2016
ANNUAL REPORT

GÜBRE FABRİKALARI TÜRK A. Ş.

MERDİVENKÖY MAHALLESİ, BORA SOKAK, NO:1, 34732 KADIKÖY/İSTANBUL

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I. INTRODUCTION

A. REPORTING PERIOD

01.01.2016 - 31.12.2016

B. COMMERCIAL TITLE

Gübre Fabrikaları Türk Anonim Şirketi (Gübretaş)

C. TRADE REGISTER NUMBER

Gübre Fabrikaları T.A.Ş. is registered as No. 47535 at Istanbul Trade Registry Office.

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

The following is the contact information for plant directorates and regional directorates:

YARIMCA PLANT DIRECTORATE

Address: Gübretaş Yarımca Tesisleri 41740 Körfez / KOCAELİ

Phone : +90 (262) 528 46 40

Fax : +90 (262) 528 21 31

İZMİR PLANT DIRECTORATE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

FOÇA PLANT DIRECTORATE

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

Phone : +90 (232) 822 81 48

İSKENDERUN PLANT DIRECTORATE

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 DIRECTORATE

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 DIRECTORATE

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 DIRECTORATE

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 DIRECTORATE

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

Phone : +90 (232) 627 91 59

Fax : +90 (232) 627 91 60

SAMSUN REGIONAL DIRECTORATE

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

Phone : +90 (362) 266 40 10

Fax : +90 (362) 266 68 25

DİYARBAKIR REGIONAL DIRECTORATE

Address: Kayapınar Mah. Urfa Yolu 3. km DİYARBAKIR

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

Fax : +90 (412) 251 18 55

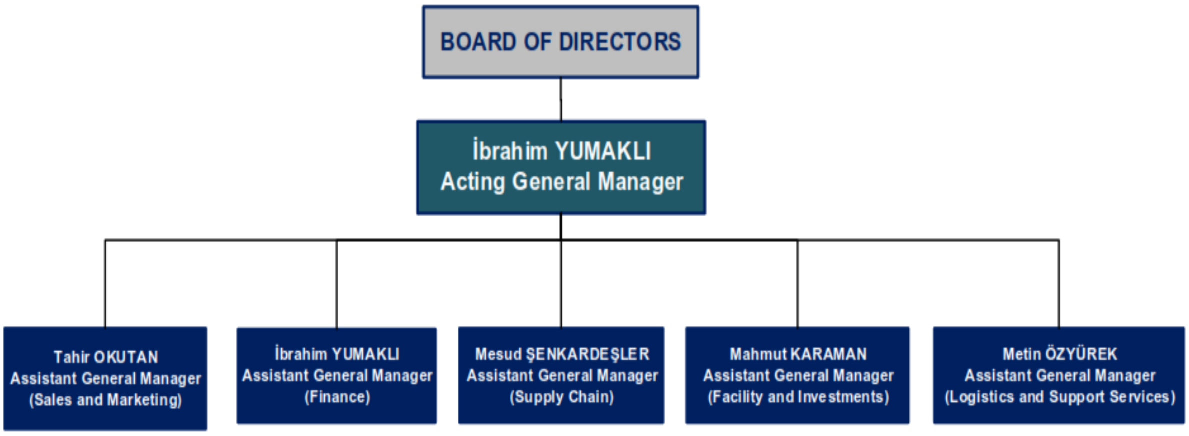
ANTALYA REGIONAL DIRECTORATE

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 31.12.2016 authorized capital of the company is 1.000.000.000 TRL and issued capital is 334.000.000 TRL. There has not been any change in terms of issued capital and shareholder structure of Gübretaş within the fiscal period.

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

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

Tablo 1 : CAPITAL STRUCTURE

Shareholders	Share Amount -TRL	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. MEMBERS OF THE 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	Ali Yekta SUNAR	13.04.2016
Independent Member	Bahattin YILDIZ	13.04.2016
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016

Members of the Board of Directors resigned during the period:

Title	Name	Date of Appointment	Date of Resignation
Member	Selahattin AYDOĞAN	30.12.2014	29.02.2016
Chairman	İrfan GÜVENDİ	17.12.2014	03.03.2016
Executive Member	Şükrü KUTLU	23.02.2015	11.04.2016
Member	Adem DANIŞIK	05.01.2015	13.04.2016
Member	Veli ALTUNKAŞ	05.01.2015	13.04.2016
Member	Ali Erdem SAATÇİ	29.02.2016	13.04.2016
Independent Member	Prof. Dr. Nuh BOYRAZ	16.04.2015	13.04.2016
Independent Member	Av. Dr. Cahit SULUK	16.04.2015	13.04.2016
Independent Member	Hasan SEZER	16.04.2015	13.04.2016
Member	Hüsamettin GÜLHAN	13.04.2016	06.05.2016
Independent Member	İsmet SU	13.04.2016	13.05.2016
Member	Ömer EKŞİ	06.05.2016	27.05.2016
Member	Mahmut GÜNGÖR	13.04.2016	24.06.2016

Title	Name	Date of Appointment	Date of Resignation
Vice Chairman	Kazım ÇALIŞKAN	28.05.2015	27.07.2016
Executive Member	Ferhat ŞENEL	13.04.2016	27.07.2016
Executive Member	Dr. Şenol DUMAN	27.07.2016	28.09.2016
Member	Kazım AYDIN	17.06.2016	07.03.2017

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 - Finance		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

Members of the top management resigned during the period:

Title	Name	Date of Appointment	Date of Resignation
General Manager	Şükrü KUTLU	23.02.2015	12.04.2016
Assistant GM - Finance	Ferhat ŞENEL	09.02.2004	27.07.2016
Assistant GM - Supply Chain Man.	Dr. Şenol DUMAN	08.01.2015	28.09.2016

Company Top Management

İbrahim YUMAKLI – Acting General Manager

Manager

He was born in 1969 in Kastamonu. He completed his secondary education in 1987 at Bakırköy İmam Hatip High School and his higher education in 1992 at Business Administration division of Faculty of Economics and Administrative Sciences at Uludağ University.

Yumaklı, who began his working life in 1993 at Marshall Boya A.Ş. as Import Operations

Specialist, has worked at managerial positions in the financial groups of Marshall Boya A.S. within the body of Akzo Nobel Turkey until year 2011. In 2011, he was transfered by Aljazeera Turkey. Between years 2012 -2015, he worked as the manager of Cine5 TV channel owned by Aljazeera Turkey. Between January 2016 and October 2016, he worked as International Operations Director of Anadolu Agency.

Starting from the date of 28.10.2016, he has been working as acting General Manager of Gübretaş. İbrahim Yumaklı, who knows English, is married and he is the father of two children.

Tahir OKUTAN – Assistant General Manager

Agricultural Engineer- Manager

He was born on the date of 03.02.1966 in Afyon. He completed his higher education in 1988 at Faculty of Agriculture at Atatürk University. Besides, in 1998 he graduated from Faculty of Economics at Anadolu University. Afterwards, he had his post graduation degree at Management and Organization Division of Department of Business Administration at Social Sciences Institute of Dumlupınar University. He began his working life at the Central Union of Agricultural Credit Cooperatives and he worked at various top managerial positions till year 2006.

In 2006 he began working at Gübretaş as Assistant General Manager. Tahir Okutan who is a Board member of Gübre Fabrikaları T.A.Ş., Razi Petrochemical Co. and subsidiaries, Negmar Denizcilik Yatırım A.Ş. subsidiaries and Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş., is married and he is the father of two children.

Dr. Mahmut KARAMAN – Assistant General Manager

Machine Engineer-Manager

He was born in 1969 in İstanbul. In 1990, he graduated from Mechanical Engineering Division of Yıldız Technical University. He completed his Master and Doctorate education in USA in 1997. He completed his post graduation in Business Administration at Colorado University Boulder, Leeds School of Business in 2007. Between years 1998-2008, he worked on Controlling Systems, Research-Development and design topics at Seagate Technology Company, which is the world leading harddisc producer. Between years 2008-2013, he worked as the president of Revenue Management at Turkish Airlines and Qatar Airlines. Between the years 2013-2015, he worked as General Manager at Technology Development Region of Yıldız Technical University and afterwards, starting from the date of 4th of February, 2015 he was assigned as Assistant General Manager responsible from Operations and Investments at Gübretaş. Besides, he continues to work as Board Member at subsidiaries of Negmar Denizcilik Yatırım A.Ş. Mahmut Karaman, who knows English, is married and he is the father of three children.

