND TOTAL</b>	<b>494.656</b>	<b>405.145</b>	<b>22,1%</b>

### B. SALES AND PURCHASES

Our Company sold 1.451.719 tons of solid, 34.695 tons of liquid and powder fertilizers in the first nine months of 2017. In the first nine months of 2016, 1.258.375 tons of solid, 21.918 tons of liquid and powder fertilizers were sold.

The sales increased by 15,36 % in the first nine months of 2017, compared to the same period of the year before.

The volume of purchases was 912.044 tons in the first nine months of 2016, and it increased by 63,70 % to 1.493.009 tons in first nine months of 2017. Export has been 1.872 tons in the first nine months of 2017, while it was 1.790 tons in the same period of 2016.



**Table 6: RAW MATERIAL AND COMMODITY IMPORTS-TON**

	2017/9	2016/9	Change
Raw Material	425.211	321.462	32,27%
Commodity	1.067.798	590.582	80,80%
<b>Total Purchases</b>	<b>1.493.009</b>	<b>912.044</b>	<b>63,70%</b>
<b>Sales</b>	<b>1.451.719</b>	<b>1.258.375</b>	<b>15,36%</b>

**Table 7: SALES BY PRODUCT GROUPS-TON**

SOLID CHEMICAL FERTILIZER	2017/9	2016/9	Change
Compound	463.702	411.522	12,68%
Nitrogen-based	765.955	671.885	14,00%
Phosphate-based and others	222.062	174.968	26,92%
<b>Total Solid Fertilizer</b>	<b>1.451.719</b>	<b>1.258.375</b>	<b>15,36%</b>
<b>Total Liquid - Powder Fertilizer</b>	<b>34.695</b>	<b>21.918</b>	<b>58,29%</b>
<b>GRAND TOTAL</b>	<b>1.486.414</b>	<b>1.280.293</b>	<b>16,10%</b>

### C. INVESTMENTS

In Turkish operations, our company spent 51.639.014 ₺ for capital expenditure in the first three quarters of 2017, while this figure was 89.286.738 ₺ in the same period of 2016.

### III. 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

#### IV. RAZI PETROCHEMICAL CO. ACTIVITIES

##### A. PRODUCTION

In the first three quarters of 2017, 1,288,529 tons of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co., capacity utilization rate was 47,19%.

**Table 10: PRODUCTION BY PRODUCTS-TON**

PRODUCT	2017/9	2016/9	Change	Capacity	2017/9 CUR
Ammonia	622.554	587.341	6,00%	1.336.000	62,13%
Urea	263.249	255.077	3,20%	594.000	59,09%
Sulphur	200.856	198.745	1,06%	508.000	52,72%
Sulphuric Acid	135.636	167.166	-18,86%	627.000	28,84%
Phosphoric Acid	38.943	51.809	-24,83%	126.000	41,21%
DAP	27.292	46.008	-40,68%	450.000	8,09%
<b>TOTAL</b>	<b>1.288.529</b>	<b>1.306.146</b>	<b>-1,35%</b>	<b>3.641.000</b>	<b>47,19%</b>

##### B. SALES

In the first nine months of 2017, 1,165,569 tons of fertilizer were sold and 1,036,278,964 ₺ of revenue were achieved in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co. Razi Petrochemical Co. exported 905,578 tons and sold 259,991 tons in the domestic market in the first nine months of 2017. Share of export in total sales was 77,69%.

**Table 11 : SALES BY PRODUCTS-TON**

PRODUCT (Razi & Arya)	2017/9	2016/9	Change
Ammonia	469.680	368.152	27,58%
Urea	250.070	241.249	3,66%
Sulphur	190.957	144.886	31,80%
DAP	39.832	37.248	6,94%
Phosphoric Acid	29.916	26.201	14,18%
Sulphuric Acid	16.290	17.595	-7,42%
<b>Subtotal</b>	<b>996.745</b>	<b>835.331</b>	<b>19,32%</b>
Urea	93.498	-	-
Ammonium Sulphate	75.326	-	-
<b>Other Sales</b>	<b>168.824</b>	-	-
<b>GRAND TOTAL</b>	<b>1.165.569</b>	<b>835.331</b>	<b>39,53%</b>

### C. INVESTMENTS

In Iran operations, our company spent 27.599.481 ₺ for capital expenditure in 2017, while this figure was 17.622.630 ₺ in 2016.

## V. REVIEW

The weakness in the prices of phosphate fertilizers and fertilizer raw materials continued in the third quarter of 2017. When the price movements of intermediate product phosphoric acid and raw material phosphate rock in the North African region are examined, after 2009, it can be said that the lowest price levels for the most consumed product, DAP, are observed.

Nitrogen fertilizers and fertilizer raw materials' prices have been fluctuating within the year, with an uptrend limited movement in the recent period. The second half of 2016 is the term that the lowest prices of nitrogen fertilizer and fertilizer raw materials have been observed since 2009. Prices recovered with the contribution of the demand increase as of the beginning of 2017 have weakened again with the summer months when the demand slowed down. A similar course is observed when price movements in the Middle East region of urea, which is the most consumed product, and other highly consumed products, ammonium sulphate, ammonium nitrate and ammonia, which are the inputs of these products, are observed. Ammonia is also the most important product of our subsidiary, Razi Co., based in Iran, which has a distinctive importance and is the most important factor in the performance of our subsidiary.

As the sector imports almost all of the raw material and end product needs, movements in the exchange rate (especially USD / TRY) are also important for the sector. The steady trend during the third quarter of the year led to a more limited exchange rate effect on prices in TL and to move prices upwards and downwards compared to the prices in global markets.

The drop in fertilizer prices, the removal of VAT in the fertilizer sector, and the incentives to increase fertilizer consumption are contributing to the strong demand for fertilizer. Looking at longer term, the completion of various ongoing irrigation projects and the increase in the amount of irrigated soil is another factor that will affect fertilizer consumption positively. When assessed in terms of our subsidiary, different types of sanctions that Iran is exposed to will have an impact on the future performance of the Iranian economy and indirectly Razi Co..

Our company continues its activities in line with budget targets in operational indicators such as production and sales, reinforcing its leading position in the market. In addition, it continues to invest in order to increase product diversity and production capacity and to reduce costs.

## VI. FINANCIAL STRUCTURE

### A. BALANCE SHEET ASSETS-₺

ASSETS	30 September 2017	31 December 2016
<b>Current Assets</b>	<b>1.605.429.007</b>	<b>1.648.288.615</b>
Cash and Cash Equivalents	191.183.720	136.519.570
Financial Investments	54.601.153	24.961.482
Trade Receivables	329.627.540	386.499.874
- Trade receivables from related parties	-	97.413.609
- Other trade receivables	329.627.540	289.086.265
Other Receivables	217.564.695	170.524.480
- Other receivables from related parties	1.070	2.756.403
- Other receivables	217.563.625	167.768.077
Inventories	738.176.158	814.012.500
Prepaid expenses	57.117.203	75.887.364
Derivative Instruments	1.484.880	16.743.178
Current tax assets	290.322	5.687.893
Other Current Assets	15.383.336	17.452.274
<b>Fixed Assets</b>	<b>1.663.841.274</b>	<b>1.734.843.766</b>
Financial Investments	42.771.537	44.152.656
Other receivables	76.596.837	117.641.163
- Other receivables from related parties	55.034.082	94.567.063
- Other receivables from third parties	21.562.755	23.074.100
Investments Valued by Equity Method	10.992.348	9.025.166
Investment Properties	57.028.000	57.028.000
Tangible Fixed Assets	1.217.730.703	1.219.905.720
Intangible Fixed Assets	209.990.802	217.591.062
- Goodwill	182.176.418	188.461.258
- Other intangible assets	27.814.384	29.129.804
Prepaid expenses	16.139.576	40.975.917
Deferred Tax Assets	32.591.471	28.524.082
<b>TOTAL ASSETS</b>	<b>3.269.270.281</b>	<b>3.383.132.381</b>

