



**2017 1st QUARTER
OPERATING REVIEW
REPORT**

**GÜBRE FABRİKALARI TÜRK A. Ş.
MERDİVENKÖY MAHALLESİ, BORA SOKAK, NO:1, 34732 KADIKÖY/İSTANBUL**

T: (+90 216) 468 50 50

F: (+90 216) 407 10 11

E: ir@gubretas.com.tr

I. INTRODUCTION	2
A. REPORTING PERIOD	2
B. CORPORATE'S NAME	HATA! YER İŞARETİ TANIMLANMAMIŞ.
C. TRADE REGISTER NUMBER	2
D. CONTACT INFORMATION	2
E. BOARD OF DIRECTORS	4
F. TOP MANAGEMENT.....	6
G. CAPITAL STRUCTURE.....	4
H. AFFILIATES AND SUBSIDIARIES	6
İ. PERFORMANCE OF THE STOCK	9
II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES.....	7
A. PRODUCTION	7
B. SALES AND PURCHASES	7
C. INVESTMENTS	8
D. ADMINISTRATIVE ACTIVITIES	6
III. RAZİ PETROCHEMICAL CO. ACTIVITIES.....	9
A. PRODUCTION	9
B. SALES	9
C. INVESTMENTS	10
IV. HIGHLIGHTS OF OUR 1ST QUARTER OPERATIONS	HATA! YER İŞARETİ TANIMLANMAMIŞ.
V. FINANCIAL STRUCTURE.....	11
A. BALANCE SHEET ASSETS-TRY	11
B. BALANCE SHEET LIABILITY-TRY	12
C. INCOME STATEMENT-TRY	13
VI. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT	14
VII. EVENTS AFTER BALANCE SHEET DATE	14
VIII. CONCLUSION	17

I. INTRODUCTION

A. REPORTING PERIOD

01.01.2017 - 31.03.2017

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

C. TRADE REGISTER NUMBER

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

D. CONTACT INFORMATION

HEAD OFFICE

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

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

Tel: +90 (216) 468 50 50

Fax: +90 (216) 407 10 11

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

Web address: www.gubretas.com.tr

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

YARIMCA PRODUCTION FACILITIES

Address: Gübretaş Yarımca Tesisleri 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR PRODUCTION FACILITIES

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

FOÇA PRODUCTION FACILITIES

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

Phone : +90 (232) 822 81 48

İSKENDERUN FACILITIES

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

Phone : +90 (326) 656 22 88

Fax : +90 (326) 656 22 80

TEKİRDAĞ REGIONAL OFFICE

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

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

Fax : +90 (282) 262 98 51

İSKENDERUN REGIONAL OFFICE

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

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

Fax : +90 (326) 626 14 50

ANKARA REGIONAL OFFICE

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

Phone : +90 (312) 231 91 97

Fax : +90 (312) 231 92 99

İZMİR REGIONAL OFFICE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL OFFICE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

DIYARBAKIR REGIONAL OFFICE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

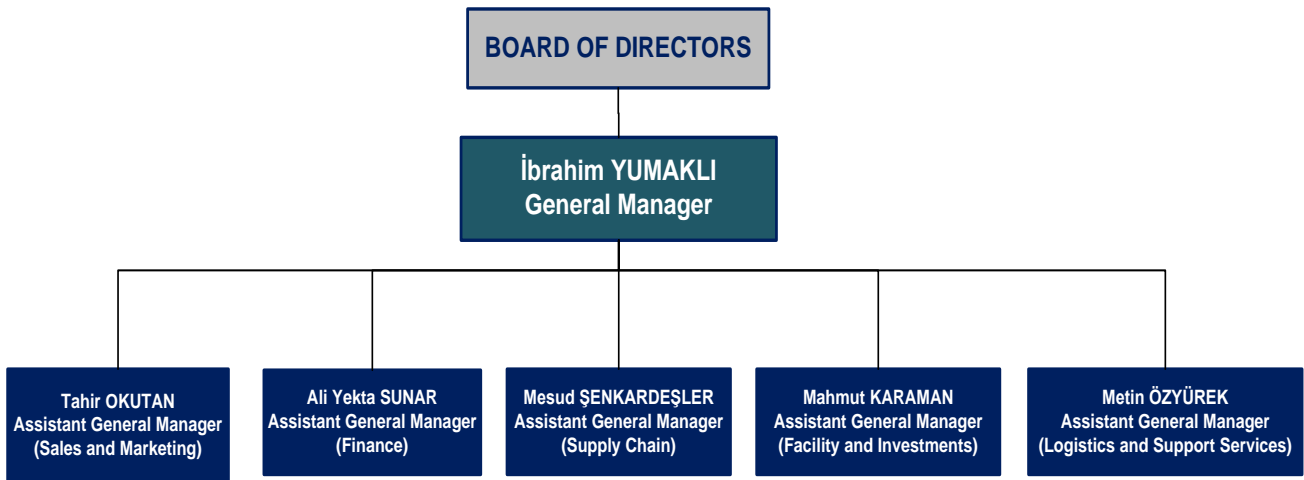
ANTALYA REGIONAL OFFICE

Address: Yeşilbahçe Mah. Portakal Çiçeği Bulvarı Kepez Mehmet Sitesi A Blok No:35 Kat:2

Daire:8 Muratpaşa/ANTALYA

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

Fax : +90 (242) 311 43 93

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

As of 31.03.2017 authorized capital of the company is 1.000.000.000 TRY and issued capital is 334.000.000 TRY. There has not been any change in terms of issued capital and shareholder structure of Gübretas within the fiscal period.

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

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

Tablo 1 : CAPITAL STRUCTURE

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

G. BOARD OF DIRECTORS

Title	Name	Date of appointment
Chairman	Ayhan KARAYAMA	13.04.2016
Vice Chairman	Mahmut GÜNGÖR	27.07.2016
Member	Ertekin ÇOLAK	24.06.2016
Executive Member	İbrahim YUMAKLI	28.10.2016
Executive Member	Tahir OKUTAN	13.04.2016
Executive Member	Mesud ŞENKARDEŞLER	07.03.2017
Independent Member	Bahattin YILDIZ	13.04.2016
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016

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

Title	Name	Date of Appointment	Date of Completion
Member	Kazım AYDIN	17.06.2016	07.03.2017
Independent Member	Ali Yekta SUNAR	13.04.2016	06.05.2017

The members of Board of Directors have the rights which are noted in the Articles of Association and Turkish Commercial Code. In the footnotes numbered 30 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
Acting General Manager	İbrahim YUMAKLI	28.10.2016
Assistant GM - Sales & Marketing	Tahir OKUTAN	20.01.2006
Assistant GM - Facility and Investments	Dr. Mahmut KARAMAN	04.02.2015
Assistant GM - Supply Chain	Mesud ŞENKARDEŞLER	30.09.2016
Assistant GM - Logistics and Support Services	Metin ÖZYÜREK	18.10.2016
Assistant GM - Finance	Ali Yekta SUNAR	06.05.2017

İ. ADMINISTRATIVE ACTIVITIES

Number of Personnel

Our number of personnel decreased by 4,8% to 513 persons in the first three months of 2017.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. A total of 1.609 hours of educational activities with the participation of 134 employees were carried out in the first three months of 2017.

Collective Labor Agreement

Collective bargaining agreement between our company and Petrol-İş Sendikası, which will involve the years of 2017 and 2018, has been started as of 18.01.2017 and the negotiations are still in progress.

II. GÜBRE FABRİKALARI T.A.Ş. ACTIVITIES

A. PRODUCTION

Gübretaş produced 13.350 tons of TSP, 176.504 tons of compound fertilizers and a total of 189.854 tons in the first three months of 2017. In addition, 8.759 tons of liquid and powder fertilizers were produced.

Solid fertilizer production increased by 13,71% and liquid-powder production also increased by 206,98% in 2017 compared to 2016. Total fertilizer production including solid, liquid and powder increased by 16,96%.

Some of the products were used as raw material in the production process. Capacity utilisation rate was 91,29% in the first three months of 2017.