Metin ÖZYÜREK – Assistant General Manager

Geophysics Engineer-Manager

He was born in 1969 in Erzurum. In 1991, he graduated from Geophysics Engineering division at Istanbul University and in 2008, he graduated from Banking and Insurance Division of Anadolu University.

Between years 1993-2003, he worked as the Regional Manager of Marmara and Middle Anatolia regions at HDI Insurance and afterwards, in 2003 he worked as General Manager at Özyürek Insurance. Then between years 2010-2012, he continued his working life at Nessen International Trade Company as Project Engineer and between years 2012-2016, he worked as Manager of Marmara Region at İstanbullines.

Since the date of 18.10.2016, Metin Özyürek has been working as Assistant General Manager responsible from Logistics and Support Services at Gübretaş and as Board Member at Etis Lojistik A.Ş. He is married and is the father of two children.

Mesud ŞENKARDEŞLER – Assistant General Manager

Manager

He was born in 1981 in Sakarya. In 2003, he graduated from International Relations Division of Bilkent University. In the same year, he began his carrier as Export Specialist at Petlas A.Ş. He specialized in main functions as sales, marketing, product management, field sales coordination, and import-export operations. Between years 2005-2006, he worked as Product Specialist responsible from Marmara Region at Tyco Sağlık A.Ş. and between years 2007-2011, he worked as Process-Work Development and Network Management Consultant at Ototronik Otomotiv ve Enerji A.Ş. (automotive and energy). Afterwards between years 2011-2015, he worked as Automotive, Energy and Finance Sector Manager at GFK Turkey and for 1 year, he was assigned as Senior Consultant.

Mesud Şenkardeşler, who began working as Foreign Trade Manager at Gübretaş in 2016, was assigned as Assistant General Manager responsible for Supply Chain on the date of 30.09.2016 as proxy and starting from the date of 28.10.2016 principally. He is a Board Member at Raintrade Petrokimya ve Dış Ticaret A.Ş. Mesud Şenkardeşler, who knows English, is married and he is the father of 2 children.

i. PERSONNEL INFORMATION

In 2016, changes in number of personnel are shown below in Table 2:

Tablo 2 : Personnel Status

PERSONNEL	2016	2015	Change
Head Office	91	100	-9,00%
Yarımca Facilities	322	283	13,78%
Other Facilities and Reg. Dir.	102	95	7,37%
TOTAL	**515**	**478**	**7,74%**

Collective Bargaining Agreement

In year 2016, there has not been any negative situation observed regarding employer-union relations. Current bargaining agreement covers the period of years 2015-2016 and negotiations related to collective bargaining agreement for period of years 2017-2018 continue.

Training Activities

Training activities are aimed at developing managerial, personal and professional capabilities of the staff. Education activities of 7.184 hours with participation of 339 employees were carried out in 2016.

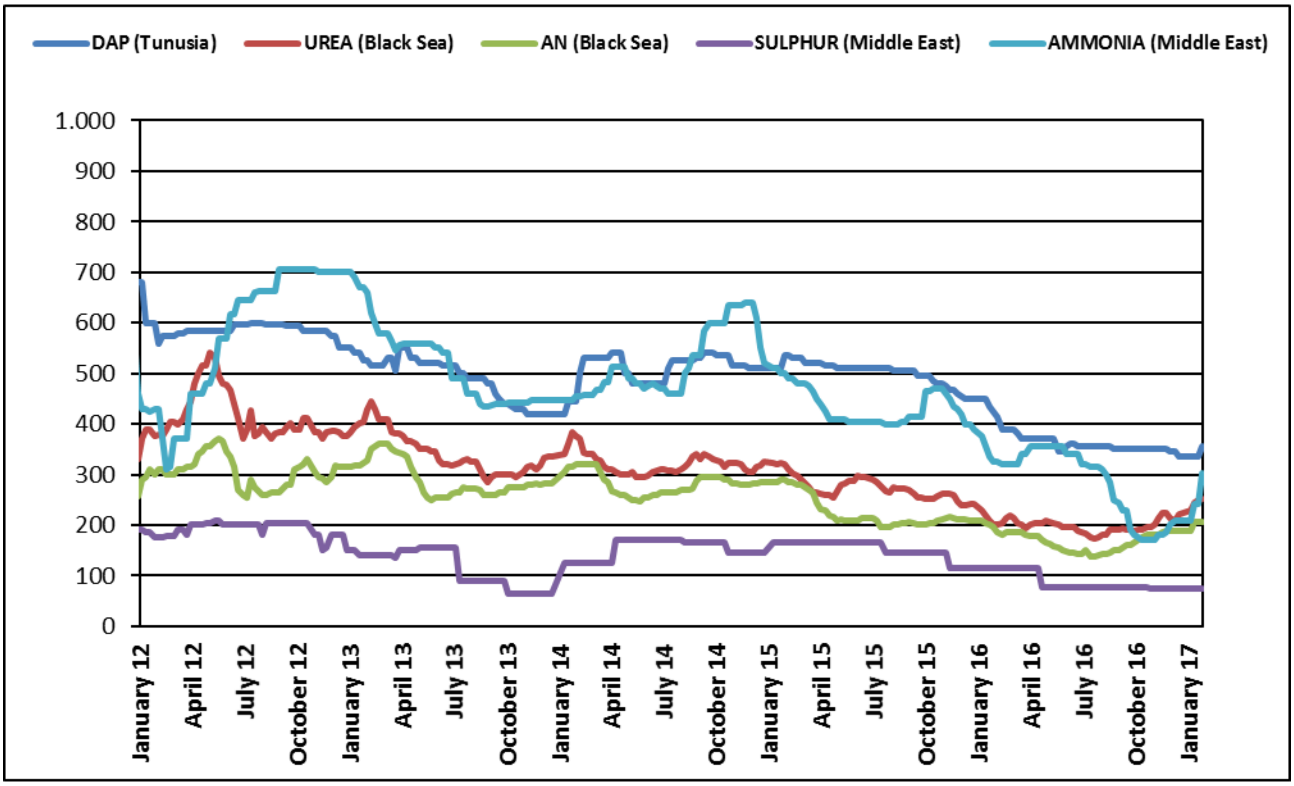
II. TURKISH FERTILIZER INDUSTRY AND POSITION OF GÜBRETAŞ

Turkey does not have the raw material resources used in production of chemical fertilizers. 95% of main inputs such as natural gas, phosphate rock, potassium salts are procured from foreign markets. Due to dependence on foreign markets, international market conditions and exchange rates have major effects on our sector.

The nitrogen-based fertilizers and fertilizer raw materials are mostly supplied from Blacksea basin; phosphate-based ones are mostly from North Africa basin. Therefore, the prices in Turkish operations are usually set according to these basins' prices. Market prices are also affected by USD/TRY exchange rate as well as international fertilizer prices. Market prices can increase or decrease with regard to ups and downs of USD exchange rate.

2016 was a year that a downward trend was observed in terms of commodity prices. Almost all prices decreased, especially the most consumed finished products such as DAP, urea and AN/CAN and raw materials such as phosphoric acid, ammonia.

Graph 1 : FERTILIZER PRICES IN INTERNATIONAL MARKETS - FOB US$/TON



Gübretaş is the first and pioneer company in chemical fertilizer industry established in Turkey. An important portion of the sales of the company is realized through the Central Union of Agricultural Credit Cooperatives. There are 7 regional directorates throughout Turkey. Gübretaş sells to every corner of Turkey, where there is agricultural production, via 2.800 dealers.