**B. BALANCE SHEET LIABILITY-₺**

<b>LIABILITIES</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
<b>Short-term Liabilities</b>	<b>1.729.207.607</b>	<b>1.855.080.961</b>
Financial Liabilities	479.188.974	798.391.047
Short-term portion of long-term borrowings	53.312.657	42.297.246
Trade payables	741.599.393	632.250.973
- <i>Trade payables to related parties</i>	6.392.144	5.224.461
- <i>Other trade payables to third parties</i>	735.207.249	627.026.512
Payables for Employment Termination Benefits	30.574.500	35.667.368
Other Payables	180.822.465	153.941.939
- <i>Other payables to third parties</i>	180.822.465	153.941.939
Deferred Incomes	119.617.143	34.436.793
Current Tax Liabilities	32.666.185	53.959.350
Short-term provisions	91.426.290	104.136.245
- <i>Short-term provisions for employee benefits</i>	30.912.720	24.212.339
- <i>Provisions for payables</i>	60.513.570	79.923.906
<b>Long-term Liabilities</b>	<b>353.763.418</b>	<b>326.433.355</b>
Long-term borrowings	114.136.959	99.492.773
Provisions for employee benefits	199.492.641	185.422.202
Deferred tax liabilities	40.133.818	41.518.380
<b>EQUITY CAPITAL</b>	<b>1.186.299.256</b>	<b>1.201.618.065</b>
Paid-in Capital	334.000.000	334.000.000
<u>Accumulated other comprehensive income / expense not to be reclassified to profit or loss</u>		
Revaluation and actuarial gain/(loss)	261.584.825	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>	(986.007)	(945.335)
<u>Accumulated other comprehensive income / expense to be reclassified to profit or loss</u>		
- <i>Foreign currency translation reserve</i>	(70.909.006)	(62.489.158)
- <i>Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method</i>	(24.536.877)	(25.428.512)
Restricted Reserves From Profit	41.378.380	41.378.380
- <i>Legal Reserves</i>	41.378.380	41.378.380
Retained earnings	398.072.667	466.809.637
Net Period Profit / (Loss)	9.927.580	(68.736.970)
<b>Equity attributable to equity holders of the parent</b>	<b>949.517.569</b>	<b>947.158.874</b>
<b>Minority Shares</b>	<b>236.781.687</b>	<b>254.459.191</b>
<b>TOTAL LIABILITIES</b>	<b>3.269.270.281</b>	<b>3.383.132.381</b>

**C. INCOME STATEMENT-₺**

<b>CONTINUING OPERATIONS</b>	<b>1 Jan 2017 30 Sep 2017</b>	<b>1 Jan 2016 30 Sep 2016</b>
Sales (net)	2.547.999.866	2.131.497.340
Costs of Sales (-)	(2.204.391.362)	(1.824.073.622)
<b>GROSS PROFIT</b>	<b>343.608.504</b>	<b>307.423.718</b>
Administrative Expenses (-)	(117.719.619)	(93.650.704)
Marketing, Sales and Distribution Expenses (-)	(211.909.784)	(151.612.210)
Other Operating Incomes	222.715.787	131.047.860
Other Operating Expenses (-)	(212.593.193)	(118.668.292)
<b>OPERATION PROFIT/(LOSS)</b>	<b>24.101.695</b>	<b>74.540.372</b>
Shares in Profit/Loss of Investments Valued by Equity Method	(16.092.637)	(1.599.700)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE</b>	<b>8.009.058</b>	<b>72.940.672</b>
Finance Expenses (-)	(4.841.966)	(2.575.914)
<b>PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS</b>	<b>3.167.092</b>	<b>70.364.758</b>
<b>Total Tax Income / Expense (-)</b>	<b>(387.851)</b>	<b>(55.637.999)</b>
- Period Tax Income / Expense (-)	(3.114.041)	(26.596.680)
- Deferred Tax Income / Expense(-)	2.726.190	(29.041.319)
<b>PERIOD PROFIT/ (LOSS)</b>	<b>2.779.241</b>	<b>14.726.759</b>
<b><u>Distribution of Period Profit / (Loss)</u></b>		
Minority Shares	(7.148.339)	32.784.237
Parent Company's Shares	9.927.580	(18.057.478)
<b>Earnings / (Loss) Per Share (kr)</b>	<b>0,0003</b>	<b>(0,0005)</b>

## VII. EVENTS AFTER BALANCE SHEET DATE

1. Iskenderun Fiscal Directorate (“Treasury”) brought a case (“principal case”) in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m<sup>2</sup> located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land, and our company brought a suit (“counter claim”) for the compensation of the property right in view of the likelihood that this case will result in favor of the Treasury,

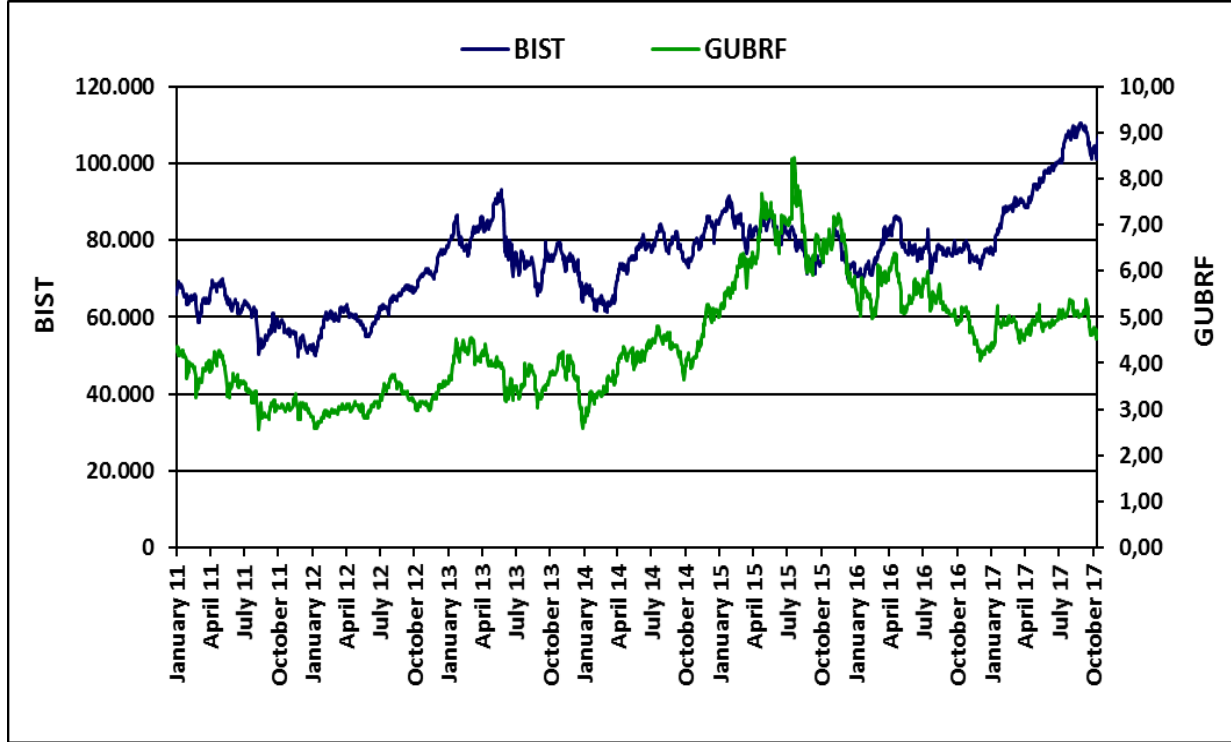
On 14/03/2017, our company announced that with the paritally acceptance of the "principal case", Iskenderun 3rd Civil Rights Court decided to the cancellation of the deed registration of 78.674,76 m<sup>2</sup> of the immovable property belonging to our company located in the borders of Hatay, Iskenderun and Sariseki, and to the exclusion from registration as shore edge line. The court rejected the petition concerning the surplus as the coastal border line and rejected the "counterclaim" filed by our company. After that, on 25/04/2017, it was announced that our company appealed against the case in its legal period.

The Request of appeal of our company has been accepted. The Gaziantep District Court of Justice 15th Law Office removed the "original case" and "counterclaim" rulings and extradite the file to the local court for review.