Table 2 : PRODUCTION BY GROUP -TON

Production	2017/3	2016/3	Change
Solid Fertilizer	189.854	166.956	13,71%
Liquid - Powder Fertilizer	8.748	2.850	206,98%
GRAND TOTAL	198.602	169.806	16,96%

B. SALES AND PURCHASES

Our Company sold 763.536 tons of solid, 19.756 tons of liquid and powder fertilizers in the first three months of 2017. In the first three months of 2016, 722.350 tons of solid, 9.059 tons of liquid and powder fertilizers were sold.

The sales increased by 5,70% in the first three months of 2017, compared to the same period of the year before.

The volume of purchases was 339.665 tons in the first three months of 2016, and it increased by 108,94% to 709.710 tons in first three months of 2017. Export has been 1.674 tons in the first three months of 2017, while it was 1.575 tons in the same period of 2016.

Table 3: SALES, IMPORT AND DOMESTIC PURCHASES-TON

	2017/3	2016/3	Change
Domestic Purchases	141.804	28.255	401,87%
Import	567.906	311.410	82,37%
Total Purchases	709.710	339.665	108,94%
Sales	763.536	722.350	5,70%

Table 4: SALES BY PRODUCT GROUPS-TON

Solid Chemical Fertilizer	2017/3	2016/3	Change
Compound	205.839	206.949	-0,54%
Nitrogen-based	513.636	480.413	6,92%
Phosphate-based and others	44.061	34.988	25,93%
Total Solid Fertilizer	763.536	722.350	5,70%
Total Liquid - Powder Fertilizer	19.756	9.059	118,08%
Grand Total	783.292	731.409	7,09%

C. INVESTMENTS

In Turkish operations, our company spent 6.269.333 TRY for capital expenditure in the first quarter of 2016, while this figure was 18.443.873 TRY in the same period of 2017.

III. AFFILIATES AND SUBSIDIARIES

Table 5: SUBSIDIARIES

Company Name	Share %
Razi Petrochemical Co.	48,88

Table 6: 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. RAZİ PETROCHEMICAL CO. ACTIVITIES

A. PRODUCTION

In the first quarter of 2017, 407.519 tons of fertilizer and fertilizer raw materials were produced in Razi Petrochemical Co. and its subsidiary Arya Phosphoric Jonoub Co., capacity utilization rate was 44,77%.

Table 7 : RAZİ PETROCHEMICAL CO. PRODUCTION-TON

Product	2017/3	2016/3	Change	Capacity	2017/3 CUR
Ammonia	197.258	154.233	27,90%	1.336.000	59,06%
Urea	99.233	67.070	47,95%	594.000	66,82%
Sulphur	64.729	62.949	2,83%	508.000	50,97%
Sulphuric Acid	32.667	54.990	-40,59%	627.000	20,84%
Phosphoric Acid	12.732	18.626	-31,64%	126.000	40,42%
DAP	900	18.426	-95,12%	450.000	0,80%
Total	407.519	376.294	8,30%	3.641.000	44,77%

B. SALES

In the first three months of 2017, 437.282 tons of fertilizer were sold and 390.833.478 TRY of revenue were achieved in Razi Petrochemical Co. and its subsidiaries. Razi Petrochemical Co. exported 351.026 tons and sold 86.256 tons in the domestic market in the first three months of 2017. Share of export in total sales was 80%.

Table 8 : RAZİ PETROCHEMICAL CO. SALES-TON

Product	2017/3	2016/3	Change
Ammonia	143.473	107.042	34,03%
Urea	148.158	105.616	40,28%
AS	75.326	0	-
Sulphur	43.305	38.455	12,61%
DAP	13.460	22.513	-40,21%
Phosphoric Acid	9.640	8.078	19,34%
Sulphuric Acid	3.920	6.074	-35,46%
Total	437.282	287.778	51,95%

C. INVESTMENTS

In Iran operations, our company spent 5.455.709 TRY for capital expenditure in 2016, while this figure was 6.692.525 TRY in 2017.

V. FINANCIAL STRUCTURE

A. BALANCE SHEET ASSETS-TRY

ASSETS	31 March 2017	31 December 2016
Current Assets	1.712.868.436	1.648.288.615
Cash and Cash Equivalents	224.794.558	136.519.570
Financial Investments	25.770.966	24.961.482
Trade Receivables	501.974.482	386.499.874
- <i>Trade receivables from related parties</i>	119.486.999	97.413.609
- <i>Other trade receivables</i>	382.487.483	289.086.265
Other Receivables	195.276.551	170.524.480
- <i>Other receivables from related parties</i>	413.465	2.756.403
- <i>Other receivables</i>	194.863.086	167.768.077
Inventories	690.903.427	814.012.500
Prepaid expenses	34.001.440	75.887.364
Derivative Instruments	26.776.433	16.743.178
Current tax assets	6.381	5.687.893
Other Current Assets	13.364.198	17.452.274
Fixed Assets	1.764.380.223	1.734.843.766
Financial Investments	45.495.722	44.152.656
Other receivables	113.573.337	117.641.163
- <i>Other receivables from related parties</i>	90.085.918	94.567.063
- <i>Other receivables from third parties</i>	23.487.419	23.074.100
Investments Valued by Equity Method	9.783.453	9.025.166
Investment Properties	57.028.000	57.028.000
Tangible Fixed Assets	1.243.599.923	1.219.905.720
Intangible Fixed Assets	224.589.619	217.591.062
- <i>Goodwill</i>	194.572.934	188.461.258
- <i>Other intangible assets</i>	30.016.685	29.129.804
Prepaid expenses	44.705.139	40.975.917
Deferred Tax Assets	25.605.030	28.524.082
TOTAL ASSETS	3.477.248.659	3.383.132.381

B. BALANCE SHEET LIABILITY-TRY

LIABILITIES	31 March 2017	31 December 2016
Short-term Liabilities	1.925.471.474	1.855.080.961
Financial Liabilities	697.592.257	798.391.047
Short-term portion of long-term borrowings	42.618.743	42.297.246
Trade payables	781.456.025	632.250.973
- <i>Trade payables to related parties</i>	11.260.807	5.224.461
- <i>Other trade payables to third parties</i>	770.195.218	627.026.512
Payables for Employment Termination Benefits	31.873.540	35.667.368
Other Payables	175.700.870	153.941.939
- <i>Other payables to related parties</i>	21.999	-
- <i>Other payables to third parties</i>	175.678.871	153.941.939
Deferred Incomes	40.074.488	34.436.793
Current Tax Liabilities	49.011.233	53.959.350
Short-term provisions	107.144.318	104.136.245
- <i>Short-term provisions for employee benefits</i>	26.599.809	24.212.339
- <i>Provisions for payables</i>	80.544.509	79.923.906
Long-term Liabilities	313.185.456	326.433.355
Long-term borrowings	83.845.788	99.492.773
Provisions for employee benefits	186.474.874	185.422.202
Deferred tax liabilities	42.864.794	41.518.380
EQUITY CAPITAL	1.238.591.729	1.201.618.065
Equities of Parent Company		
Paid-in Capital	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss	261.385.225	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>	(1.185.607)	(945.335)
Accumulated other comprehensive income / expense to be reclassified to profit or loss	(70.764.853)	(87.917.670)
- <i>Foreign currency translation reserve</i>	(44.954.362)	(62.489.158)
- <i>Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method</i>	(25.810.491)	(25.428.512)
Restricted Reserves From Profit	41.378.380	41.378.380
Retained earnings	398.072.667	466.809.637
Net Period Profit / (Loss)	10.738.394	(68.736.970)
Equity attributable to equity holders of the parent	974.809.813	947.158.874
Minority Shares	263.781.916	254.459.191
TOTAL LIABILITIES	3.477.248.659	3.383.132.381