A. INFORMATION ABOUT OUR FACILITIES

Gübretaş owns a total real estate area of 420.869 m², out of which is 144.303 m² closed area including warehouses, business buildings and lands, convenient to be improved.

Yarımca Facilities has 985.000 tons/year fertilizer production capacity, İzmir Facilities has 100.000 tons/year liquid and powder fertilizer production capacity, Gübretaş has 1.085.000 tons/year fertilizer production capacity in total.

The total capacity of our warehouses is 399.000 tons.

Table 3 : REAL ESTATES

Office	Closed Area m²
Head Office	2.700
Yarımca Facilities - Office	2.410
İzmir Facilities - Office	570
Ankara Office	120
Samsun Office	210
Total	**6.010**
Production Facilities	**Closed Area m²**
Kocaeli Yarımca Facilities	23.616
İskenderun Facilities	15.581
İzmir Facilities	2.525
Foça Facilities	200
Total	**41.922**

Warehouses	Closed Area (m²)
Kocaeli Yarımca	22.381
Samsun	6.211
Kocaeli Köseköy	6.424
İzmir Helvacı	21.896
İskenderun Akçay	10.923
İskenderun Sarıseki	18.474
Tekirdağ	7.189
İzmir Foça	2.400
Total	**95.898**
Previous Head Office	1.590
Grand Total	**145.420**

Table 4 : GÜBRETAŞ FERTILIZER PRODUCTION AND WAREHOUSE CAPACITY - TONS

Yarımca Facilities	Capacity-Tons
TSP	185.000
NPK 1A (Compound Fertilizer)	250.000
NPK 1B (Compound Fertilizer)	250.000
NPK 2 (Compound Fertilizer)	300.000
Total	**985.000**
İzmir	**Capacity-Tons**
Liquid and Powder Fertilizer	100.000
Grand Total	**1.085.000**

Region	Capacity-Tons
Yarımca Warehouses	120.000
İskenderun Warehouses	119.000
İzmir Warehouses	97.000
Samsun Warehouses	30.000
Tekirdağ Warehouses	30.000
İzmir Liquid Warehouses	3.000
Total	**399.000**

B. PRODUCTION

Gübretaş produced 73.550 tons of TSP and 449.613 tons of compound fertilizers, totaling 523.163 tons in 2016. In addition, 10.544 tons of liquid and powder fertilizers were produced.

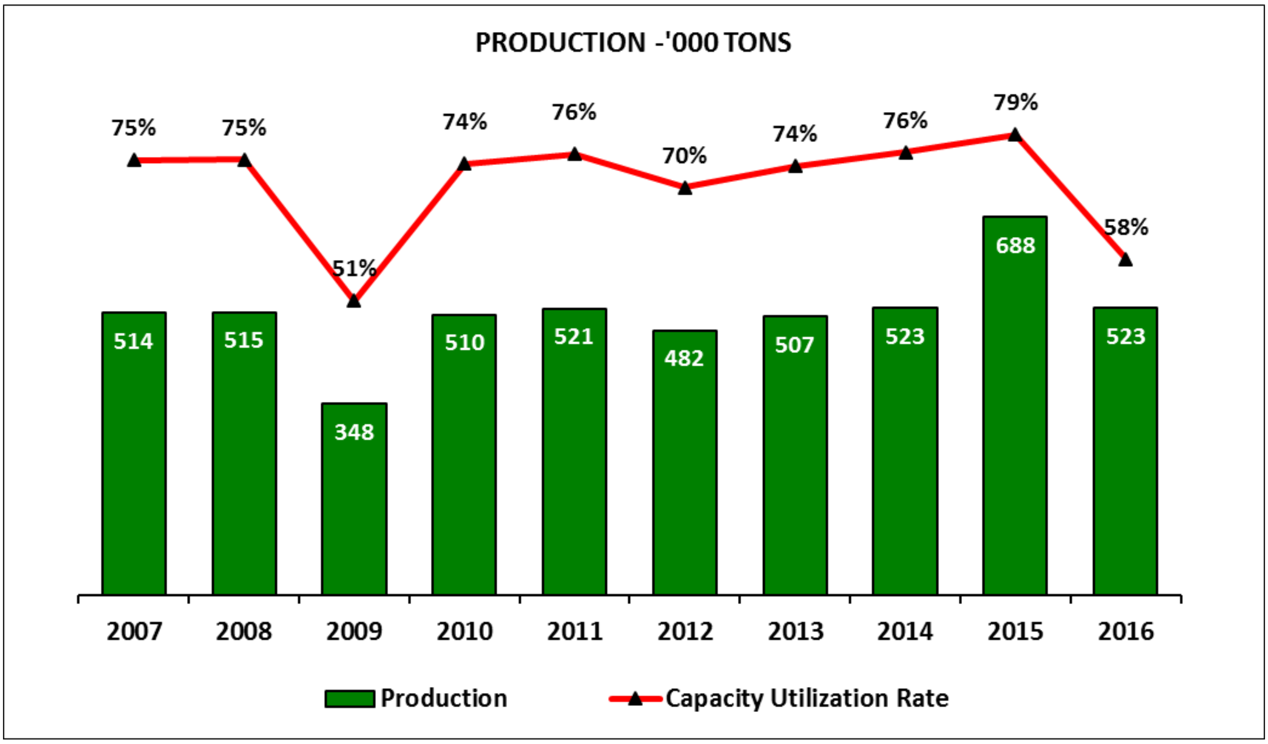
Solid fertilizer production decreased by 23,99% in 2016 compared to 2015. Total fertilizer production including solid, liquid and powder decreased by 23,36% in 2016 compared to 2015.

Some of the produced products were used as intermediates in the production process. Capacity utilisation rate was 58,03 % in 2016.

Table 5 : PRODUCTION BY PRODUCT-TONS

Product	2016	2015	Change
Solid Fertilizer Total	523.163	688.289	-23,99%
Liquid and Powder Fertilizer	10.544	8.051	30,97%
Grand Total	**533.707**	**696.340**	**-23,36%**

Graph 2 : PRODUCTION AND CAPACITY UTILIZATION RATES BY YEARS



C. SALES AND PURCHASES

Our Company sold 1.809.938 tons of solid, 25.502 tons of liquid and powder fertilizer in 2016. In comparison, 1.646.636 tons of solid, 18.998 tons of liquid and powder fertilizer were sold in 2015.

The volume of purchases reached 1.589.606 tons in 2015, and it decreased by % 4,42 to 1.519.352 tons in 2016. Export was 14.416 tons in 2015, while it was 7.025 tons in 2016.

Table 6 : SALES, IMPORT AND DOMESTIC PURCHASES-TONS

	2016	2015	Change
Domestic Purchases	163.500	120.885	35,25%
Import	1.355.852	1.468.721	-7,68%
Total Purchases	**1.519.352**	**1.589.606**	**-4,42%**
Sales	**1.809.938**	**1.646.636**	**9,92%**

Table 7 : SALES BY PRODUCT GROUPS-TONS

Solid Chemical Fertilizers	2016	2015	Change
Compound	631.762	671.531	-5,92%
Nitrogen-based	876.929	786.755	11,46%
Phosphate-based and others	301.247	188.350	59,94%
Solid Fertilizer Total	**1.809.938**	**1.646.636**	**9,92%**
Liqiud and Powder Fertilizer	25.502	18.998	34,24%
Grand Total	**1.835.440**	**1.665.634**	**10,19%**

D. INVESTMENTS

In Yarımca Facility, ammonia tank investment, which has a capacity of 25.000 tons, is under construction. Ammonia tank is planned to be put in service in 2017.

In Turkish operations, our company spent 24.798.837 TRY for capital expenditure in 2015, while this figure was 68.710.410 TRY in 2016.

Government Incentive and Grants

May 03, 2013 dated and 110061 numbered investment incentive certificate is obtained based upon 29099 numbered application which was made on March 27, 2013 to Ministry of Economy. The investment incentive certificate is valid until September 26, 2017 and includes 210.000.000 TL worth fixed assets investment plans. The support elements for the investment are Support of the Insurance Premium Payment Employer’s Share, Privilege of the Custom Duty, Rate of Tax Deduction (50%), Contribution Rate to the Investment (25%) and VAT Exemption. In 2016, in the process of construction of twin NPK-DAP plant and ammonia tank, our company benefited from the exemptions of customs tariff and VAT.