## VIII. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



## IX. 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 dates of 1.7.2017 - 30.9.2017, the following works have been realized by the Company in order to be compliant with the principles issued in the related communiqué:

2. Regarding to the article 2.1.3 of Corporate Governance Principles, which are stated in the Annex-1 of the Corporate Governance Communiqué, our 2nd quarter financial statements excluding footnotes have been announced in the Public Disclosure Platform both in Turkish and English.

## **X. CONCLUSION**

### **DEAR SHAREHOLDERS,**

In the first nine months of 2017, 1.493.009 tons of fertilizers and raw materials were procured from domestic and foreign markets and 478.095 tons of various types of chemical solid fertilizer were produced at our facilities. On the other hand, 1.486.414 tons of solid, liquid and powder fertilizers were sold in the first nine months of 2017. Net sale revenues realized as 1.665.673.617 ₺.

Also 1.288.529 tons of fertilizer and fertilizer raw materials were produced 1.036.278.964 ₺ sale revenues were realized by the sale of 1.165.569 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co and its subsidiaries.

Our company reached to 2.547.999.866 ₺ consolidated sales revenue. Beside, by deducting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 3.167.092 ₺ profit realized before tax. 2.779.241 ₺ consolidated profit occurred after deducting 387.851 ₺ net tax expense. 9.927.580 ₺ profit to shareholders has occurred after deducting 7.148.339 ₺ shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first nine 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 – September 30, 2017**

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of financial position  
as of September 30, 2017**

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

		<b>Current Period</b>	<b>Prior Year</b>
		<b>Non-audited</b>	<b>Audited</b>
		<b>September 30,</b>	<b>December 31,</b>
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	191.183.720	136.519.570
Financial investments		54.601.153	24.961.482
Trade receivables			
- Trade receivables from related parties	16	-	97.413.609
- Trade receivables from third parties	6	329.627.540	289.086.265
Other receivables			
- Other receivables from related parties	16	1.070	2.756.403
- Other receivables from third parties	7	217.563.625	167.768.077
Inventories	8	738.176.158	814.012.500
Prepaid expenses		57.117.203	75.887.364
Assets related to the current period taxes		1.484.880	16.743.178
Derivative financial Instruments		290.322	5.687.893
Other current assets		15.383.336	17.452.274
<b>Total current assets</b>		<b>1.605.429.007</b>	<b>1.648.288.615</b>
<b>Non-current assets:</b>			
Financial investments		42.771.537	44.152.656
Other receivables			
- Other receivables from related parties	16	55.034.082	94.567.063
- Other receivables from third parties	7	21.562.755	23.074.100
Investments valued by equity method		10.992.348	9.025.166
Investment properties		57.028.000	57.028.000
Property, plant and equipment	9	1.217.730.703	1.219.905.720
Intangible assets			
- Goodwill	10	182.176.418	188.461.258
- Other intangible assets	10	27.814.384	29.129.804
Prepaid expenses		16.139.576	40.975.917
Deferred tax assets		32.591.471	28.524.082
<b>Total non-current assets</b>		<b>1.663.841.274</b>	<b>1.734.843.766</b>
<b>Total assets</b>		<b>3.269.270.281</b>	<b>3.383.132.381</b>

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of financial position**

**as of September 30, 2017**

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

		Current Period	Prior Year
		Non-audited	Audited
	Notes	September 30, 2017	December 31, 2016
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Short term borrowings	5	479.188.974	798.391.047
Current portion of long-term borrowings	5	53.312.657	42.297.246
Trade payables			
- Trade payables to related parties	16	6.392.144	5.224.461
- Trade payables to third parties	6	735.207.249	627.026.512
Employee benefit obligations		30.574.500	35.667.368
Other payables			
- Other payables to third parties	7	180.822.465	153.941.939
Deferred income		119.617.143	34.436.793
Current income tax liability		32.666.185	53.959.350
Short-term provisions			
- Short-term provisions for employee benefits		30.912.720	24.212.339
- Other short term provisions	12	60.513.570	79.923.906
<b>Total current liabilities</b>		<b>1.729.207.607</b>	<b>1.855.080.961</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	5	114.136.959	99.492.773
Long-term provisions			
- Long-term provisions for employee benefits		199.492.641	185.422.202
Deferred tax liability		40.133.818	41.518.380
<b>Total non-current liabilities</b>		<b>353.763.418</b>	<b>326.433.355</b>
<b>Total liabilities</b>		<b>2.082.971.025</b>	<b>2.181.514.316</b>
<b>Shareholders' equity:</b>			
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		(986.007)	(945.335)
- Foreign currency translation reserve		(70.909.006)	(62.489.158)
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method		(24.536.877)	(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		9.927.580	(68.736.970)
<b>Equity attributable to equity holders of the parent</b>		<b>949.517.569</b>	<b>947.158.874</b>
<b>Non-controlling interests</b>		<b>236.781.687</b>	<b>254.459.191</b>
<b>Total shareholders' equity</b>		<b>1.186.299.256</b>	<b>1.201.618.065</b>
<b>Total liabilities and equity</b>		<b>3.269.270.281</b>	<b>3.383.132.381</b>

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

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

## Gübre Fabrikaları Türk Anonim Şirketi

### Interim consolidated statement of profit or loss and other comprehensive income as of September 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period		Previous Period	
		Non-audited January 1 – September 30, 2017	Non-audited July 1 – September 30, 2017	Non-audited January 1 – September 30, 2016	Non-audited July 1 – September 30, 2016
Sales	13	2.547.999.866	481.951.995	2.131.497.340	540.509.510
Cost of sales (-)	13	(2.204.391.362)	(389.419.493)	(1.824.073.622)	(467.955.354)
<b>Gross profit</b>		<b>343.608.504</b>	<b>92.532.502</b>	307.423.718	72.554.156
General and administrative expense (-)		(117.719.619)	(20.221.677)	(93.650.704)	(25.200.365)
Marketing, selling and distribution expense (-)		(211.909.784)	(74.103.825)	(151.612.210)	(46.583.967)
Other operating income	14	222.715.787	55.389.078	131.047.860	32.483.141
Other operating expenses (-)	14	(212.593.193)	(78.667.083)	(118.668.292)	(60.649.043)
<b>Operating profit</b>		<b>24.101.695</b>	<b>(25.071.005)</b>	74.540.372	(27.396.078)
Profit / (loss) from investments accounted by equity method		(16.092.637)	(1.754.708)	(1.599.700)	(3.572.305)
<b>Financial income/(expense) before operating profit</b>		<b>8.009.058</b>	<b>(26.825.713)</b>	72.940.672	(30.968.383)
Financial income / (expense)		(4.841.966)	(3.337.190)	(2.575.914)	15.553.150
<b>Profit before tax from continuing operations</b>		<b>3.167.092</b>	<b>(30.162.903)</b>	70.364.758	(15.415.233)
Current period tax income/expense		(3.114.041)	808.677	(26.596.680)	(9.928.123)
Deferred tax income/(expense)		2.726.190	4.968.090	(29.041.319)	(7.399.512)
<b>Total tax (expense)/income</b>		<b>(387.851)</b>	<b>5.776.767</b>	(55.637.999)	(17.327.635)
<b>Net profit for the period</b>		<b>2.779.241</b>	<b>(24.386.136)</b>	14.726.759	(32.742.868)
<b>Distribution of income for the period</b>					
Non-controlling interests		(7.148.339)	(9.300.854)	32.784.237	3.155
Equity holders of the parent		9.927.580	(15.085.282)	(18.057.478)	(32.746.023)
<b>Other comprehensive income</b>					
<b>Items not to be reclassified to profit or loss</b>					
Actuarial gain/(loss) arising from defined benefit plans		(50.840)	(10.497)	-	-
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss		10.168	2.099	-	-
<b>Items to be reclassified to profit or loss</b>					
Changes in currency translation differences		(17.867.465)	(17.055.768)	(47.110.800)	4.104.436
Changes in currency translation difference from investments accounted by equity method		891.635	(1.509.680)	(1.451.887)	(2.259.413)
<b>Other comprehensive income / (expense)</b>		<b>(17.016.502)</b>	<b>(18.573.846)</b>	(48.562.687)	1.845.023
<b>Total comprehensive income</b>		<b>(14.237.261)</b>	<b>(42.959.982)</b>	(33.835.928)	(30.897.845)
<b>Distribution of total comprehensive income</b>					
-Non-controlling interests		(16.595.956)	(15.574.898)	30.554.605	4.209.110
-Equity holders of the parent		2.358.695	(27.385.084)	(64.390.533)	(35.106.955)
<b>Earnings per share</b>	15	<b>0,0003</b>	<b>(0,0005)</b>	(0,0005)	(0,0010)