C. INCOME STATEMENT-TRY

CONTINUING OPERATIONS	31 March 2017	31 March 2016
Sales (net)	1.115.545.565	985.811.635
Costs of Sales (-)	(983.910.459)	(860.304.879)
GROSS PROFIT	131.635.106	125.506.756
Administrative Expenses (-)	(30.245.314)	(19.537.790)
Marketing, Sales and Distribution Expenses (-)	(85.342.209)	(58.565.785)
Other Operating Incomes	106.509.411	52.331.502
Other Operating Expenses (-)	(88.521.976)	(45.174.046)
OPERATION PROFIT/(LOSS)	34.035.018	54.560.637
Shares in Profit/Loss of Investments Valued by Equity Method	(13.655.539)	(1.034.038)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	20.379.479	53.526.599
Finance Expenses (-)	(3.163.673)	(22.280.280)
PRE-TAX PROFIT / LOSS FROM CONTINUING OPERATIONS	17.215.806	31.246.319
Total Tax Income / Expense (-)	(4.898.852)	2.432.289
- Period Tax Income / Expense (-)	(1.038.953)	(1.223.583)
- Deferred Tax Income / Expense(-)	(3.859.899)	3.655.872
PERIOD PROFIT/ (LOSS)	12.316.954	33.678.608
PERIOD PROFIT/ (LOSS)	12.316.954	33.678.608
Distribution of Period Profit / (Loss)		
Minority Shares	1.578.560	3.409.772
Parent Company's Shares	10.738.394	30.268.836
Earnings / (Loss) Per Share (kr)	0,0300	0,0900

VI. EVENTS AFTER BALANCE SHEET DATE

1. Raporlama döneminde;

Maliye Hazinesi Adına Hatay ili, İskenderun İlçesi, Sariseki sınırları içerisinde bulunan Değirmendere Köyü 796 parsel sayılı 79.350m² yüzölçümlü şirketimize ait taşınmazın bulunduğu yerden Kıyı Kenar Çizgisi geçtiği iddiası ile ilgili taşınmazın tapu kaydının iptali ve kamu adına terkin edilmesi amacıyla açılan davanın kısmen kabul edilmiş,

Şirketimize ait taşınmazın 78.674,76 m²'lik kısmının tapu kaydının iptali ile kıyı kenar çizgisi olarak terkinin ile tescil dışı bırakılmasına, fazlaya ilişkin istemin reddine ve Şirketimizce açılmış karşı davanın da reddine karar verilmiştir.

Raporlama döneminin akabinde gerekçeli kararın tarafımıza tebliği sonrası yasal süre içerisinde istinaf kanun yoluna başvurulmuştur.

2. In line with the resolutions of the Board of Directors of our Company;

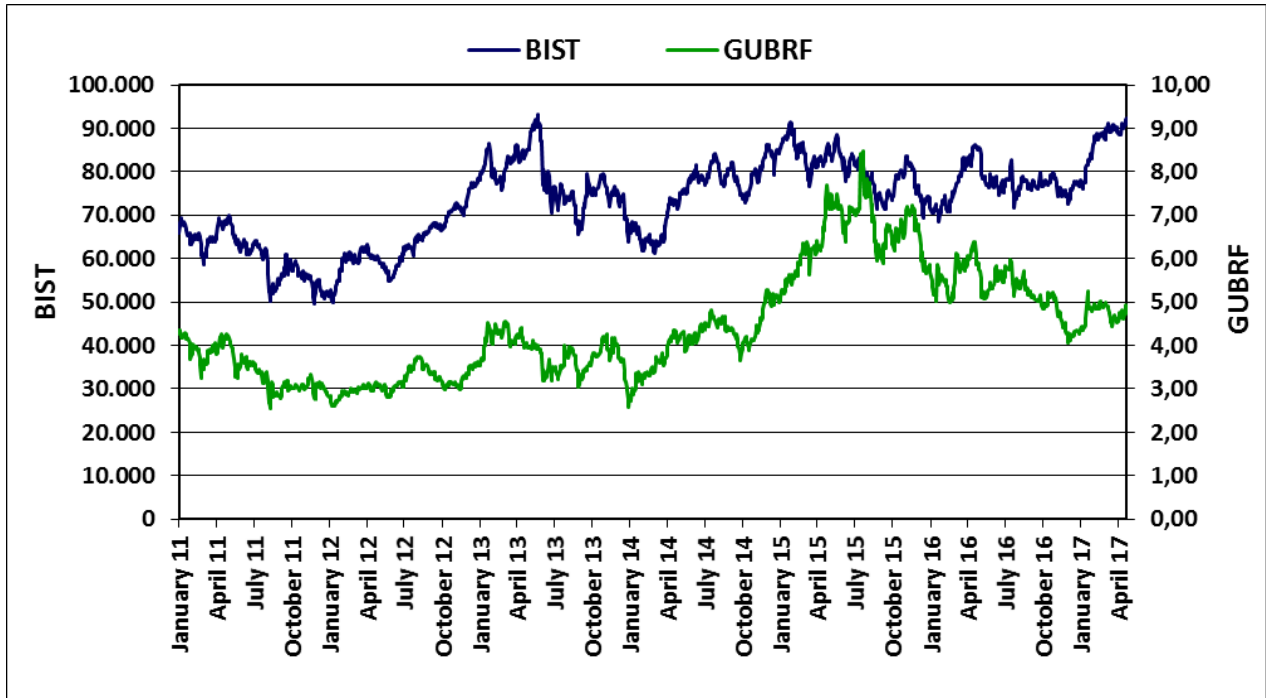
- Assistant General Manager in charge of Finance who is acting as the General Manager in our Company, İbrahim YUMAKLI was appointed as General Manager personally,
- The decision of Independent Board Member, Ali Yekta SUNAR's resignation from his position was accepted and he was started to duty as Assistant General Manager in charge of Finance in our Company.

3. With the resolution of 08.05.2017, Petrol-İş Sendikası;

has decided to apply the strike as of 08.06.2017 if it can not reach an agreement on the ongoing collective bargaining agreement.

VII. PERFORMANCE OF THE STOCK

Graph 1 : PERFORMANCE OF THE STOCK



VIII. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In accordance with Communiqué on Corporate Governance, which is numbered II-17.1 and published by Capital Markets Board in 3.1.2014, within the first three months of 2017 covering the dates of 1.1.2017 - 31.3.2017, the following works have been realized by the Company in order to be compliant with the principles issued in the related communiqué:

1. About the fertilizer sales which will be realized by our Company, Gübre Fabrikaları T.A.Ş, within the year of 2017 to the related party, Central Union of Turkish Agriculture Credit Cooperatives, the conclusion part of the Board of Directors' report which was prepared due to the Article 10 under the heading of Common and Continuous Transactions of Communiqué on Corporate Governance numbered II-17.1 was submitted for public information on January 12, 2017.
2. Regarding to the article 11/1 of Corporate Governance Communiqué, Investor Relations Department prepared "Investor Relations 2016 Operating Report" related to activities within the year of 2016, and submitted it for the Board's information.

IX. CONCLUSION

DEAR SHAREHOLDERS,

In the first three months of 2017, 709.710 tons of fertilizers and raw materials were procured from domestic and foreign markets and 189.854 tons of various types of chemical solid fertilizer were produced at our facilities. On the other hand, 783.292 tons of solid, liquid and powder fertilizers were sold in the first three months of 2017. Net sale revenues realized as 838.910.394 TRY.

Also 407.519 tons of fertilizer and fertilizer raw materials were produced, 390.833.478 TRY sale revenues were realized by the sale of 437.282 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co and its subsidiaries.

Our company reached to 1.115.545.565 TRY consolidated sales revenue. Beside, by extracting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 17.215.806 TRY profit realized before tax. 12.316.954 TRY consolidated profit occurred after deducting 4.898.852 TRY net tax expense. 10.738.394 TRY profit to shareholders has occurred after deducting 1.578.560 TRY shares of minority shareholders.

We would kindly like to ask you to evaluate the results mentioned above regarding our first three months of 2017 activities.