E. RESEARCH AND DEVELOPMENT ACTIVITIES

Turkey Soil Productivity Map

Studies aiming to form Turkish soil fertility map within the framework of “Soil Map Project” continues. In this respect, current qualitative and quantative information is categorized according to locational data by means of a mapping software and is input as data into subcategories under each different location. GPS device is used for position detection and analyses from a total 8.588 locations are completed. Also, soil samples that are received from farmers are being analyzed and reports that include fertilization suggestions are sent to landowners.

Product and Quality Development Studies

Within the scope of product development studies, by considering requirements of plant and the regional conditions, special composite fertilizer studies for peanuts were completed and these studies were passed on to the production of ARASIT FERTILE fertilizer. The production of compound fertilizers Nitropower33 and SUPER-7 started. Furthermore, works related to 24 pieces of products, whose registrations were done, are completed and preparations to present them for sales are continuing.

Following the audits conducted by our İzmit Yarımca Laboratory Turkak, 17025 ISO/EN quality certificate was renewed. Scope of analysis at our İzmir and İskenderun Laboratories are being extended further and works are being continued

F. SPECIAL AND PUBLIC AUDITS

Our company did not undergo any special audit during the period. Besides independent auditing of financial tables, our company is also getting institutional tax declaration complete affirmation service.

G. CASES OPENED AGAINST OUR COMPANY AND OTHER MATTERS

On the footnotes numbered 8 and 16 in independent audit report and financial reports, subjects and financial status of cases opened by our company and the other parties and their impact on our financial tables are stated.

There has not been any administrative or legal sanction being implemented to the company and management bodies due to violation of provisions of related regulations.

H. ORDINARY AND EXTRAORDINARY GENERAL ASSEMBLIES AND DISTRIBUTION OF DIVIDENTS

64th General Assembly Meeting for fiscal period of year 2015 was realized on 13th of April, 2016 on Wednesday and the details are presented in corporate governance principles compliance report. Within the period, there has not been any extraordinary general assembly meetings held.

Gübre Fabrikaları T.A.Ş makes profit distribution within the frame of our Dividend Policy which was prepared in accordance with Communiqué on Dividends (II-19.1) of Capital Markets Board.

Our Company has approved the principle to distribute the maximum percentage of profits to its shareholders considering benefits of the Company. There are no privileges in dividend payment. Dividends are distributed equally to all shares regardless of their issue and acquisition dates.

In line with the article 31 of our Articles of Association, the dates and types of paying dividend are decided by the General Assembly in accordance with the proposal of the Board of Directors.

Cash dividend (gross) ratios paid per 1 TRY nominal shares for last 5 years are shown in Table 8:

Table 8 : DIVIDEND RATIO PER SHARES IN YEARS

2015	2014	2013	2012	2011
% 10	% 15	% 20	-	-

i. DONATIONS AND AIDS

In 2016, scholarship was given to 93 students with a total amount of 467.475 TRY and aids were provided to public and educational institutions for various amounts, whereas the total amount of these donations and aids was 561.150, TRY.

J. CONCLUSION OF AFFILIATION REPORT

The conclusion of the Affiliation Report prepared in accordance with Article 199 of the Turkish Commercial Code No. 6102 for the period of 01.01.2016-31.12.2016 was presented below:

"The controlling shareholder of our company is the Central Union of Turkish Agricultural Credit Cooperatives, registered in Ankara Ticaret Sicili Müdürlüğü numbered 35791 and located at "Yukarı Bahçelievler Mahallesi Wilhem Thomsen Caddesi No:7 Çankaya Ankara",

In this context, it has been concluded that;

- in the previous fiscal year, there has not been any judicial transaction with the controlling shareholder, a company affiliated with the controlling shareholder or for the benefit of controlling shareholder and its affiliated company by its directions.
- in the previous fiscal year, there has not been any precautions taken or avoided for the benefit of the controlling shareholder or a company affiliated with it"

K. AFFILIATES AND SUBSIDIARIES

Razi Petrochemical Co. (RAZI)

Razi Petrochemical Co., founded in 1968, is one of the leading companies in Iran which produces fertilizers and fertilizer raw materials. Razi has a total of 3.515.000 tons/year production capacity of both fertilizers and fertilizer raw materials and exports most of its products.

Gübretaş, with its 48,88% stake in Razi, started to disclose its financial reports on the consolidated base since June 2008.

Raintrade Petrokimya ve Dış Ticaret A.Ş., which is based in İstanbul and 100% subsidiary company of Razi Petrochemical Co., manages Razi's foreign trade.

Arya Phosphoric Jonoub Co., which is also 100% subsidiary of Razi, has 126.000 tons/year of production plant and produces phosphoric acid.

Negmar Denizcilik Yatırım A.Ş.

Established in 2008, Negmar Denizcilik Yatırım A.Ş. operates in shipping industry.

In addition, İstanbul Lines Denizcilik Yatırım A.Ş., operating in Ro-Ro and ferry shipping, and Etis Lojistik A.Ş., operating in logistics business are also Negmar Denizcilik ve Yatırım A.Ş.' affiliates. The details about sales of our shares in Negmar Denizcilik Yatırım A.Ş. are given in the part of "events after reporting period".

Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş.

Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş. was established in 2009 and is operating in the field of plant protection products. Tarkim has a production capacity of 12.080 tons/year.

Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş.

Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş. was established in 1996 and it operates in Information Technology industry.

As a result of decisions taken on the date of 06.09.2016 at extraordinary general assemblies of Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş., where our company was a shareholder with %15 of shares;

İmece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş. company merged into Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. without liquidation and as a whole by taking assets and liabilities as basis, within the frame of related provisions of Turkish Commercial Code and other regulation as regards to merger and our company continues to be shareholder at Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş..

Table 9 : SUBSIDIARIES

Company Name	Share %
Razi Petrochemical Co.	48,88

Table 10 : 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

III. ACTIVITIES OF RAZI PETROCHEMICAL CO.

A. PRODUCTION

Razi Petrochemical Co. (Razi) has one of the largest fertilizer and fertilizer raw materials production facility in Iran with 877.000 m2 total area. Total capacity of Razi is 3.641.000 tons/year including its own 3.515.000 tons/year and its subsidiary Arya Phosphoric Jonoub Co. which has 126.000 tons/year.

In Razi and its subsidiary Arya Phosphoric Jonoub Co., total production was 1.749.692 tons and the capacity utilisation rate was 48,06% in 2016.

Table 11: RAZI PETROCHEMICAL CO. PRODUCTION-TONS

Product	2016	2015	Change	Capacity	2016 CUR
Ammonia	799.390	738.553	8,24%	1.336.000	59,83%
Urea	369.003	307.587	19,97%	594.000	62,12%
Sulphur	265.349	305.647	-13,18%	508.000	52,23%
Sulphuric Acid	208.185	261.580	-20,41%	627.000	33,20%
DAP	46.008	81.298	-43,41%	450.000	10,22%
Phosphoric Acid	61.757	76.109	-18,86%	126.000	49,01%
Total	**1.749.692**	**1.770.774**	**-1,19%**	**3.641.000**	**48,06%**

B. SALES

The product prices in Razi Petrochemical Co. are shaped in accordance with Middle East's prices. Profitability levels move parallel with increases-decreases in commodity prices.

In 2016, Razi and its subsidiaries sold 1.402.557 tons of fertilizer and achieved a revenue of 1.236.438.730 TRY. Razi exported 1.061.082 tons and domesticly sold 341.475 tons in 2016. Share of export in total sales was 75,65%.