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

**Interim consolidated statement of changes in equity as of September 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)	-	-	-	(1.451.887)	(44.881.168)	-	-	(18.057.478)	(64.390.533)	30.554.605	(33.835.928)
September 30, 2016	334.000.000	262.570.832	-	(15.232.721)	(119.751.790)	41.378.380	466.809.637	(18.057.478)	951.716.860	225.697.110	1.177.413.970
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	-	-	-	-	-	-	-	-	-	(1.081.548)	(1.081.548)
Total comprehensive income / (expense)	-	-	(40.672)	891.635	(8.419.848)	-	-	9.927.580	2.358.695	(16.595.956)	(14.237.261)
September 30, 2017	334.000.000	262.570.832	(986.007)	(24.536.877)	(70.909.006)	41.378.380	398.072.667	9.927.580	949.517.569	236.781.687	1.186.299.256

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 September 30, 2017**

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

		<b>Current Period</b>	Previous Period
		<b>Non-audited</b>	<b>Non-audited</b>
		January 1 –	January 1 –
	<b>Notes</b>	September 30,	September 30,
		<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>			
<b>Profit for the period</b>		<b>2.779.242</b>	14.726.759
<i>Adjustments to reconcile net profit/(loss) for the period</i>			
Depreciation and amortization expense	9, 10	<b>56.959.489</b>	50.134.104
Income / expenses from subsidiaries valued by equity method		<b>16.092.637</b>	1.599.700
Retirement pay provision, early retirement pay liability interest (income)/expense		<b>75.905.697</b>	50.322.431
Interest expense		<b>43.943.444</b>	38.731.796
Interest income		<b>(2.013.259)</b>	(3.407.223)
Provision for lawsuit /cancellation		<b>1.810.374</b>	114.349
Current tax income/expense		<b>387.851</b>	55.637.999
Deferred financial income/expense		<b>790.181</b>	1.456.093
Impairment on inventories	12	<b>(167.155)</b>	989.300
Adjustments related to losses (gains) on sale of property, plant and equipments	9, 10	<b>85.200</b>	-
Adjustments related to fair value losses (gains) on derivative financial instruments		<b>15.258.298</b>	-
<b>Net cash provided by the operating activities before changes in the assets and liabilities</b>		<b>211.831.999</b>	210.305.308
Changes in working capital (net):			
Increase / decrease in trade receivables		<b>56.375.082</b>	105.187.837
Increase / decrease in other receivables		<b>(5.995.890)</b>	29.272.233
Increase / decrease in inventories		<b>85.812.057</b>	218.328.795
Increase / decrease in trade payables		<b>109.055.490</b>	(41.524.232)
Employee benefit obligations		<b>(5.092.868)</b>	4.868.499
Deferred income		<b>85.180.350</b>	93.395.732
Increase / decrease in prepaid expenses		<b>43.606.501</b>	2.086.143
Increase /decrease in other payables		<b>26.880.526</b>	25.516.032
Other increase / decrease in working capital		<b>(4.724.378)</b>	16.180.124
<b>Cash provided by the operations after the changes in working capital</b>		<b>602.928.869</b>	663.616.471
Interest received		<b>2.013.259</b>	3.407.223
Interest paid		<b>(38.084.161)</b>	(38.731.796)
Taxes paid		<b>(16.501.286)</b>	(41.250.943)
Severance paid		<b>(57.711.893)</b>	(39.396.084)
<b>Cash flow regarding investment activities</b>		<b>492.644.788</b>	547.644.871
<b>Cash flows from investing activities:</b>			
Cash outflows from the purchase of property, plant and equipment and intangible assets	9, 10	<b>(79.238.496)</b>	(106.909.368)
Cash inflows from the sales of property, plant and equipment and intangible assets	9, 10	<b>14.555.897</b>	6.349.198
Other cash inflows / outflows		<b>(28.258.551)</b>	586.836
<b>Net cash amount used in investment activities</b>		<b>(92.941.150)</b>	(99.973.334)
<b>Cash flows (used in)/from financing activities</b>			
Dividends paid		<b>(1.081.549)</b>	(243.442.766)
Cash inflows from financial borrowings		<b>2.149.106.905</b>	2.356.173.617
Principle repayment of financial borrowings		<b>(2.463.337.988)</b>	(2.713.846.028)
<b>Net cash (used)/provided by financial activities</b>		<b>(315.312.632)</b>	(601.115.177)
Change in cash and cash equivalents before foreign currency translation		<b>84.391.006</b>	(153.443.640)
<b>Cash and cash equivalents as of January 1</b>	4	<b>125.519.427</b>	364.409.394
Foreign currency translation		<b>(22.136.729)</b>	11.411.628
<b>Cash and cash equivalents as of September 30</b>	4	<b>187.773.704</b>	222.377.382

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 September 30, 2017

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

#### 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:

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

The number of employees of the Company and its subsidiaries for the year ended September 30, 2017 is 1.575 (December 31, 2016 – 1.676)

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

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

<u>Name</u>	<u>September 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Share %</u>	<u>Share amount</u>	<u>Share %</u>	<u>Share amount</u>
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	<b>%75,95</b>	<b>253.684.607</b>	75,95%	253.684.607
Other	<b>%24,05</b>	<b>80.315.393</b>	24,05%	80.315.393
<b>Total</b>	<b>%100,00</b>	<b>334.000.000</b>	100,00%	334.000.000

**Gübre Fabrikaları Türk Anonim Şirketi**

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

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

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**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.

**Gübre Fabrikaları Türk Anonim Şirketi**

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

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

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**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 September 30, 2017**

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

**2. Basis of presentation of consolidated financial statements**

**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	September 30, 2017		December 31, 2016	
	Period End	Period Average	Period End	Period Average
IRR / TL	0,000105076	0,000110175	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 September 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 September 30, 2017**

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

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**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 September 30, 2017**

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

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**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 September 30, 2017**

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

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**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 September 30, 2017**

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

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**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 September 30, 2017**

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

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**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 September 30, 2017**

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

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**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 September 30, 2017 and include financial statements of Gübretaş and its Subsidiaries.
- b) As of September 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 September 30, 2016, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of September 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 September 30, 2017**

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

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**2. Basis of presentation of consolidated financial statements (continued)**

**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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted

**Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)**

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

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

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

**Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

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

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

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

**Gübre Fabrikaları Türk Anonim Şirketi**

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

**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 September 30, 2017 and December 31, 2016 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
Assets	September 30, 2017	September 30, 2017	September 30, 2017	September 30, 2017
Current assets	767.393.556	843.111.222	(5.075.771)	1.605.429.007
Non-current assets	1.204.350.553	709.170.620	(249.679.899)	1.663.841.274
<b>Total assets</b>	<b>1.971.744.109</b>	<b>1.552.281.842</b>	<b>(254.755.670)</b>	<b>3.269.270.281</b>

<b>Liabilities</b>				
Short term liabilities	955.183.857	754.130.702	19.893.048	1.729.207.607
Long term liabilities	125.563.678	228.199.740	-	353.763.418
Equities	890.996.574	569.951.400	(274.648.718)	1.186.299.256
<b>Total liabilities</b>	<b>1.971.744.109</b>	<b>1.552.281.842</b>	<b>(254.755.670)</b>	<b>3.269.270.281</b>

	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
<b>Total assets</b>	<b>2.077.371.341</b>	<b>1.674.854.015</b>	<b>(369.092.975)</b>	<b>3.383.132.381</b>