Best Regards,
BOARD OF DIRECTORS

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

Gübre Fabrikaları Türk Anonim Şirketi

**Interim condensed consolidated financial statements
for the period January 1 – March 31, 2017**

CONTENTS	PAGE
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
INTERIM CONSOLIDATED STATEMENT OF CASH FLOW.....	5
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	6-38
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS.....	6-7
NOTE 2 BASIS OF PRESENTATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8-14
NOTE 3 SEGMENT REPORTING.....	15-17
NOTE 4 CASH AND CASH EQUIVALENTS	17-18
NOTE 5 FINANCIAL BORROWINGS.....	19-21
NOTE 6 TRADE RECEIVABLES AND PAYABLES	21-22
NOTE 7 OTHER RECEIVABLES AND PAYABLES.....	23-24
NOTE 8 INVENTORIES.....	24
NOTE 9 PROPERTY, PLANT AND EQUIPMNET	25-27
NOTE 10 INTANGIBLE ASSETS	28
NOTE 11 COMMITMENTS	28
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	29-32
NOTE 13 REVENUE AND COST OF SALES	32-33
NOTE 14 OTHER OPERATING INCOME AND EXPENSES.....	33
NOTE 15 EARNINGS PER SHARE	34
NOTE 16 RELATED PARTIES TRANSACTIONS.....	34-35
NOTE 17 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	36-38
NOTE 18 SUBSEQUENT EVENTS.....	38

(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 31 March 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited	Audited
	Notes	31 March 2017	31 December 2016
ASSETS			
Current assets:			
Cash and cash equivalents	4	224.794.558	136.519.570
Financial investments		25.770.966	24.961.482
Trade receivables			
- Trade receivables from related parties	16	119.486.999	97.413.609
- Trade receivables from third parties	6	382.487.483	289.086.265
Other receivables			
- Other receivables from related parties	16	413.465	2.756.403
- Other receivables from third parties	7	194.863.086	167.768.077
Inventories	8	690.903.427	814.012.500
Prepaid expenses		34.001.440	75.887.364
Assets related to the current period taxes		6.381	16.743.178
Derivative Instruments		26.776.433	5.687.893
Other current assets		13.364.198	17.452.274
Total current assets		1.712.868.436	1.648.288.615
Non-current assets:			
Financial investments		45.495.722	44.152.656
Other receivables			
- Other receivables from related parties	16	90.085.918	94.567.063
- Other receivables from third parties	7	23.487.419	23.074.100
Investments valued by equity method		9.783.453	9.025.166
Investment properties		57.028.000	57.028.000
Property, plant and equipment	9	1.243.599.923	1.219.905.720
Intangible assets	10		
- Goodwill		194.572.934	188.461.258
- Other intangible assets		30.016.685	29.129.804
Prepaid expenses		44.705.139	40.975.917
Deferred tax assets		25.605.030	28.524.082
Total non-current assets		1.764.380.223	1.734.843.766
Total assets		3.477.248.659	3.383.132.381

The interim condensed consolidated financial statements for the year ended 31 March 2017 have been approved by the Board of Directors on 9 May 2017.

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 31 March 2017

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

		Unaudited	Audited
	Notes	31 March 2017	31 December 2016
LIABILITIES			
Current liabilities:			
Short term borrowings	5	697.592.257	798.391.047
Current portion of long-term borrowings	5	42.618.743	42.297.246
Trade payables			
- Trade payables to related parties	16	11.260.807	5.224.461
- Trade payables to third parties	6	770.195.218	627.026.512
Employee benefit obligations		31.873.540	35.667.368
Other payables			
- Other payables to related parties	16	21.999	-
- Other payables to third parties	7	175.678.871	153.941.939
Deferred income		40.074.488	34.436.793
Current income tax liability		49.011.233	53.959.350
Short-term provisions			
- Short-term provisions for employee benefits		26.599.809	24.212.339
- Other short term provisions		80.544.509	79.923.906
Total current liabilities		1.925.471.474	1.855.080.961
Non-current liabilities:			
Long-term borrowings	5	83.845.788	99.492.773
Long-term provisions			
- Long-term provisions for employee benefits		186.474.874	185.422.202
Deferred tax liability		42.864.794	41.518.380
Total non-current liabilities		313.185.456	326.433.355
Total liabilities		2.238.656.930	2.181.514.316
Shareholders' equity:			
Share capital		334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation gains/losses on property, plant and equipment		262.570.832	262.570.832
- Actuarial gain/(loss) arising from defined benefit plans		(1.185.607)	(945.335)
- Foreign currency translation reserve		(44.954.362)	(62.489.158)
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method		(25.810.491)	(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		10.738.394	(68.736.970)
Equity attributable to equity holders of the parent		974.809.813	947.158.874
Non-controlling interests		263.781.916	254.459.191
Total shareholders' equity		1.238.591.729	1.201.618.065
Total liabilities and equity		3.477.248.659	3.383.132.381

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Interim consolidated statement of profit or loss and other comprehensive income as of 31 March 2016

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

	Notes	Unaudited January 1 – March 31, 2017	Unaudited January 1 – March 31, 2016
Sales	13	1.115.545.565	985.811.635
Cost of sales (-)	13	(983.910.459)	(860.304.879)
Gross profit		131.635.106	125.506.756
General and administrative expense (-)		(30.245.314)	(19.537.790)
Marketing, selling and distribution expense (-)		(85.342.209)	(58.565.785)
Other operating income	14	106.509.411	52.331.502
Other operating expenses (-)	14	(88.521.976)	(45.174.046)
Operating profit		34.035.018	54.560.637
Profit / (loss) from investments accounted by equity method		(13.655.539)	(1.034.038)
Financial income / (expense) before operating profit		20.379.479	53.526.599
Financial income / (expense)		(3.163.673)	(22.280.280)
Profit before tax from continuing operations		17.215.806	31.246.319
- Current period tax income / (expense)		(1.038.953)	(1.223.583)
- Deferred tax income / (expense)		(3.859.899)	3.655.872
Total tax income / (expense)		(4.898.852)	2.432.289
Net profit		12.316.954	33.678.608
Distribution of income for the period:			
Non-controlling interests		1.578.560	3.409.772
Attributable to equity holders of the parent		10.738.394	30.268.836
Other Comprehensive Income:			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans		(300.340)	-
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss		60.068	-
Items to be reclassified to profit or loss			
Changes in currency translation differences		25.519.233	(19.211.813)
Changes in currency translation differences from investments accounted by equity method		(381.979)	1.241.142
Other comprehensive income / (expense)		24.896.982	(17.970.671)
Total comprehensive income		37.213.936	15.707.937
Distribution of total comprehensive income			
-Non-controlling interests		9.322.725	(6.410.909)
-Equity holders of the parent		27.891.211	22.118.846
Earnings per share	15	0,03	0,09

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 31 March 2017

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

	Items not to be reclassified to profit or loss			Items to be reclassified to profit or loss		Retained earnings					
	Share capital	Revaluation reserves	Actuarial gain/(loss) arising from defined benefit plans	Changes in currency translation differences from investments accounted by equity method	Foreign currency translation reserve	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2016	334.000.000	262.570.832	-	(13.780.834)	(74.870.622)	39.708.380	416.698.169	89.382.336	1.053.708.261	560.509.841	1.614.218.102
Transfers	-	-	-	-	-	-	89.382.336	(89.382.336)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(360.974.322)	(360.974.322)
Total comprehensive income/(expense)	-	-	-	1.241.142	(9.391.132)	-	-	30.268.836	22.118.846	(6.410.909)	15.707.937
31 March 2016	334.000.000	262.570.832	-	(12.539.692)	(84.261.754)	39.708.380	506.080.505	30.268.836	1.075.827.107	193.124.610	1.268.951.717
1 January 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	-	-	-
Other comprehensive income / (expense)	-	-	(240.272)	-	-	-	-	-	(240.272)	-	(240.272)
Total comprehensive income / (expense)	-	-	-	(381.979)	17.534.796	-	-	10.738.394	27.891.211	9.322.725	37.213.936
31 March 2017	334.000.000	262.570.832	(1.185.607)	(25.810.491)	(44.954.362)	41.378.380	398.072.667	10.738.394	974.809.813	263.781.916	1.238.591.729