Table 12 : RAZI PETROCHEMICAL CO. SALES-TONS

Product	2016	2015	Change
Ammonia	542.834	549.766	-1,26%
Urea	518.331	321.033	61,46%
Sulphur	183.296	213.820	-14,28%
DAP	58.076	55.995	3,72%
AS	41.420	0	-
Phosphoric Acid	36.655	42.987	-14,73%
Sulphuric Acid	21.945	30.216	-27,37%
Total*	**1.402.557**	**1.213.817**	**15,55%**

*including intragroup sales

C. INVESTMENTS

In Razi facilities, renovation investments and investments relating to the productivity increase of current facilities were realized. In Iran operations, our company spent 53.168.606 TRY for capital expenditure in 2015, while this figure was 25.247.689 TRY in 2016.

IV. FINANCIAL STRUCTURE

A. BALANCE SHEET ASSETS-TRL

ASSETS	31 December 2016	31 December 2015
Current Assets	**1.648.288.615**	**2.015.222.364**
Cash and Cash Equivalents	136.519.570	364.409.394
Financial Investments	24.961.482	7.720.146
Trade Receivables	386.499.874	387.125.926
- Trade receivables from related parties	*97.413.609*	*135.955.617*
- Other trade receivables	*289.086.265*	*251.170.309*
Other Receivables	170.524.480	193.773.614
- Other receivables from related parties	*2.756.403*	*228.630*
- Other receivables	*167.768.077*	*193.544.984*
Inventories	814.012.500	958.089.021
Prepaid expenses	75.887.364	54.210.898
Derivative Instruments	16.743.178	-
Corporate Tax Assets	5.687.893	387.155
Other Current Assets	17.452.274	49.506.210
Fixed Assets	**1.734.843.766**	**1.612.334.138**
Financial Investments	44.152.656	39.504.710
Other receivables	117.641.163	129.299.453
- Other receivables from related parties	*94.567.063*	*102.902.884*
- Other receivables	*23.074.100*	*26.396.569*
Investments Valued by Equity Method	9.025.166	8.581.263
Investment Properties	57.028.000	14.266.000
Tangible Fixed Assets	1.219.905.720	1.157.908.601
Intangible Fixed Assets	217.591.062	168.679.210
- Goodwill	*188.461.258*	*168.244.294*
- Other Intangible Fixed Assets	*29.129.804*	*29.570.130*
Prepaid expenses	40.975.917	20.020.062
Deferred Tax Assets	28.524.082	44.939.625
TOTAL ASSETS	**3.383.132.381**	**3.627.556.502**

B. BALANCE SHEET LIABILITY-TRL

LIABILITIES	31 December 2016	31 December 2015
Short-term Liabilities	**1.855.080.961**	**1.717.823.392**
Financial Liabilities	798.391.047	919.798.706
Short Term Installments of Long Term Payables	42.297.246	36.809.807
Trade payables	632.250.973	517.380.539
- Payables to related parties	*5.224.461*	*3.706.743*
- Other trade payables	*627.026.512*	*513.673.796*
Payables for Employee Benefits	35.667.368	16.622.317
Other Payables	153.941.939	45.040.111
Deferred Incomes	34.436.793	32.648.994
Tax Liability for Current Period Profit	53.959.350	61.851.406
Short Term Provisions	104.136.245	87.671.512
- Short-term provisions for employee benefits	*24.212.339*	*19.438.117*
- Other Short Term Provisions	*79.923.906*	*68.233.395*
Long-term Liabilities	**326.433.355**	**304.108.890**
Financial Liabilities	99.492.773	119.304.435
Provisions for Employee Benefits	185.422.202	152.525.000
Deferred Tax Liabilities	41.518.380	32.279.455
EQUITY CAPITAL	**1.201.618.065**	**1.605.624.220**
Paid-in Capital	334.000.000	334.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss	261.625.497	262.570.832
- Revaluation gains/losses on property, plant and equipment	*262.570.832*	*262.570.832*
- Actuarial gain/(loss) arising from defined benefit plans	*(945.335)*	*-*
Accumulated other comprehensive income / expense to be reclassified to profit or loss	(87.917.670)	(88.651.456)
- Foreign currency translation reserve	*(62.489.158)*	*(74.870.622)*
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method	*(25.428.512)*	*(13.780.834)*
Restricted Reserves From Profit	41.378.380	39.708.380
Retained earnings	466.809.637	416.698.169
Net Period Profit / (Loss)	(68.736.970)	85.181.468
Equity attributable to equity holders of the parent	**947.158.874**	**1.049.507.393**
Minority Shares	**254.459.191**	**556.116.827**
TOTAL LIABILITIES	**3.383.132.381**	**3.627.556.502**

C. INCOME STATEMENT-TRL

CONTINUING OPERATIONS	31 December 2016	31 December 2015
Sales (net)	2.834.839.791	2.930.899.065
Costs of Sales (-)	(2.418.214.457)	(2.300.797.341)
GROSS PROFIT	**416.625.334**	**630.101.724**
Administrative Expenses (-)	(127.957.341)	(109.442.082)
Marketing, Sales and Distribution Expenses (-)	(229.077.384)	(207.955.648)
Other Operating Incomes	214.273.395	270.702.139
Other Operating Expenses (-)	(219.268.957)	(289.501.712)
OPERATION PROFIT/(LOSS)	**54.595.047**	**293.904.421**
Income from Investment Activities	2.336.601	18.896.303
Expenses from Investment Activities (-)	-	(8.774.255)
Shares in Profit/Loss of Investments Valued by Equity Method	(3.833.419)	(1.888.847)
OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE	**53.098.229**	**302.137.622**
Financial Expenses (-)	(46.857.844)	(19.563.886)
PRE-TAX PROFIT/LOSS FROM CONTINUING OPERATIONS	**6.240.385**	**282.573.736**
- Period Tax Expense (-)/Income	(20.786.763)	(68.439.486)
- Deferred Tax Expense(-)/Income	(29.418.026)	36.554.900
PERIOD PROFIT/ (LOSS)	**(43.964.404)**	**250.689.150**

Distribution of Period Profit / (Loss)		
Minority Shares	24.772.566	165.507.682
Parent Company's Shares	(68.736.970)	85.181.468
Earnings / (Loss) Per Share (kr)	**(0,0021)**	**0,0026**

D. RELATED PARTIES TRANSACTIONS AND INFORMATIONS ABOUT ITS BALANCES

Detailed tables are given in the 30th footnote of consolidated financial statements and independent audit report belonging to the fiscal period of 1 January – 31 December 2016.

E. EVENTS AFTER REPORTING PERIOD

1. In material event disclosure of our company dated 12.01.2017;

During the tender process organized for the sales of shares corresponding to %40 of nominal value of 57.000.000 TRY at our subsidiary Negmar Denizcilik Yatırım A.Ş., among 4 companies receiving tender specifications, Raintrade Petrokimya ve Dış Ticaret A.Ş took part in tender process and they have made a offer to us for an amount of 21.050.000 TRY.

Within this frame, it was decided for our company shares to be taken over and sold to Raintrade Petrokimya ve Dış Ticaret A.Ş. for the sales amount of 21.050.000 TRY on condition that in favor of Negmar and subsidiaries, all liabilities of our company at banks and third parties (warrancy, guarantorship etc) are taken over by buying company and it was decided for administration to be authorized to deal with transfer and sales of our shares and obligations.

2. Negotiations for collective bargaining agreement between our company and Oil, Chemicals and Rubber Workers' Union for years 2017 and 2018 started on the date of 18.01.2017.

3. Ordinary General Assembly of Razi Petrochemical Co., which is our subsidiary in Iran, held in Tahran/Iran on March 11, 2017. In General Assembly, It was decided to make a dividend distribution amounting to IRR (Iranian Rial) 19.600.000.000 calculated based on accrued and distributable dividend. The amount corresponding to Gübretaş is 9.580.887.183 IRR (9.580.887.183 IRR = 1.100.844 TRY based on buying rate of CBT dated 10.03.2017, 100 IRR 0,01149 TRY).

The Board of Razi Petrochemical Co. was authorized about the payment time of dividend.