<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>2.077.371.341</b>	<b>1.674.854.015</b>	<b>(369.092.975)</b>	<b>3.383.132.381</b>

**Gübre Fabrikaları Türk Anonim Şirketi**

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

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

**3. Segment reporting (continued)**

The distribution of income statements by segments for the periods ending on September 30, 2017 and September 30, 2016 is as follows:

	Turkey	Iran	Consolidation Adjustments	Total
	January 1, 2017 September 30, 2017	January 1, 2017 September 30, 2017	January 1, 2017 September 30, 2017	January 1, 2017 September 30, 2017
Operating income				
Sales (Net)	1.665.673.617	1.036.278.964	(153.952.715)	2.547.999.866
Cost of sales (-)	(1.514.837.322)	(842.932.206)	153.378.166	(2.204.391.362)
Gross profit	150.836.295	193.346.758	(574.549)	343.608.504
Marketing, selling and distribution expense (-)	(86.372.230)	(125.537.554)	-	(211.909.784)
General and administrative expense (-)	(20.251.880)	(97.467.739)	-	(117.719.619)
Other operating income / expense (-)(net)	24.557.853	(14.440.252)	4.993	10.122.594
Operating profit	68.770.038	(44.098.787)	(569.556)	24.101.695
Profit / (loss) from investments accounted by equity method	(16.092.637)	-	-	(16.092.637)
Operation profit before financial income / (expense)	52.677.401	(44.098.787)	(569.556)	8.009.058
Financial income / (expense)	(40.176.184)	35.334.218	-	(4.841.966)
Profit before tax	12.501.217	(8.764.569)	(569.556)	3.167.092
Tax expense	-	(3.114.041)	-	(3.114.041)
Deferred tax income / (expense)	4.257.050	(1.645.770)	114.910	2.726.190
Profit / (loss) for the period	16.758.267	(13.524.380)	(454.646)	2.779.241

	Turkey	Iran	Consolidation Adjustments	Total
	January 1, 2016- September 30, 2016	January 1, 2016- September 30, 2016	January 1, 2016- September 30, 2016	January 1, 2016- September 30, 2016
Operating income				
Sales (Net)	1.272.060.390	818.465.780	40.971.170	2.131.497.340
Cost of sales (-)	(1.145.365.614)	(649.292.563)	(29.415.445)	(1.824.073.622)
Gross profit	126.694.776	169.173.217	11.555.725	307.423.718
Marketing, selling and distribution expense (-)	(65.937.144)	(85.675.066)	-	(151.612.210)
General and administrative expense (-)	(20.910.938)	(72.739.766)	-	(93.650.704)
Other operating income / expense (-)(net)	(19.459.338)	31.838.906	-	12.379.568
Operating profit	20.387.356	42.597.291	11.555.725	74.540.372
Income / (expense) from investments	334.011.626	-	(334.011.626)	-
Profit / (loss) from investments accounted by equity method	(1.599.700)	-	-	(1.599.700)
Operation profit before financial income / (expense)	352.799.282	42.597.291	(322.455.901)	72.940.672
Financial income / (expense)	(55.490.758)	22.552.071	30.362.773	(2.575.914)
Profit before tax	297.308.524	65.149.362	(292.093.128)	70.364.758
Tax expense	(21.667.073)	(4.929.607)	-	(26.596.680)
Deferred tax income / (expense)	(21.400.366)	(4.752.022)	(2.888.931)	(29.041.319)
Profit / (loss) for the period	254.241.085	55.467.733	(294.982.059)	14.726.759

**Gübre Fabrikaları Türk Anonim Şirketi**

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

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

**3. Segment reporting (continued)**

**Investment expenditures:**

Investment expenditures pertaining to segment assets for the periods ending on September 30, 2017 and September 30, 2016 are as follows:

	<b>January 1 - September 30, 2017</b>	January 1 – September 30, 2016
Gubre Fabrikaları T.A.Ş.	<b>51.639.014</b>	89.286.738
Razi Petrochemical Co.	<b>27.599.482</b>	17.622.630
<b>Total</b>	<b>79.238.496</b>	106.909.368

**Depreciation and amortization:**

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

	<b>January 1 - September 30, 2017</b>	January 1 – September 30, 2016
Gübre Fabrikaları T.A.Ş.	<b>19.874.790</b>	11.221.461
Razi Petrochemical Co. and its subsidiary	<b>37.084.699</b>	38.912.643
<b>Total</b>	<b>56.959.489</b>	50.134.104

**4. Cash and cash equivalents**

	<b>September 30, 2017</b>	December 31, 2016
Cash on hands	<b>193.567</b>	17.237
Bank	<b>175.326.734</b>	119.788.896
- demand deposits	<b>25.430.290</b>	52.772.601
- time deposits	<b>149.896.444</b>	67.016.295
Other cash equivalents(**)	<b>15.663.419</b>	16.713.437
<b>Total</b>	<b>191.183.720</b>	136.519.570
Pledge cash and cash equivalents (*)	<b>(3.410.016)</b>	(11.000.143)
<b>Cash and cash equivalents at the statement of cash flow</b>	<b>187.773.704</b>	125.519.427

(\*) As of September 30, 2017, pledge cash and cash equivalents include 3.410.016 TL, which is related with the letters of credit opened by Raintrade. (December 31, 2016 : 11.000.143 TL)

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

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**4. Cash and cash equivalents (continued)**

**Time deposits**

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

**Time deposits (TL):**

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

**Time deposits (Foreign currency):**

<b>September 30, 2017</b>				
<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>Currency</b>	<b>Foreign currency amount</b>	<b>Amount in TL</b>
<b>0,41 - 2,49</b>	<b>October 2017</b>	<b>USD</b>	<b>31.169.403</b>	<b>110.716.837</b>
<b>10 - 22</b>	<b>October 2017</b>	<b>Mil. IRR</b>	<b>306.759</b>	<b>32.233.061</b>
<b>Libor+0,5</b>	<b>October 2017</b>	<b>EUR</b>	<b>1.656.938</b>	<b>6.946.546</b>
<b>Total</b>				<b>149.896.444</b>

<b>December 31, 2016</b>				
<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>Currency</b>	<b>Foreign currency amount</b>	<b>Amount in TL</b>
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
<b>Total</b>				<b>65.816.295</b>



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## Gübre Fabrikaları Türk Anonim Şirketi

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

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#### 5. Financial borrowings

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

	September 30, 2017	December 31, 2016
Short term borrowings	476.964.796	798.391.047
Short term portion of long term borrowings	53.312.657	42.297.246
Short-term finance lease liabilities	2.224.178	-
<b>Total</b>	<b>532.501.631</b>	<b>840.688.293</b>

Short and long term borrowings	September 30, 2017	December 31, 2016
Payable within 1 year	532.501.631	840.688.293
Payable within 1 – 5 years	114.136.959	99.492.773
<b>Total</b>	<b>646.638.590</b>	<b>940.181.066</b>

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

As of September 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	October 2017	3,40	14.606.680	61.237.045
USD	October 2017	12,90-13,00	230.323.598	230.323.598
TL	October 2017	365,00	25.603.263	90.945.352
<b>Total</b>				<b>382.505.995</b>

#### Other financial borrowings (\*):

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	October 2017	Libor + 0,5	35.247.462	147.771.458
<b>Total</b>				<b>147.771.458</b>

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**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
<b>Total</b>				<b>574.663.513</b>

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
<b>Total</b>				<b>266.024.780</b>

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

**b) Long term borrowings**

	<b>September 30, 2017</b>	December 31, 2016
Long term bank loans (Gübretaş)	<b>111.078.513</b>	99.492.773
Long term lease liabilities (Gübretaş)	<b>3.058.446</b>	-
<b>Total</b>	<b>114.136.959</b>	<b>99.492.773</b>

As of September 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	<b>2020</b>	<b>3,40%</b>	<b>15.658.765</b>	<b>65.647.805</b>
TL	<b>2022</b>	<b>14,83%</b>	<b>45.430.708</b>	<b>45.430.708</b>
<b>Total</b>				<b>111.078.513</b>