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 31 March 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January – 31 March 2017	Unaudited 1 January – 31 March 2016
Cash flows from operating activities			
Profit from continuing operations		12.316.954	33.678.608
<i>Adjustments to reconcile net profit/(loss) for the period</i>			
Adjustments related to depreciation and amortization expense	9,10	17.482.540	16.831.839
Gain / (loss) on equity investments		13.655.539	1.034.038
Retirement pay provision, early retirement pay liability		20.149.754	11.328.733
Adjustments related to interest expense		25.572.922	20.814.864
Lawsuit provision / cancellation		1.380.840	-
Current year tax income / (expense)		4.898.852	(2.432.289)
Adjustments related to losses (gains) on sale of property, plant and equipments	9, 10	(459.908)	(466.724)
Adjustments related to fair value losses (gains) on investment property		1.460.217	4.046.399
Adjustments related to fair value losses (gains) on derivative financial instruments		(10.033.259)	-
Cash flows from the operating activities before changes in the assets and liabilities		86.424.451	84.835.468
Changes in working capital (net):			
Adjustments related to increase / (decrease) in trade receivables		(116.567.595)	(15.123.403)
Adjustments related to increase / (decrease) in other receivables		(20.684.245)	(13.798.476)
Adjustments related to increase / (decrease) in inventories		113.570.766	342.560.748
Adjustments related to increase / (decrease) in trade payables		148.837.822	(72.193.381)
Employee benefit obligations		(3.793.828)	1.632.294
Increase / (decrease) in deferred income		5.637.695	(12.958.472)
Increase / (decrease) in prepaid expenses		38.156.702	3.892.181
Increase / (decrease) in other payables		21.758.931	(27.352.292)
Adjustments related to other increases / (decreases) in working capital		14.920.477	42.829.301
Cash flows from the operations after the changes in working capital		288.261.176	334.323.968
Interest paid		(25.572.922)	(20.962.895)
Taxes refunds/(payments)		(794.692)	(1.081.312)
Payment termination indemnity		(19.928.191)	(13.430.659)
Cash flow regarding investment activities		241.965.371	298.849.102
Investment activities:			
Cash outflows from the purchases of property, plant and equipment and intangible assets	9, 10	(25.136.398)	(11.725.042)
Proceeds from sales of property, plant and equipment	9, 10	474.101	616.849
Cash outflows from the purchases of investment property		(2.152.549)	-
Other cash inflows / (outflows)		-	1.321.531
Cash flows from investment activities		(26.814.846)	(9.786.662)
Financing activities:			
Cash inflows from financial borrowings		389.781.126	997.274.618
Cash outflows from financial borrowings payments		(512.290.278)	(1.252.121.133)
Interest received		-	148.031
Cash flows from financing activities		(122.509.152)	(254.698.484)
Net change in cash and cash equivalents before effect of foreign currency translation difference		92.641.373	34.363.956
Cash and cash equivalents as of January 1		125.519.427	364.409.394
Foreign currency translation difference		(2.210.046)	8.340.710
Cash and cash equivalents as of March 31		215.950.754	407.114.060

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 31 March 2017 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

Operational units	Operation details
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 31 March 2017 is 1.644 (31 December 2016 – 1.676)

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

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

Subsidiaries

Gübretaş has invested in Razi Petrochemical Co., which is located in Iran and operates in the production and sales of fertilizer and fertilizer raw materials on May 24, 2008. The share of Gübretaş in the capital of Razi as of the date of balance sheet is 48,88% (December 31, 2014: 48,88). Razi is considered subsidiary because Gübretaş has the right to select and nominate three of the five member Company Board of Razi. Also, it has the controlling power in the operational management of Razi.

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

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

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

Associates

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

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 May 9, 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 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Applied Financial Reporting Standards

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

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

The companies are free to prepare their interim financial statements either as full set or in condensed form as per the Turkish accounting standard no: 34 - "interim financial reporting". In this regard, the Group has selected to prepare interim consolidated financial statements. Therefore, these interim condensed and consolidated financial statements should be evaluated together with the consolidated financial statements of the Group as of December 31, 2016

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

Going concern

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

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

Functional currency

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

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

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

The conversion rates used are as follows:

Currency	31 March 2017		31 March 2016		31 December 2016	
	Period End	Period Average	Period End	Period End	Period End	Period End
IRR / TL	0,000112226	0,000114011	0,00009364	0,0000974	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 consolidated financial statements as at March 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group 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 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. 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 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. 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 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. 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 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. 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 1 January 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 1 January 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 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. 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 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

2.3 Basis of consolidation

a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the period ended 31 March 2017 and include financial statements of Gübretaş and its Subsidiaries.

b) As of 31 March 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 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 31 March 2016, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 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 31 December 2016. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2016.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

NOTE 3 -SEGMENT REPORTING

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

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

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

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

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

	Turkey		Iran	Consolidation	Total
Assets	31 March 2017	31 March 2017	31 March 2017	Adjustments	31 March 2017
Current assets	897.946.154	847.383.432		(32.461.150)	1.712.868.436
Non-current assets	1.181.410.410	820.855.571		(237.885.758)	1.764.380.223
Total assets	2.079.356.564	1.668.239.003		(270.346.908)	3.477.248.659
Liabilities					
Short term liabilities	1.103.801.495	828.702.617		(7.032.638)	1.925.471.474
Long term liabilities	93.572.981	219.612.475		-	313.185.456
Equities	881.982.088	619.923.911		(263.314.270)	1.238.591.729
Total liabilities	2.079.356.564	1.668.239.003		(270.346.908)	3.477.248.659

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 -SEGMENT REPORTING (continued)

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

	Turkey		Iran		Consolidation Adjustments		Total	
	1 January 2017	31 March 2017	1 January 2017	31 March 2017	1 January 2017	31 March 2017	1 January 2017	31 March 2017
Operating income								
Sales (Net)	838.910.394		390.833.478		(114.198.307)		1.115.545.565	
Cost of sales (-)	(752.747.540)		(345.361.226)		114.198.307		(983.910.459)	
Gross profit	86.162.854		45.472.252		-		131.635.106	
Marketing, selling and distribution expense (-)	(40.062.484)		(45.279.725)		-		(85.342.209)	
General and administrative expense (-)	(5.243.174)		(25.002.140)		-		(30.245.314)	
Other operating income / expense (-)(net)	10.719.860		7.267.575		-		17.987.435	
Operating profit	51.577.056		(17.542.038)				34.035.018	
Income / (expense) from investments	-		-		-		-	
Profit / (loss) from investments accounted by equity method	(13.655.539)		-		-		(13.655.539)	
Operation profit before financial income / (expense)	37.921.517		(17.542.038)		-		20.379.479	
Financial income / (expense)	(25.543.379)		22.379.706		-		(3.163.673)	
Profit before tax	12.378.138		4.837.668		-		17.215.806	
Tax expense	-		(1.038.953)		-		(1.038.953)	
Deferred tax income / (expense)	(3.154.252)		(705.647)		-		(3.859.899)	
Profit / (loss) for the period	9.223.886		3.093.068		-		12.316.954	

	Turkey		Iran		Consolidation Adjustments		Total	
	1 January 2016	31 March 2016	1 January 2016	31 March 2016	1 January 2016	31 March 2016	1 January 2016	31 March 2016
Operating income								
Sales	718.530.346		295.703.155		(28.421.866)		985.811.635	
Cost of sales (-)	(635.958.589)		(252.768.156)		28.421.866		(860.304.879)	
Gross profit	82.571.757		42.934.999		-		125.506.756	
Marketing, selling and distribution expense (-)	(31.356.600)		(27.209.185)		-		(58.565.785)	
General and administrative expense (-)	(9.472.862)		(10.064.928)		-		(19.537.790)	
Other operating income / expense (-)	7.533.343		(2.072.080)		1.696.193		7.157.456	
Operating profit	49.275.638		3.588.806		1.696.193		54.560.637	
Income / (expense) from investments	346.881.871		-		(346.881.871)		-	
Profit / (loss) from investments accounted by equity method	(1.034.038)		-		-		(1.034.038)	
Operation profit before financial income / (expense)	395.123.471		3.588.806		(345.185.678)		53.526.599	
Financial income / (expense)	(24.786.982)		2.506.702		-		(22.280.280)	
Profit before tax	370.336.489		6.095.508		(345.185.678)		31.246.319	
Tax expense	-		(1.223.583)		-		(1.223.583)	
Deferred tax income / (expense)	1.857.399		1.798.473		-		3.655.872	
Profit / (loss) for the period	372.193.888		6.670.398		(345.185.678)		33.678.608	