F. RATIOS

	2016	2015	2014	2013	2012
LIQUIDITY RATIOS					
Current Ratio	0,89	1,18	1,13	1,08	1,08
Acid Test Ratio	0,62	0,62	0,71	0,77	0,82
FINANCIAL RATIOS					
Financial Leverage Ratio	0,64	0,56	0,61	0,63	0,61
Equity / Asset	0,36	0,44	0,39	0,37	0,39
PRODUCTIVITY					
Inventory Turnover	2,73	2,75	3,47	4,10	3,72
Accounts Receivable Turnover	7,33	51,05	53,78	63,46	78,33
Asset Turnover	0,84	0,81	0,87	0,74	1,03
PROFITABILITY RATIOS					
Gross Profit Ratio	0,15	0,21	0,25	0,26	0,29
Operating Profit Ratio	0,02	0,11	0,15	0,15	0,22
EBITDA Ratio	0,04	0,13	0,17	0,17	0,24

G. PERFORMANCE OF THE STOCK

By last years, comparative graph of Borsa İstanbul and our shares, traded on the Istanbul Stock Exchange, and its closing prices for each three-month periods in 2016 are as follows:

Graph 3 : PERFORMANCE OF THE STOCK

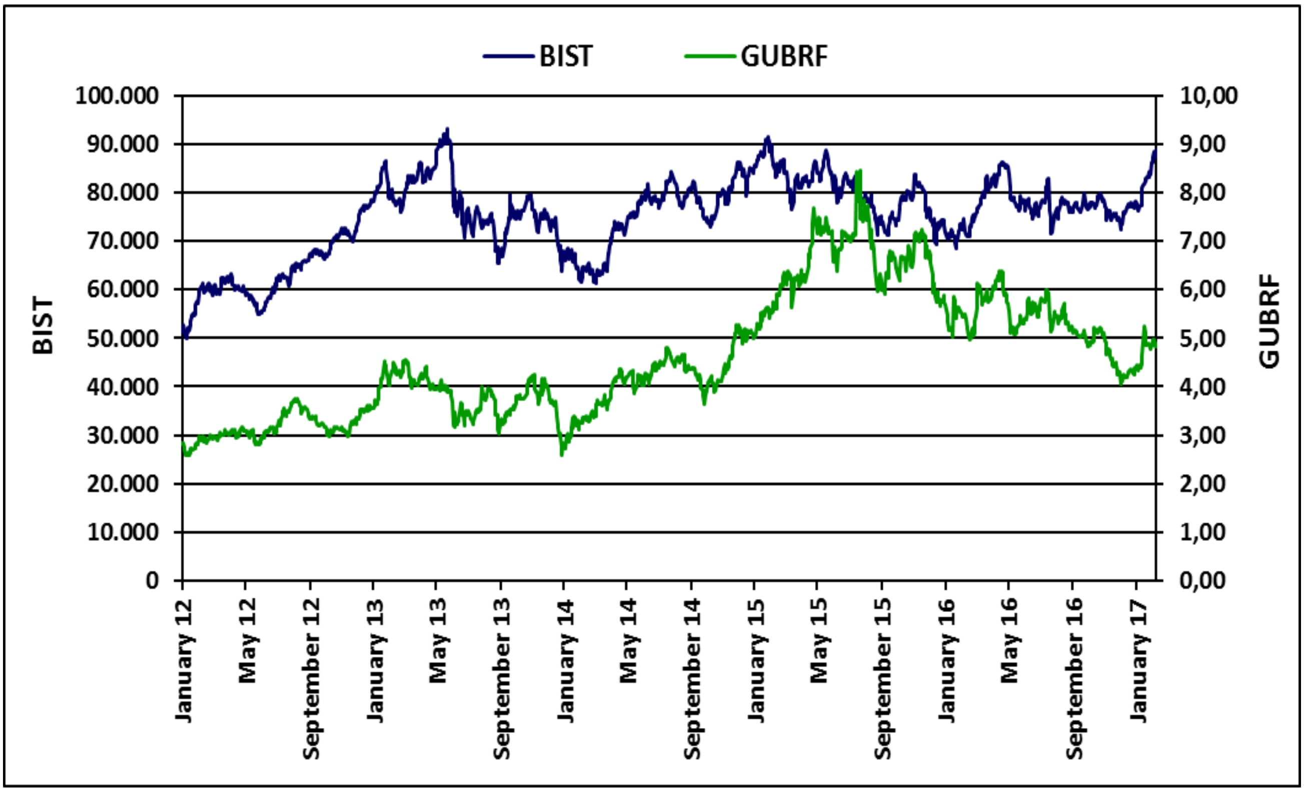


Table 13 : SHARE CLOSING PRICES BY THE END OF 3-MONTH PERIOD

04.01.2016	31.03.2016	30.06.2016	30.09.2016	30.12.2016
5,48	6,07	5,69	4,83	4,38

V. A VIEW AT FERTILIZER SECTOR

A. REVIEW OF YEAR 2016

Activity period for year 2016, was recorded as a year where struggle was made against various difficulties by our company, our sector and our country.

Looking at it from the point of our sector, it is seen that both raw material and finished product prices fell down all year long. While this decrease was at the level of %25-30 for phosphated fertilizer and fertilizer raw materials, in nitrogenous fertilizers like ammonia and fertilizer raw materials higher falls were seen. This situation created a pressure on the profitability of companies producing fertilizer raw materials and dealing with fertilizer trading.

Within the frame of JCPOA (Joint Compherensive Plan of Action) that was signed in July,2015 between Iran and P5+1 countries, as Iran fulfilled their liabilities, sanctions against nuclear activities of Iran were eliminated in January,2016. Although Iran catched the level of oil trading before sanctions, it is expressed by Iranian government authorities that they have not yet reached the desired level. Financial and technological difficulties experienced by Iran in infrastructure investments, causes effectiveness of Iranian facilities to remain at levels lower than desired.

Year 2016, which has been a difficult year for both our sector and our country, has also been a year when operational targets were mostly achieved despite these problems.

B. OUR TARGETS FOR YEAR 2017

2017 is a year which we expect to achieve more successful results by overcoming these problems. While our company, being the leader in its sector, is realizing their operational targets, we aim to improve financial performance with an effective managerial approach. Similarly by increasing production and sales quantities in Iranian activities, it is aimed to use our facilities in a more effective way.

C. RISK FACTORS

While we are reaching our targets, as being fundamental risk factors, financial risks, strategical/political risks and operational risks are coming to the far front. Our company is especially taking required measures to reduce financial and operational risks.

Our company, which nearly supplies all of the the commodities and raw materials being traded and used in production from abroad, is affected by changes in exchange currencies and prices of commodities due to this dependency. By hedging to be protected against changes in exchange currencies, and by following the market actively for changes in raw material and commodity prices, it is being worked out to reduce these financial risks.

Risks that can be lived through supply, storage, production and transportation are evaluated within scope of operational risks. It is aimed to increase our storage capacity and to improve efficiency of our production facilities by domestic investments. Besides by following up our supply and logistics processes closely, it is worked out to avoid any failures that may arise and to take quick actions when required.

D. NATIONAL AGRICULTURE PROJECT

One of the most important developments in our sector in year 2016 is "National Agriculture Project" and this project is expected to play an important role in achieving an agricultural revenue of 150 billion dollars within the scope of targets for year 2023 of Turkey.