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**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
<b>Total</b>				<b>99.492.773</b>

**6. Trade receivables and payables**

**Short term trade receivables:**

	<b>September 30, 2017</b>	December 31, 2016
Trade receivables	<b>231.874.610</b>	274.744.041
Notes receivables	<b>2.472.971</b>	3.321.819
Receivables from Subsidiaries of Oil Ministry (Razi)	<b>104.076.372</b>	15.386.214
<b>Trade receivables from third parties (gross)</b>	<b>338.423.953</b>	293.452.074
Allowance for doubtful receivables (-)	<b>(8.796.413)</b>	(4.365.809)
<b>Trade receivables from third parties (net)</b>	<b>329.627.540</b>	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:

<b>Overdue following the maturity</b>	<b>September 30, 2017</b>	September 30, 2016
More than 9 months	<b>8.796.413</b>	4.365.809
<b>Total</b>	<b>8.796.413</b>	4.365.809

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**6. Trade receivables and payables (continued)**

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

	<b>September 30, 2017</b>	September 30, 2016
<b>Balance at January 1</b>	<b>4.365.809</b>	4.365.809
Payments during the period	<b>4.430.604</b>	-
<b>Balance at September 30</b>	<b>8.796.413</b>	4.365.809

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

	<b>September 30, 2017</b>	December 31, 2016
Guarantee Letters	<b>264.967.585</b>	253.128.074
Collateral cheques and notes	<b>60.787.401</b>	60.937.401
<b>Total</b>	<b>325.754.986</b>	314.065.475

**Short term trade payables:**

	<b>September 30, 2017</b>	December 31, 2016
Trade payables (Gübretaş)	<b>409.961.577</b>	345.133.568
Trade payables (Razi)	<b>51.639.370</b>	96.247.990
Payables to NIOC (Razi)	<b>269.383.467</b>	182.745.018
Other trade payables	<b>4.222.835</b>	2.899.936
<b>Total</b>	<b>735.207.249</b>	627.026.512

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**7. Other receivables and payables**

**Other short term receivables:**

	<b>September 30, 2017</b>	December 31, 2016
VAT receivables (Razi)	<b>118.992.564</b>	101.569.275
Other various receivables (**)	<b>54.189.598</b>	21.818.830
Other various receivables (Tabosan) (*)	<b>35.483.285</b>	33.135.093
Due from personnel	<b>8.898.178</b>	11.244.879
<b>Total</b>	<b>217.563.625</b>	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 35.483.285 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 September 30, 2017, 28.122.945 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns.

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**7. Other receivables and payables (continued)**

**Other long term receivables:**

	<b>September 30, 2017</b>	December 31, 2016
Due from personnel (*)	<b>8.910.144</b>	9.884.196
Deposits & guarantees given	<b>12.652.611</b>	13.189.904
<b>Total</b>	<b>21.562.755</b>	23.074.100

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

**Other short term payables:**

	<b>September 30, 2017</b>	December 31, 2016
Dividend payables to non-controlling interests	<b>99.552.844</b>	101.120.883
Payables from investments accounted by equity method	<b>45.018.962</b>	41.538.964
Other payables	<b>36.250.659</b>	11.282.092
<b>Total</b>	<b>180.822.465</b>	153.941.939

**8. Inventories**

	<b>September 30, 2017</b>	December 31, 2016
Raw materials and supplies	<b>276.973.653</b>	214.676.484
Finished goods	<b>118.736.867</b>	142.129.647
Trade goods	<b>300.216.976</b>	408.573.898
Other inventories	<b>42.620.581</b>	49.171.545
<b>Total</b>	<b>738.548.077</b>	814.551.574
Minus: Impairment of inventories	<b>(371.919)</b>	(539.074)
<b>Total</b>	<b>738.176.158</b>	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 371.919 provision for impairment is allocated (2016: 539.074).

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## Gübre Fabrikaları Türk Anonim Şirketi

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

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#### 9. Property, plant and equipment

The depreciation cost and amortization of the company is 56.438.451 TL as of September 30, 2017 and September 30, 2016 details are given below;

	September 30, 2017		
	Gübretaş	Razi	Total
Amortization Cost	19.353.750	37.084.699	56.438.449
Depreciation Cost	521.040	-	521.040
<b>Total</b>	<b>19.874.790</b>	<b>37.084.699</b>	<b>56.959.489</b>

September 30, 2017: Out of the total of 56.959.489 TL depreciation and amortization costs; 55.209.874 TL have been included in General Production Costs, 419.802 TL in Sales and Marketing Costs, 1.329.813 TL in General Management Costs.

	September 30, 2016		
	Gübretaş	Razi	Total
Amortization Cost	11.000.458	38.912.643	49.913.101
Depreciation Cost	221.003	-	221.003
<b>Total</b>	<b>11.221.461</b>	<b>38.912.643</b>	<b>50.134.104</b>

September 30, 2016: Out of the total of 50.134.104 TL depreciation and amortization costs; 49.010.313 TL have been included in General Production Costs, 332.900 TL in Sales and Marketing Costs, 890.891 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 September 30, 2017 and December 31, 2016.

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**Gübre Fabrikaları Türk Anonim Şirketi**

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**9. Property, plant and equipment (continued)**

	Lands and parcels	Land improvements <sup>a</sup>	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost</b>									
Opening balance on January 2017	460.149.818	59.895.278	334.392.130	1.133.978.599	10.230.291	27.012.387	1.018.158	88.846.999	2.115.523.660
Foreign currency translation differences	(5.015.252)	-	(3.823.360)	(30.691.521)	(265.382)	(594.136)	-	(2.251.960)	(42.641.611)
Additions	1.637.260	12.556	1.279.877	3.752.505	381.537	6.582.559	-	65.358.363	79.004.657
Sales/Disposals	-	(7.010.450)	-	(4.355.624)	(913.432)	(2.276.392)	-	-	(14.555.898)
Transfer from construction in progress	-	93.428.827	-	18.055.998	-	386.785	-	(111.871.610)	-
<b>Closing balance at September 30, 2017</b>	<b>456.771.826</b>	<b>146.326.211</b>	<b>331.848.647</b>	<b>1.120.739.957</b>	<b>9.433.014</b>	<b>31.111.203</b>	<b>1.018.158</b>	<b>40.081.792</b>	<b>2.137.330.808</b>
<b>Accumulated Depreciation</b>									
Opening balance on January 2017	-	(49.754.294)	(119.448.834)	(706.506.946)	(6.763.208)	(12.919.553)	(225.105)	-	(895.617.940)
Foreign currency translation differences	-	-	433.937	18.756.477	137.411	328.828	-	-	19.656.653
Expenses of the period	-	(3.705.103)	(8.784.749)	(41.537.471)	(1.064.436)	(2.602.943)	(117.624)	1.373.877	(56.438.449)
Sales/Cancellations	-	6.999.077	136.342	4.296.329	749.107	618.776	-	-	12.799.631
<b>Closing balance at September 30, 2017</b>	<b>-</b>	<b>(46.460.320)</b>	<b>(127.663.304)</b>	<b>(724.991.611)</b>	<b>(6.941.126)</b>	<b>(14.574.892)</b>	<b>(342.729)</b>	<b>1.373.877</b>	<b>(919.600.105)</b>
<b>Net book value at September 30, 2017</b>	<b>456.771.826</b>	<b>99.865.891</b>	<b>204.185.343</b>	<b>395.748.346</b>	<b>2.491.888</b>	<b>16.536.311</b>	<b>675.429</b>	<b>41.455.669</b>	<b>1.217.730.703</b>

As of September 30, 2017, 5.792.776 TL within construction in progress is capitalized interest and foreign currency exchange difference (December 31, 2016 – TL 24.319.420).