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (continued)

Investment expenditures:

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

	1 January - 31 March 2017	1 January – 31 March 2016
Gübre Fabrikaları T.A.Ş.	18.414.078	6.269.333
Razi Petrochemical Co. and its subsidiary	6.692.525	5.455.709
Total	25.106.603	11.725.042

Depreciation and amortization:

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

	1 January - 31 March 2017	1 January – 31 March 2016
Gübre Fabrikaları T.A.Ş.	4.386.975	3.689.084
Razi Petrochemical Co. and its subsidiary	13.095.565	13.142.755
Total	17.482.540	16.831.839

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2017	31 December 2016
Cash on hands	274.115	17.237
Bank	197.834.155	119.788.896
- demand deposits	45.835.896	52.772.601
- time deposits	151.998.259	67.016.295
Other cash equivalents(**)	26.686.288	16.713.437
Total	224.794.558	136.519.570
Pledge cash and cash equivalents (*)	(8.843.803)	(11.000.143)
Cash and cash equivalents at the statement of cash flow	215.950.755	125.519.427

(*) As of 31 March 2017, pledge cash and cash equivalents include 8.843.803 TL, which is related with the letters of credit opened by Raintrade.

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - CASH AND CASH EQUIVALENTS (continued)

Time Deposits

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

Time Deposits (Foreign Currency):

				31 March 2017
Interest Rate (%)	Maturity	Currency	Foreign currency amount	Amount in TL
3	May 2017	USD	33.090.188	120.401.958
10-22	April 2017	Mil. IRR	275.338	30.900.156
Libor+0,5	April 2017	EUR	178.120	696.145
Total				151.998.259

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 – FINANCIAL BORROWINGS

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

	31 March 2017	31 December 2016
Short term borrowings	697.592.257	798.391.047
Short term portion of long term borrowings	42.618.743	42.297.246
Total	740.211.000	840.688.293

Short and long term borrowings	31 March 2017	31 December 2016
Payable within 1 year	740.211.000	840.688.293
Payable within 1 – 5 years	83.845.788	99.492.773
Total	824.056.788	940.181.066

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

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

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	July 2017	0,03	10.904.675	42.618.743
USD	September 2017	3,25	61.171.625	222.579.075
TL	April 2017	12,35-13,00	266.172.782	266.172.782
Total				531.370.600

Other Financial Borrowings (*):

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	April 2017	Libor + 0,5	53.435.100	208.840.400
Total				208.840.400

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 – FINANCIAL BORROWINGS (continued)

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

Bank Loans:

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

Other Financial Borrowings (*):

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

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

b) Long term borrowings

	31 March 2017	31 December 2016
Long term bank loans (Gübretaş)	83.845.788	99.492.773
Total	83.845.788	99.492.773

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

Bank Loans:

Currency	Maturity	Average effective annual Interest Rate (%)	Original Amount	Amount in TL
EUR	January 2020	3,40	21.453.263	83.845.788
Total				83.845.788

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 – FINANCIAL BORROWINGS (continued)

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

Bank Loans:

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:

	31 March 2017	31 December 2016
Trade receivables	381.497.100	274.744.041
Notes receivables	5.356.192	3.321.819
Receivables from National Petrochemical Company ("NPC") (Razi)	-	15.386.214
Trade receivables from third parties (gross)	386.853.292	293.452.074
Allowance for doubtful receivables (-)	(4.365.809)	(4.365.809)
Trade receivables from third parties (net)	382.487.483	289.086.265

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

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (continued)

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

	2017	2016
Balance at January 1	4.365.809	4.365.809
Period cost	-	-
Collection	-	-
Balance at March 31	4.365.809	4.365.809

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

	31 March 2017	31 December 2016
Guarantee Letters	259.235.940	253.128.074
Collateral cheques and notes	60.787.401	60.937.401
Total	320.023.341	314.065.475

Short term trade payables:

	31 March 2017	31 December 2016
Trade payables (Gübretaş)	444.159.224	345.133.568
Trade payables (Razi)	52.658.809	96.247.990
Payables to NPC (Razi)	242.198.647	182.745.018
Other trade payables	31.178.538	2.899.936
Total	770.195.218	627.026.512

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:

	31 March 2017	31 December 2016
VAT receivables (Razi)	114.198.082	101.569.275
Other various receivables (Tabosan) (*)	34.223.824	33.135.093
Due from personnel	8.494.576	11.244.879
Other various receivables (**)	37.946.604	21.818.830
Other short term receivables	194.863.086	167.768.077

(*) The total amount of capital receivables sourcing from payments made as co-guarantor and accrued interest receivable as of the report date of the Group is 34.223.824 TL. The Group management have requested from the Bankruptcy Administration as of report date to realize share transfer of Razi shares owned by Tabosan at a rate of 1,31% corresponding to payments at an amount of 5.439.402 EURO made as co-guarantor. Since the aforementioned request was not accepted by the Bankruptcy Administration, the Group went to law and it is decided to pass a cautionary judgment on 27 June 2013 in order to avoid any savings on shares and distribution of 1,31% of Razi shares owned to Tabosan. Share transfer lawsuit brought by the Group to the court was dismissed and appealed by the Group and is still under Supreme Court investigation. The share transfer file brought to the court by the Group has been rejected and appealed by the Group but the decision of the court is approved by the Supreme Court. Therefore the Group has made a request of revision of the decision. The Group shall apply to record the receivable subject to the aforementioned case in the Bankruptcy estate if the case with a share transfer request which was brought to court by the Group to the Bankruptcy Administration is resulted in a negative manner.

Additionally, since the request of the Group regarding the recording of its other receivables sourcing from payments made as a co-guarantor to the bankruptcy estate was dismissed, the Group brought a lawsuit against Bankruptcy Administration regarding the recording of its receivables to the court. Bankruptcy Administration accepted the aforementioned lawsuit and the Court decided to accept the lawsuit regarding recording of receivables following this acceptance declaration in 15 July 2015. Since the accumulated dividend receivables striking to 10,88% shares of Tabosan at Razide reverted to bankruptcy estate, the Bankruptcy Administration has made a payment to the Group at an amount of 25.278.225 TL for its capital receivable. The aforementioned registration acceptance file has been finalized. 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 31 March 2017, 33.907.020 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other long term receivables:

	31 March 2017	31 December 2016
Deposits & guarantees given	13.501.052	13.189.904
Due from personnel (*)	9.986.367	9.884.196
Other long term receivables	23.487.419	23.074.100

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

Other short term payables:

	31 March 2017	31 December 2016
Dividend payables to non-controlling interests	106.581.958	101.120.883
Payables from investments accounted by equity method	56.334.768	41.538.964
Other payables	12.762.145	11.282.092
Other short term payables	175.678.871	153.941.939

NOTE 8 – INVENTORIES

	31 March 2017	31 December 2016
Raw materials and supplies	259.687.174	214.676.484
Finished goods	97.463.095	142.129.647
Trade goods	285.881.988	408.573.898
Other inventories	48.410.244	49.171.545
Total	691.442.501	814.551.574
Minus: Impairment of inventories	(539.074)	(539.074)
Toplam	690.903.427	814.012.500

Group carried out net realisable value analysis for inventories and regarding to conclusion of this analysis there is no provision for inventory losses in current period. (2016: 539.074).