When the expected contributions of this project, which will also have a strategic importance in making our country be sufficient on its own as regards to agriculture and animal breeding, are reviewed, it can be stated that below particulars come to the far front:

- With model based on basins, 21 agricultural products in 941 basins are taken within scope of support and with this model having importance as regards to planned production, it will be enabled both for agricultural fields to be used more effectively and for producers to be more effective as the balance of demand and supply will be attained.
- Within model of supporting production on basis of basins, "Fertilizer Usage Guidelines" will also be prepared on product basis for 941 basins. In this way it will be enabled for our producers to reach to the information about which fertilizers to use at which quantities on which basins and the scope of works titled as "Using fertilizers consciously for conscious agriculture" which are carried by GÜBRETAŞ since 2005 and from which more than %50 of Turkish farmers are making use of, will be widened.
- With the aim to improve efficiency and quality, starting from production season of 2017, by passing on to implementation of support with soil analysis, contribution will be made for farmers to realize more conscious agricultural activities. With the new model as per Farmer Registry System (ÇKS), for payment of fertilizer support to be made to parcels with 50 decares or more, it will be obligatory to realize soil analysis. For parcels smaller than 50 decares, it will not be obligatory to make soil analysis but benefit from fertilizer support could be had. Payment for support will be realized at certified laboratories per analysis made.
- By increasing quantity of organic substances in soil, correct and balanced nourishment of plants as based on soil or leaf analysis, widespreading conscious and effective usage of fertilizers, quality and efficiency will be improved in agricultural production and in relation to this, economic volume of agriculture will be improved.

- For increasing export of raw vegetables and fruits, making contribution to employment, increasing export revenues, reducing foreign trade deficit, and for improving wellfare level of producers, it will provide value addition to our country.
- As per soil reform law draft prepared to increase agricultural production, agricultural fields, which are not cultivated for 3 consequent years, will be given for rent to other producer without altering the right of ownership.
- Besides fertilizer support, starting from 2017 onwards, costs will be reduced as 50 percent of diesel costs of farmers will be met by government.

As within the scope of titles given above, National Agriculture Project, which will make contribution to the protection of sustainability of agricultural fields in our country and to the development of agricultural activities by improving quality of our soils, is being supported by Gübretaş, being the leading company of fertilizer sector in Turkey.

VI. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

A. SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Gübre Fabrikaları T.A.Ş. (Gübretaş) carries out its activities in accordance with the Corporate Governance Principles issued by the Capital Market Board. Gübretaş believes that corporate governance practices are among the main principles for the sustainable growth of companies. Therefore, Gübretaş carries out its relations with shareholders, employees, customers and all the other parties with an active management and supervision in accordance with accountability, equality, transparency and responsibility, which are the universal components of corporate governance. In this direction, our company has been in accordance with all the principles that are mandatory in corporate governance in 2016. With this aim, the main activities that have to be carried out by Investor Relations Department according to Corporate Governance Communique article 11 were performed very carefully.

Regarding the non-obligatory principles, matters that are not implemented yet have been explained in the related parts of the compliance report. In our company, there has not been any conflict of interest resulting from the non-obligatory principles that are not yet implemented. The studies continue for the adaptation of these principles and if there will be a significant change in these matters, amendments and adaptation studies will be included in interim operational reports.

B. SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

In our company, Investor Relations activities are carried out by our Investor and Subsidiary Relations Department, which reports to the Assistant Genel Manager responsible for financial affairs. The department has undertaken the responsibilities of the company against Capital Markets Board (SPK), Istanbul Stock Exchange (BIST) and Central Registry Agency (MKK) and operates within the scope of Corporate Governance Communiqué numbered II-17.1. In this direction, main activities being carried out by our department are as follows;

- Carrying out and supervising the all the responsibilities originating from Capital Markets legislations, including all the matters related to corporate governance and public disclosure
- Replying shareholders’ written requests about our company
- Ensuring the correspondences and records related to other information between the company and shareholders are kept safe and up-to-date
- Preparing the General Assembly documents that have be to provided to shareholders for information and examination, taking precautions that makes sure the General Assembly is carried out in accordance with legislations, articles of association of the company and other regulations within the company
- Supervising the interim financial reports are prepared in accordance with Capital Markets legislation and making sure they are announced to public in obligatory legal periods
- Reporting to Board of Directors about the studies of Investor Relations Directorate.
- Informing the current and potential investors about the activities of company, financial situation and strategies regularly and in a correct and complete way
- Meeting the verbal and written information requests of domestic and foreign investment and portfolio companies that are making researches about us, introducing our company in the best possible way
- Preparing the “investor presentation” in a correct and complete way
- Coordination of updating the list of people who have access to insider information; informing those people in purpose of protecting the insider information and make sure they follow the confidentiality rules until financial and operational results are disclosed to public
- Regularly updating the investor relations part of our corporate website to make sure our shareholders have access to correct and complete information
- Performing the tasks regarding the compensation of the beneficiaries owning the capital market instruments, which were transferred to the Investor Compensation Center (ICC) and have became valid again.

- Preparing the information and documents requested by institutions like İstanbul Stock Exchange and Central Registry Agency ve making sure these informations are provided to them in the obligatory periods

In 2016, **69 meetings** were held for giving detailed information to investors about the activities of the company and **2 investor conferences** and **1 roadshow** were participated in Turkey and abroad. In addition, our shareholders were informed by responses to around **380 investor demands** that are received via telephone and e-mail, excluding confidential business information and in the way that does not lead to information inequality.

Investor and Subsidiary Relations Department prepared **2 Investor Relations Operational Reports** about the activities being carried out and the reports mentioned were presented to Board of Directors at 27.07.2016 and 12.01.2017.

The list of directors, responsible employees in these directorates and their contact information is as follows:

Assistant General Manager-Finance

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License Information: Capital Markets Activities License Level 3 / **206801**
Corporate Governance Rating License / **701190**
Credit Rating Licence / **603142**
Derivative Instruments Licence / **304195**

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Corporate Governance Rating License / **702254**
Credit Rating Licence / **602763**
Derivative Instruments Licence / **307785**

2.2. Use of Shareholders' Rights to Obtain Information

All written and verbal information requests from the shareholders are replied, except confidential business information and the information which is not publicly announced.

In the direction of shareholders' rights to obtain information, announcements are being made through Public Disclosure Platform (www.kap.gov.tr), company's website (www.gubretas.com.tr) and Central Registry Agency e-Company Portal. It is possible to access up-to-date and retroactive detailed information and statistics regarding shareholders, in Turkish and English. Our shareholders also can send their opinions and requests to e-mail address named **ir@gubretas.com.tr** of Investor Relations Department and they are informed by this department about issues which they wonder.

We have not received any complaint or appeal regarding shareholders' rights use to obtain information.

In the article 17 of our articles of association, under the heading of "audit", the statement about assigning a special auditor is,

"In the matters about the financial reporting, independent audit and audit of the company, all the sentences of legislation are valid, starting with the regulations of Capital Markets legislation and Turkish Commercial Code. "

and according to this article, the right of any shareholder to ask for the assignment of a special auditor will be protected. We have not received any request from shareholders on this subject.

2.3. Information on General Assembly

General Assembly Meetings of the company are held in accordance with the Turkish Commercial Code and the Capital Market Law.

64th Ordinary General Assembly Meeting for the accounting period 2015 was held at 10:00 a.m. on 13 April 2016 in Meeting Hall located at the address of İstanbul, Kadıköy, Nida Kule

Göztepe Business Center, Merdivenköy Mahallesi, Bora Sokak No: 1 Floor: B1 with participation of about 79,7 % of the total company capital of 334.000.000,00 TRY. 64th Ordinary General Assembly Meeting was held in electronic media synchronically with physical media according to the "Regulation of Joint Stock Companies' General Assemblies in Electronic Media", dated 28th August 2012 and published in Official Gazette number 28395, and "Communique of Electronic General Assembly System for Joint Stock Companies' General Assemblies", dated 29th August 2012 and published in Official Gazette number 28396.

Stakeholders also attended the assembly meeting.

Invitation for the meeting was made within its deadline; the address www.kap.gov.tr of Public Disclosure Platform, the electronic general assembly system of Central Registry Agency, www.gubretas.com.tr address of Gübre Fabrikaları T.A.Ş. on 21 March 2016 and also in the issue 9041 of Trade Registry Gazette of Turkey dated 28 March 2016.

The General Assembly Information Document which also includes information on Board Member nominees, annual report, financial tables, auditor reports and profit distribution proposal were disclosed at the web address of www.gubretas.com.tr and were made available at the head office of our company 22 days before the General Assembly, excluding invitation and meeting day.