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**9. Property, plant and equipment (continued)**

	Lands and parcels	Land improvements	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
<b>Cost</b>									
Opening balance at 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	(1.761.174)	-	(1.280.057)	(11.521.220)	(306.160)	(183.962)	-	(575.302)	(15.627.875)
Additions	42.925.900	679.879	8.503.014	544.681	827.275	2.041.311	13.550	51.278.665	106.814.275
Disposals	-	(16.102)	(4.392.302)	(260.919)	(1.264.318)	(415.557)	-	-	(6.349.198)
Transfer from construction in progress	-	-	35.912.317	137.017.808	626.130	1.260.068	-	(174.816.323)	-
Closing Balance at September 30, 2016	483.324.586	59.708.911	306.961.797	1.056.769.237	9.301.194	24.033.444	970.158	82.305.215	2.023.374.542
<b>Accumulated depreciation</b>									
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	-	-	533.701	7.247.066	229.653	94.702	-	-	8.105.122
Expenses of the period	-	(732.782)	(6.031.551)	(40.237.926)	(891.249)	(1.904.149)	(115.444)	-	(49.913.101)
Disposals	-	15.566	223.757	243.385	897.436	218.537	-	-	1.598.681
Closing Balance at September 30, 2016	-	(49.524.490)	(108.618.594)	(645.473.632)	(5.754.540)	(11.270.994)	(195.787)	-	(820.838.037)
Net Book Value at September 30, 2016	483.324.586	10.184.421	198.343.203	411.295.605	3.546.654	12.762.450	774.371	82.305.215	1.202.536.505

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements**

**as of September 30, 2017 (continued)**

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

**10. Intangible assets**

**Rights:**

	<b>September 30, 2017</b>	September 30, 2016
<b>Cost</b>		
Opening Balance on 1 January	<b>29.914.969</b>	1.020.640
Foreign currency translation differences	<b>(1.028.219)</b>	-
Additions	<b>233.839</b>	95.093
<b>Closing Balance on 30 September</b>	<b>29.120.589</b>	1.115.733
<b>Accumulated Amortization</b>		
Opening Balance on 1 January	<b>(785.165)</b>	(585.724)
Amortization Expenses for Current Period	<b>(521.040)</b>	(221.003)
<b>Closing Balance on 30 September</b>	<b>(1.306.205)</b>	(806.727)
<b>Net Book Value</b>	<b>27.814.384</b>	309.006

**Goodwill:**

	<b>September 30, 2017</b>	September 30, 2016
Opening balance on January 1	<b>188.461.258</b>	168.244.294
Foreign currency translation differences	<b>(6.284.840)</b>	(3.140.707)
<b>Balance as of September 30</b>	<b>182.176.418</b>	165.103.587

**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 September 30, 2017 Group has USD 191.752.028 accredited purchasing commitment. (December 31, 2016: USD 142.539.315).

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements  
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**12. Provisions, contingent assets and liabilities**

**Short term debt provision:**

	<b>September 30, 2017</b>	December 31, 2016
Provision for cost expenses	<b>56.696.298</b>	74.807.731
Provisions for law suits	<b>3.590.732</b>	3.378.518
Other short term provisions	<b>226.540</b>	1.737.657
<b>Total</b>	<b>60.513.570</b>	79.923.906

**Law suit Provision:**

	<b>September 30, 2017</b>	September 30, 2016
As of January 1	<b>3.378.518</b>	1.780.358
Addition / Cancellation	<b>212.214</b>	114.349
<b>As of September 30</b>	<b>3.590.732</b>	1.894.707

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 received legal opinion but it has made 3.590.732 TL (2016: 3.378.518 TL) provision for other lawsuits.

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

	<b>September 30, 2017</b>			<b>December 31, 2016</b>		
	<b>Currency</b>	<b>Currency amount</b>	<b>Amount in TL</b>	<b>Currency</b>	<b>Currency amount</b>	<b>Amount in TL</b>
APH Given by the Company						
A. Total amount of APH's given for own legal entity (Assurance)	<b>TL</b>	<b>13.292.456</b>	<b>13.292.456</b>	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 <sup>rd</sup> parties for the performance of ordinary businesss activites	<b>USD</b>	<b>28.352.234</b>	<b>100.709.969</b>	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	-	-	-	-	-	-
		<b>114.002.425</b>				<b>120.670.451</b>

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements  
as of September 30, 2017 (continued)**

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

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**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.

As explained in Note 16, as of September 30, 2017 in Razi's financial statements the debt to the National Iranian Oil Company ("NIOC") in return for purchasing natural gas was 2.553 billion Rials (for 78,5. Million USD). In accordance with the contract between Razi and NIOC and declaration dated on 20 October 2014 by Ministry of Petroleum, the price of gas should be calculated and billed based on Rials. Despite of the aforementioned contract and declaration, NIOC declares that it will receive 94,5 Million USD from Razi as calculating and billing gas fee in USD in 2016. Razi and NIOC directors continue their negotiations for this differences.

Iskenderun Fiscal Directorate ("Treasury") brought a suit in order to hypothecate on behalf of public and cancel land register of property owned by the Group having a surface area of 79.350 m<sup>2</sup> located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 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 September 30, 2017 (continued)**

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

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**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.

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements  
as of September 30, 2017 (continued)**

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

**13. Revenue and cost of sales**

<b>Sales</b>	<b>Januray 1 – September 30, 2017</b>	<b>July 1 – September 30, 2017</b>	<b>January 1 – September 30, 2016</b>	<b>Jul 1 – September 30, 2016</b>
Domestic Sales	<b>1.988.543.709</b>	<b>289.766.685</b>	1.734.360.373	420.068.383
Overseas Sales	<b>613.161.727</b>	<b>209.005.627</b>	421.669.892	127.566.800
Sales Returns(-)	<b>(3.102.025)</b>	<b>(267.698)</b>	(1.378.083)	(226.833)
Sales Discounts(-)	<b>(47.433.702)</b>	<b>(13.738.257)</b>	(17.422.372)	(4.496.356)
Other Discounts from Sales(-)	<b>(3.169.843)</b>	<b>(2.814.362)</b>	(5.732.470)	(2.402.484)
<b>Total</b>	<b>2.547.999.866</b>	<b>481.951.995</b>	2.131.497.340	540.509.510

<b>Cost of Sales (-)</b>	<b>Januray 1 – September 30, 2017</b>	<b>July 1 – September 30, 2017</b>	<b>January 1 – September 30, 2016</b>	<b>Jul 1 – September 30, 2016</b>
Cost of Good Produced	<b>1.128.535.099</b>	<b>355.501.324</b>	972.022.720	309.776.947
Change in the Good Inventory	<b>23.392.780</b>	<b>1.694.755</b>	(24.081.178)	(30.664.769)
-Goods at the beginning of the period	<b>142.129.647</b>	<b>120.431.622</b>	213.142.287	206.558.696
-Goods at the end of the period	<b>(118.736.867)</b>	<b>(118.736.867)</b>	(237.223.465)	(237.223.465)
Cost of Good Sold	<b>1.151.927.878</b>	<b>357.196.078</b>	947.941.542	279.112.178
-Merchandise Inventory at the beginning of the Period	<b>408.573.898</b>	<b>(358.487.683)</b>	445.366.727	158.430.387
-Purchases	<b>939.992.899</b>	<b>(27.728.119)</b>	622.811.278	223.861.360
-Merchandise Inventory at the end of the Period	<b>(300.216.976)</b>	<b>(300.216.976)</b>	(194.538.217)	(194.538.217)
Cost of merchandise Sold	<b>1.048.349.821</b>	<b>30.542.588</b>	873.639.788	187.753.530
Cost of services sold	<b>3.293.596</b>	<b>1.330.816</b>	2.027.549	1.089.646
Cost of Other Sales	<b>820.067</b>	<b>350.011</b>	464.743	-
<b>Total</b>	<b>2.204.391.362</b>	<b>389.419.493</b>	1.824.073.622	467.955.354

(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 September 30, 2017 (continued)