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT

The depreciation cost and amortization of the company is 17.482.540 TL as of 31 March 2017 and 31 March 2016 details are given below;

			31 March 2017
	Gübretaş	Razi	Total
Amortization Cost	(4.318.039)	(13.095.565)	(17.413.604)
Depreciation Cost	(68.936)	-	(68.936)
Total	(4.386.975)	(13.095.565)	(17.482.540)

31 March 2017: Out of the total of 17.482.540 TL depreciation and amortization costs; 16.910.277 TL have been included in General Production Costs, 150.738 TL in Sales and Marketing Costs, 421.525 TL in General Management Costs.

			31 March 2016
	Gübretaş	Razi	Total
Amortization Cost	3.638.270	13.142.755	16.781.025
Depreciation Cost	50.814	-	50.814
Total	3.689.084	13.142.755	16.831.839

31 March 2016: Out of the total of 11.971.868 TL depreciation and amortization costs; 11.499.239 TL have been included in General Production Costs, 165.310 TL in Sales and Marketing Costs, 307.319 TL in General Management Costs.

Pledges and Mortgages on Assets

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance on January 2017	460.149.818	59.895.278	334.392.130	1.133.978.599	10.230.291	27.012.387	1.018.158	88.846.999	2.115.523.660
Foreign currency translation differences	4.877.068	-	3.718.016	29.659.761	240.899	575.705	-	866.296	39.937.745
Additions	196.300	7.056	32.546	233.965	-	300.359	-	24.336.377	25.106.603
Sales/Cancellations	-	-	-	-	(879.615)	(21.458)	-	-	(901.073)
Transfer from construction in progress	-	-	-	-	-	-	-	-	-
Closing Balance on 31 March 2017	465.223.186	59.902.334	338.142.692	1.163.872.325	9.591.575	27.866.993	1.018.158	114.049.672	2.179.666.935
Accrued Depreciation									
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	-	-	(2.030.712)	(21.130.525)	(166.115)	(283.094)	-	-	(23.610.446)
Expenses of the period	-	(245.800)	(2.470.645)	(13.722.584)	(502.445)	(442.680)	(29.451)	-	(17.413.605)
Sales/Cancellations	-	-	-	-	529.996	44.983	-	-	574.979
Closing Balance on 31 March 2017	-	(50.000.094)	(123.950.191)	(741.360.055)	(6.901.772)	(13.600.344)	(254.556)	-	(936.067.012)
Net Book Value on 31 March 2017	465.223.186	9.902.240	214.192.501	422.512.270	2.689.803	14.266.649	763.602	114.049.672	1.243.599.923

As of 31 March 2017, 5.547.808 TL within construction in progress is capitalized interest and foreign currency exchange difference (31 December 2016 – TL 24.319.420).

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

NOTE 9 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and Parcels	Land Improvements	Buildings	Facility, Machinery and Equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value									
Opening balance on January 2016	442.159.860	59.045.134	268.218.825	930.988.887	9.418.267	21.331.584	956.608	206.418.175	1.938.537.340
Foreign currency translation differences	(3.966.095)	-	(2.882.639)	(25.344.104)	(169.580)	(401.289)	-	(1.361.880)	(34.125.587)
Additions	-	-	96.313	148.626	56.879	328.554	-	11.007.429	11.637.801
Sales/Cancellations	-	-	-	-	(713.849)	(1.568)	-	-	(715.417)
Transfer from construction in progress	-	432.612	32.501.815	112.443.275	-	-	-	(145.377.702)	-
Closing Balance on 31 March 2016	438.193.765	59.477.746	297.934.314	1.018.236.684	8.591.717	21.257.281	956.608	70.686.022	1.915.334.137
Accrued Depreciation									
Opening balance on January 2016	-	(48.807.274)	(103.344.501)	(612.726.157)	(5.990.380)	(9.680.084)	(80.343)	-	(780.628.739)
Foreign currency translation differences	-	-	1.211.976	16.232.406	133.309	196.125	-	-	17.773.816
Expenses of the period	-	(239.235)	(2.655.621)	(12.998.266)	(481.888)	(377.159)	(28.856)	-	(16.781.025)
Sales/Cancellations	-	-	-	-	564.247	1.045	-	-	565.292
Closing Balance on 31 March 2016	-	(49.046.509)	(104.788.146)	(609.492.017)	(5.774.712)	(9.860.073)	(109.199)	-	(779.070.656)
Net Book Value on 31 March 2016	438.193.765	10.431.237	193.146.168	408.744.667	2.817.005	11.397.208	847.409	70.686.022	1.136.263.481

(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 31 March 2017

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

NOTE 10 – INTANGIBLE ASSETS

Rights:

	31 March 2017	31 March 2016
Opening balance on 1 January	29.129.804	1.020.640
Purchases	29.795	87.240
Foreign currency translation difference	1.711.187	-
Closing Balance on 31 March	30.870.786	1.107.880

Accrued Depreciation:

Opening balance on 1 January	(785.165)	(585.724)
Amortization expenses for current period	(68.936)	(50.814)
Closing Balance on 31 March	(854.101)	(636.538)
Net Book Value	30.016.685	471.342

Goodwill:

	31 March 2017	31 March 2016
Opening balance on 1 January	188.461.258	168.244.294
Foreign currency translation differences	6.111.676	(5.903.793)
Balance as of 31 March	194.572.934	162.340.501

NOTE 11- COMMITMENTS

Razis' Share Purchase

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

Purchasing Commitments

As of 31 March 2017 Group has USD 148.671.926 accredited purchasing commitment. (31 December 2016: USD 142.539.315).

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provision:

	31 March 2017	31 December 2016
Provision for cost expenses	76.927.028	74.807.731
Provisions for law suits	3.161.198	3.378.518
Other short term provisions	456.283	1.737.657
Other Short Term Debt Provision	80.544.509	79.923.906

Law suit Provision:

	31 March 2017	31 March 2016
As of 1 January	3.378.518	1.780.358
Addition / Cancellation	(217.320)	-
As of 31 March	3.161.198	1.780.358

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued against the Group for 785.193TL profit loss. The Group Management has not made any provision for this lawsuit in the added consolidated financial statements according to recieved legal opinion but it has made 3.161.198 TL (2016: 3.378.518 TL) provision for other lawsuits.

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

	31 March 2017			31 December 2016		
	Currency	Currency Amount	Amount in TL	Currency	Currency Amount	Amount in TL
APH Given by the Company						
A. Total amount of APH's given for own legal entity (Assurance)	TL	12.264.376	12.264.376	TL	13.622.890	13.622.890
B.Total Amount of APH's given for the Partnership included to full consolidation (hypethec)	-	-	-	-	-	-
C. APH given for guaranteeing the debts of other 3 rd parties for the performance of ordinary businesss activites	USD	29.745.691	108.232.670	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	-	-	-	-	-	-
			120.497.046			120.670.451

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

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

Contingent Liabilities

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

As explained in Note 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 31 March 2017 in Razi's financial statements the debt to the National Iranian Oil Company ("NIOC") in return for purchasing natural gas was 1.681 billion Rials (for 56.7 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 62 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 m² located in Hatay, Iskenderun, Sariseki in accordance with the Regulation on Implementation of Coastal Law and its provisions since the Shore Edge Line passes through the aforementioned land. The net book value of the aforementioned property is 117.851.925 TL as of balance sheet date. The Group has appealed against the case in its legal period and requested to re-preparation of expert's report issued towards determining Shore Edge Line which constitutes a base for the aforementioned case. Additionally, the Group has brought a suit for the compensation of property right through considering that the case will result in favour of Treasury. Judicial process is going on as of balance sheet date. The Group Management has not made a provision in its accompanying consolidated financial statements since the legal procedures have not been finalized yet with respect to views of legal advisors and tax experts.