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

#### 14. Other operating income and expenses

Other Operating Income	Januray 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	Jul 1 – September 30, 2016
Exchange difference income arising from commercial transactions	204.208.905	52.697.617	108.966.882	29.314.077
Interest income	2.167.334	1.033.443	3.407.223	(1.159.931)
Delay interest income arising from commercial transactions	8.346.958	(3.692.331)	12.719.551	3.290.320
Other income	7.992.590	5.350.349	5.954.204	1.038.675
<b>Total</b>	<b>222.715.787</b>	<b>55.389.078</b>	131.047.860	32.483.141
Other Operating Expenses	Januray 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	Jul 1 – September 30, 2016
Exchange difference expenses arising from commercial transactions	152.323.279	45.246.929	90.270.658	55.233.238
Interest expenses	16.179.146	9.664.538	5.931.728	195.795
Other expenses	44.090.768	23.755.616	22.465.906	5.220.010
<b>Total</b>	<b>212.593.193</b>	<b>78.667.083</b>	118.668.292	60.649.043

#### 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 September 30, 2017 and September 30, 2016 are as follows.

	Januray 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	Jul 1 – September 30, 2016
Net profit for the period	9.927.580	(15.085.282)	(18.057.478)	(32.746.023)
Weighted average number of ordinary shares outstanding during the year (each 1 kr)	33.400.000.000	33.400.000.000	33.400.000.000	33.400.000.000
<b>Earnings per share (kr) (*)</b>	<b>0,0003</b>	<b>(0,0005)</b>	(0,0005)	(0,0010)

(\*) 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 September 30, 2017 (continued)**

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

**16. Related parties transactions**

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

**(a) Trade and other receivables**

	<b>September 30, 2017</b>	December 31, 2016
<b>Main parent</b>		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	-	85.191.486
Other related parties	-	12.222.123
<b>Total</b>	-	97.413.609
<b>Affiliates and other related parties (Short Term)</b>		
Negmar Denizcilik A.Ş.	<b>1.070</b>	346.024
Etis Lojistik A.Ş.	-	2.300.000
Tarnet A.Ş.	-	88.902
Other related parties	-	21.477
<b>Total</b>	<b>1.070</b>	2.756.403
<b>Affiliates and other related parties (Long Term)</b>		
Negmar Denizcilik A.Ş.	<b>55.034.082</b>	85.252.157
Other related parties	-	9.314.906
<b>Total</b>	<b>55.034.082</b>	94.567.063

**(b) Trade payables:**

	<b>September 30, 2017</b>	December 31, 2016
<b>Affiliates and other related parties</b>		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	<b>5.137.557</b>	739.929
Negmar Denizcilik A.Ş.	<b>1.228.755</b>	69.303
Tarnet A.Ş.	<b>25.832</b>	65.675
Other related parties	-	4.349.554
<b>Total</b>	<b>6.392.144</b>	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:**

	<b>Januray 1 – September 30, 2017</b>	<b>July 1 – September 30, 2017</b>	January 1 – September 30, 2016	Jul 1 – September 30, 2016
<b>Main parent</b>				
Tarım Kredi Koop. Merkez Birliği	<b>1.172.130.245</b>	<b>322.325.584</b>	900.002.046	220.319.326
<b>Subsidiaries</b>				
Negmar Maritime Company	<b>1.054.358</b>	<b>157.369</b>	1.310.800	533.813
Tarkim Bitki Koruma San. ve Tic. A.Ş.	<b>507.715</b>	<b>63.956</b>	428.446	320.036
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	<b>269.611</b>	-	-	-
Tarnet A.Ş.	<b>58.258</b>	-	-	-
<b>Total</b>	<b>1.174.020.187</b>	<b>322.546.909</b>	901.741.292	221.173.175



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**Gübre Fabrikaları Türk Anonim Şirketi**

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

**16. Related parties transactions (continued)**

**(ii) Transactions with Related Parties**

**Purchase of goods and services:**

	Januray 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	Jul 1 – September 30, 2016
<b>Main parent</b>				
Tarım Kredi Koop. Merkez Birliği	3.110.240	2.854.078	5.885.739	2.544.293
<b>Subsidiaries</b>				
Raintrade Petrokimya ve Dış Ticaret A.Ş.	153.683.104	--	-	-
Negmar Maritime Company	93.247.171	21.576.740	87.301.176	34.405.259
Tarkim Bitki Koruma San. ve Tic. A.Ş.	37.760.247	6.168.327	26.915.529	4.661.289
Tarnet A.Ş.	1.072.946	533.339	569.852	268.451
<b>Total</b>	<b>288.873.708</b>	<b>31.132.484</b>	120.672.296	41.879.292

(\*) 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 September 30, 2017 shown below table:

	September 30, 2017		September 30, 2016	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	1.462.701	4.279.287	997.325	4.164.497
<b>Total</b>	<b>1.462.701</b>	<b>4.279.287</b>	997.325	4.164.497

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

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**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements  
as of September 30, 2017 (continued)**

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

**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 September 30, 2017 is as follows;

	<b>September 30, 2017</b>		
	<b>TL (functional currency)</b>	<b>USD</b>	<b>EURO</b>
1 Trade receivables	68.655.189	12.591.807	5.707.430
2 Monetary financial assets (cash and bank accounts included)	126.421.586	33.389.583	1.864.910
3 Other current assets	17.846.017	3.119.029	1.614.091
4 Current assets (1+2+3)	212.922.793	49.100.420	9.186.431
5 Trade payables	401.107.572	112.535.789	326.590
6 Financial liabilities	252.192.531	25.603.263	38.461.783
7 Other short term liabilities, net	68.501	19.285	-
8 Short term liabilities (5+6+7)	653.368.604	138.158.337	38.788.373
9 Trade payables	-	-	-
10 Financial liabilities	113.409.129	-	27.051.123
11 Long term liabilities (9+10)	113.409.129	-	27.051.123
12 Total liabilities (8+11)	766.777.733	138.158.337	65.839.496
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(553.854.940)	(89.057.917)	(56.653.066)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(553.854.940)	(89.057.917)	(56.653.066)

**Gübre Fabrikaları Türk Anonim Şirketi**

**Notes to the interim condensed consolidated financial statements  
as of September 30, 2017 (continued)**

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

**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;

	December 31, 2016		
	TL (functional currency)	USD	EURO
1 Trade receivables	61.894.207	11.547.014	5.730.061
2 Monetary financial assets (cash and bank accounts included)	29.160.486	7.464.521	779.359
3 Other current assets	36.405.091	9.062.024	1.216.749
4 Current assets (1+2+3)	127.459.784	28.073.559	7.726.169
5 Trade payables	266.491.383	74.031.530	1.606.411
6 Financial liabilities	521.795.818	60.659.750	83.107.907
7 Other short term liabilities, net	3.232.817	918.623	-
8 Short term liabilities (5+6+7)	791.520.018	135.609.903	84.714.318
9 Trade payables	-	-	-
10 Financial liabilities	99.492.773	-	26.818.182
11 Long term liabilities (9+10)	99.492.773	-	26.818.182
12 Total liabilities (8+11)	891.012.791	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 September 30, 2017 (continued)**

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

**17. Financial instruments and financial risk management (continued)**

In the years ending on September 30, 2017 and September 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:

	<b>September 30, 2017</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by 10% against TL</b>		
1- Assets/liability denominated in USD - net	(31.634.263)	31.634.263
2- The part hedged for USD risk (-)		
3- The impact of TL net profit for the period	(31.634.263)	31.634.263
<b>Change of EUR by 10% against TL</b>		
1- Assets/liability denominated in EUR - net	(23.751.231)	23.751.231
2- The part hedged for EUR risk (-)		
3- The impact of TL net profit fort the period	(23.751.231)	23.751.231

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 KTL2, and the foreign currency adjustments would decrease by 60 Million TL.

	<b>September 30, 2016</b>	
	<b>Profit/(Loss)</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>Change of USD by %10 against TL</b>		
1- Assets/liability denominated in USD - net	(20.090.930)	20.090.930
2- The part hedged for USD risk (-)		
3- The impact of TL net profit for the period	(20.090.930)	20.090.930
<b>Change of EUR by %10 against TL</b>		
1- Assets/liability denominated in EUR - net	(30.085.723)	30.085.723
2- The part hedged for EUR risk (-)		
3- The impact of TL net profit fort the period	(30.085.723)	30.085.723

**18. Subsequent events**

None.