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 – REVENUE AND COST OF SALES

Sales	1 January- 31 March 2017	1 January- 31 March 2016
Domestic Sales	948.192.781	842.222.172
Foreign Sales	189.139.258	155.182.822
Service Sales	524.472	-
Sales Returns(-)	(437.966)	(491.182)
Sales Discounts(-)	(21.627.397)	(9.430.424)
Other Discounts from Sales(-)	(245.583)	(1.671.753)
Total	1.115.545.565	985.811.635
Cost of Sales (-)	1 January- 31 March 2017	1 January- 31 March 2016
Cost of Good Produced	407.637.700	349.412.975
Change in the Good Inventory	44.666.552	75.913.356
-Goods at the beginning of the Period	142.129.647	213.142.287
-Goods at the end of the Period	(97.463.095)	(137.228.931)
Cost of Good Sold	452.304.251	425.326.331
-Merchandise Inventory at the beginning of the Period	408.573.898	445.366.727
-Purchases	407.906.289	207.123.114
-Merchandise Inventory at the end of the Period	(285.881.988)	(217.959.619)
Cost of merchandise Sold	530.598.198	434.530.222
Cost of Other Sales	730.979	448.326
Cost of Services Sold	277.031	-
Total	983.910.459	860.304.879

(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 31 March 2017

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

NOTE 14 – OTHER OPERATING INCOME AND EXPENSES

Other Operating Income:	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange gain from trade receivables	94.341.127	43.242.109
Credit finance gains from trade receivables	8.675.281	3.783.620
Interest Income	366.586	30.212
Other income	3.126.417	5.275.561
Total	106.509.411	52.331.502

Other Operating Expenses:	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange loss from trade payables	72.276.083	31.453.559
Credit finance loss from trade receivables	4.782.239	1.420.981
Interest expenses	1.242.684	4.513.810
Other expenses	10.220.970	7.785.696
Total	88.521.976	45.174.046

NOTE 15 - EARNINGS PER SHARE

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

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

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

	1 January- 31 March 2017	1 January- 31 March 2016
Net profit for the period	10.738.395	30.268.836
Weighted average number of ordinary shares outstanding during the year (each 1 kr)	33.400.000.000	33.400.000.000
Earnings per share (kr) (*)	0,03	0,09

(*) 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 31 March 2017

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

NOTE 16 - RELATED PARTIES TRANSACTIONS

(i) Balances due from related parties

(a) Trade and other receivables

	31 March 2017	31 December 2016
<i>Main parent</i>		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	89.062.629	85.191.486
Other related parties	30.424.370	12.222.123
Total	119.486.999	97.413.609
<i>Affiliates and other related parties (Short Term)</i>		
Negmar Denizcilik A.Ş.	357.764	346.024
Etis Lojistik A.Ş.	23.701	2.300.000
Tarnet A.Ş.	-	88.902
Other related parties	32.000	21.477
Total	413.465	2.756.403
<i>Affiliates and other related parties (Long Term)</i>		
Negmar Denizcilik A.Ş.	90.085.918	85.252.157
Other related parties	-	9.314.906
Total	90.085.918	94.567.063

(b) Trade payables:

	31 March 2017	31 December 2016
<i>Affiliates and other related parties</i>		
Tarkim Bitki Koruma San. ve Tic. A.Ş.	8.141.375	739.929
Negmar Denizcilik A.Ş.	71.654	69.303
Tarnet A.Ş.	43.779	65.675
Other related parties	3.003.999	4.349.554
Total	11.260.807	5.224.461

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

Sales of Goods and Services:

	1 January- 31 March 2017	1 January- 31 March 2017
<i>Main parent</i>		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	543.297.654	521.833.810
<i>Affiliates</i>		
Negmar Denizcilik A.Ş.	398.241	481.575
Tarkim Bitki Koruma San. ve Tic. A.Ş.	305.767	21.000
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	111.825	-
Tarnet A.Ş.	630	-
Total	544.114.117	522.336.385

(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 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - RELATED PARTIES TRANSACTIONS (continued)

(ii) Transactions with Related Parties

Purchase of Goods and Services:

	1 January- 31 March 2017	1 January- 31 March 2016
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	115.236	-
Affiliates		
Raintrade Petrokimya ve Dış Ticaret A.Ş.	114.086.482	-
Negmar Denizcilik A.Ş. (*)	46.589.429	40.255.006
Tarkim Bitki Koruma San. ve Tic. A.Ş.	21.388.152	14.649.554
Tarnet A.Ş.	243.262	177.051
Total	182.422.561	55.081.611

(*) 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 31 March 2017 shown below table:

	31 March 2017		31 March 2016	
	Gübretaş	Razi	Gübretaş	Razi
Short-term employee benefits (*)	404.286	783.564	429.832	2.101.141
Total	404.286	783.564	429.832	2.101.141

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

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

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

NOTE 17- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

	31 March 2017		
	TL (functional currency)	USD	EURO
1 Trade receivables	74.032.431	14.189.247	5.732.271
2 Monetary financial assets (cash and bank accounts included)	135.951.243	36.471.730	830.337
3 Other current assets	26.531.310	5.676.338	1.503.821
4 Current assets (1+2+3)	236.514.984	56.337.316	8.066.429
5 Trade payables	439.012.714	120.165.691	454.886
6 Financial liabilities	474.038.217	61.171.625	64.339.775
7 Other short term liabilities, net	(3.901.918)	3.157.063	(3.937.570)
8 Short term liabilities (5+6+7)	909.149.013	184.494.378	60.857.091
9 Trade payables	-	-	-
10 Financial liabilities	83.845.788	-	21.453.263
11 Long term liabilities (9+10)	83.845.788	-	21.453.263
12 Total liabilities (8+11)	992.994.801	184.494.378	82.310.354
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(756.479.817)	(128.157.062)	(74.243.925)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(756.479.817)	(128.157.062)	(74.243.925)

(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 31 March 2017

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

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

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

	31 December 2016		
	TL (functional currency)	USD	EURO
1 Trade receivables	141.379.416	42.549.520	6.489.700
2 Monetary financial assets (cash and bank accounts included)	235.231.352	82.522.900	439.814
3 Other current assets	11.235.924	448.356	3.106.372
4 Current assets (1+2+3)	387.846.692	125.520.776	10.035.886
5 Trade payables	263.220.676	91.442.489	1.286.595
6 Financial liabilities	209.014.426	-	65.152.092
7 Other short term liabilities, net	173.921	61.383	-
8 Short term liabilities (5+6+7)	472.409.023	91.503.872	66.438.687
9 Trade payables	-	-	-
10 Financial liabilities	103.167.209	-	32.158.352
11 Long term liabilities (9+10)	103.167.209	-	32.158.352
12 Total liabilities (8+11)	575.576.232	91.503.872	98.597.039
13 Net Foreign Exchange Asset/ (Liability) Position (4-12)	(187.729.540)	34.016.904	(88.561.154)
14 Monetary Items Net Foreign Exchange Asset/(Liability) (4-12)	(187.729.540)	34.016.904	(88.561.154)

Gübre Fabrikaları Türk Anonim Şirketi

Notes to the interim condensed consolidated financial statements as of 31 March 2017

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

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

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

	31 March 2017	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	(46.631.229)	46.631.229
2- The part hedged for USD risk (-)		
3- The impact of TL net profit for the period	(46.631.229)	46.631.229
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(29.016.753)	29.016.753
2- The part hedged for EUR risk (-)		
3- The impact of TL net profit fort the period	(29.016.753)	29.016.753

As explained in Note 2, the Group management has used the rates published by the Foreign Exchange Center ("Center") monitored by Central Bank of Iran Islam Republic. Had the Group used Turkish Lira /Iran Riyal market rate based on expected American Dollar/Iran Riyal market rate and the current Turkish Lira/ American Dollar rate net income would decrease by approximately KTL160, and the foreign currency adjustments would decrease by 90 Million TL.

	31 March 2016	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Assets/liability denominated in USD - net	9.638.350	(9.638.350)
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	9.638.350	(9.638.350)
Change of EUR by 10% against TL		
1- Assets/liability denominated in EUR - net	(28.411.304)	28.411.304
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit for the period	(28.411.304)	28.411.304

NOTE 18 - SUBSEQUENT EVENTS

None.