During the general assembly meeting, shareholders are asked if they have a say on the article discussed before the voting takes place. Also, at the 'wishes and recommendations' session of the meeting, questions of the participants are answered by the company authorities on the matters discussed and there has not been any question unanswered.

Information was given as a separate agenda item at the General Assembly regarding donations and aids during the period 01.01.2015-31.12.2015.

Minutes of the General Assembly were published in the issue 9066 of the Trade Registry Gazette dated 2 May 2015 and they were also made available to shareholders at www.gubretas.com.tr, www.kap.gov.tr, e-GEM and e-Company portal of Central Registry Agency.

As an addition to the articles mentioned, the General Assembly was informed that there has not been any situation of shareholder having the control of management, board members, directors having administrative responsibility and spouses and 2nd degree relatives and in-laws, made a significant operation that can create a conflict of interest with company or its subsidiaries, or made a commercial operation on his/her or somebody elses's behalf that is also in the same field of operations of company or its subsidiaries, or went into a partnership, which has the same field of operations, as the partner with unlimited liability.

2.4. Voting Rights and Minority Rights

In our company, practices that makes voting rights' use difficult are avoided, and equal, easy and applicable voting opportunities are made possible to all shareholders. There are no privileged rights on voting because there is no preferential stock issued.

As per articles of association, minority rights can be used by shareholders having at least %5 of company capital as foreseen for companies open to public as within 411th article of Turkish Code of Commerce. Minority shareholders are not represented in management.

2.5. Dividend Rights

The dividend policy of our company was prepared in accordance with Turkish Commercial Code, Capital Markets Law and the articles of association and was submitted for 62nd General Assembly's approval. "Dividend Policy" is submitted for investors' and public information in our corporate website, both in Turkish and English. Dividend distribution has been realised in 2016 and our company does not have any privileges regarding dividend distribution.

2.6. Transfer of Shares

There is no clause that restricts transfer of shares in articles of association of the company.

C. SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company's Website and Its Contents

Website of our Company can be accessed through the address of www.gubretas.com.tr, data presented here are prepared both in Turkish and English and submitted for public information.

In the website, both the mandatory information according to the related legislation and details mentioned in corporate governance principles are provided. In this direction, data in our website are as follows;

- Trade registry informations,
- Actual shareholding and management structure,

- Up-to-date version of the articles of association with the Trade Registry Gazette date and numbers in which the amendments are published,
- Corporate governance principles compliance report,
- Material disclosure,
- Financial and operational results,
- Annual reports,
- Agenda of the General Assembly meetings, attendance sheets and minutes of the meetings,
- General Assembly internal directive
- Power of attorney,
- Profit distribution policy and dividend information,
- Disclosure policy,
- Donation and aid policy
- Remuneration policy
- Information society services,
- Investor presentations,
- Stock information,
- Board Committees
- Corporate Social Responsibility Studies.

Data, for the last 5 years at least, about topics presented above in our corporate websites.

In accordance with the Capital Markets legislation, our financial except footnotes are announced in Public Disclosure Platform in English simultaneously with Turkish.

General principles regarding the management of our corporate website are included in article 5.6 of our information policy.

3.2. Annual Report

Our financial report has been prepared according to Turkish Commercial Code numbered 6102, related regulations of Ministry of Customs and Trade and related communiqué and corporate governance principles of Capital Markets Board. This report also has enough details that enables the public to access complete and correct information about our activities. The report is submitted for public information in Turkish and English both printed and electronical.

D. SECTION IV - STAKEHOLDERS

4.1. Notification of Stakeholders

Gübre Fabrikaları T.A.Ş. provides guarantee in order to protect the interests of the corporations and stakeholders who are involved in the process of reaching Gübretaş' goals and activities, whether their rights are protected by legislations or not. A balanced approach is adopted in order to minimize the conflict of interest that can occur between company and stakeholders or among stakeholders and all the rights are considered seperately.

Stakeholders consist of shareholders, employees, creditors, customers, suppliers, trade unions, non-governmental organizations and saving owners who consider to invest or to do business with the state and the company.

Starting with the Public Disclosure Platform and our corporate website, these public disclosure tools, that are listed in article 5 of Information Policy and mentioned below, are also used while informing the stakeholders,

- Press releases made parallel to significant events through year via written, visual, aural and digital media.
- Explanations provided to data distribution corporations,
- Meetings, tele-conferences or one-on-one meetings with shareholders, investors and capital markets experts and informing and presentation tools like investor presentation.
- Communication methods and tools like phone, e-mail, fax.

The members of the Board of Directors and Managers avoid disposals that will inflict loss on the stakeholders or reduce assets. They manage the business based on coherent balance between the company and stakeholders benefits.

Within the scope of conformity with institutional management principles, "Gübretaş Process Documents" containing legislations, procedures and instructions for notifying the stakeholders about topics relating to them, has been shared with company employees.

Besides on our institutional internet site, there is “Customer Complaint Form” enabling customers to transmit their requests and complaints.

4.2. Participation of the Stakeholders in the Management

In order to provide more effective, efficient, better quality products and services, the company holds meetings with stakeholders and the ideas are considered while shaping the company decisions and policies.

4.3. Human Resources Policy

We do not discriminate on the ground of ethnic, language, religion, gender, color or political opinion when hiring personnel. Our only criteria is to find people who can share the sense of “us” which Gübretaş adopts, take responsibility, have business ethics, are idealist, are captious, are suitable for team work, renew and improve himself, have analytical thinking.

We do evaluate people according to their productivity, their adoption to the corporate culture and objective success criteria. When we encounter the lack of knowledge and experience among our employees after applying professional methods and techniques, we provide all the necessary activities to develop their skills and educations.

We encourage personnel who demonstrate development horizontally and vertically, reward them materially and spiritually.

We give importance to exchange ideas with personal and trade union representatives when taking decisions on personnel.

We prepare social and physical place that our personnel can realize their duties at highest level by meeting requirements of all their material and spiritual needs.

Our human resources policy in Gübretaş is based on five fundamental principles:

- Justice
- Participative management and transparency
- Continuous improvement of working conditions
- Productivity-based fees
- Respecting human rights

Furthermore, in our company department targets are being set in line with budget targets and company strategies. Education-development activities are being realized within the scope of plans made as per requirement analysis.

Within the scope of organizational change and development works, in our changing and developing organization, work definitions and process revisions are made within our developing organization as per our activities. In line with continuous improvement and Work Health and Security (ISG) environment quality systems, organizational development studies are being based. There has not been any complaint from any employee about discrimination.

4.4. Ethical Rules and Social Responsibility

A. Ethical Rules

Operations of our company are conducted within the framework of the following ethical rules:

- Deep respect to human and consciousness of “human first”
- Customer oriented thinking and working
- Sense of responsibility towards the society and respect to the environment
- Continuous improvement, systematical and logical thinking
- Having a free atmosphere where opinions are expressed freely
- Equality at management, transparency, accountability and responsibility
- Merging high ethical and moral values with the corporate identity
- Service without discrimination on religious, language, race and gender
- Forming a corporate and corporate culture that is remembered with the word of ‘Trust’

B. Social Responsibility

- **Turkey Soil Efficiency Map Project**

Initiated in 2005 by Gübretaş as a social responsibility issue, the project, which aims to explain the importance of soil analysis that plays an important role in increasing efficiency at agricultural production and to form the efficiency map of agricultural areas, is being carried out with all own capabilities.

The main objectives of this project, which is being carried out by Gübretaş for over ten years, are:

1) To create a database for the future of agricultural production by producing the efficiency map in macro and micro nutrient elements according to our country's geographic regions and be a source for studies in these fields,

2) To provide conscious fertilizer consumption to all farmers, starting with Turkish Agricultural Cooperatives partners and determine fertilizer patterns of sampled lands

3) To provide farmers solutions if there is a problem in their land according to soil analysis report conclusion.

4) To provide data to Gübretaş's R&D studies by developing fertilizer formulates specialized according to plant and region

5) To combine Gübretaş's studies conclusions with studies of the Ministry of Food, Agriculture and Livestock of Turkey and universities and contribute to build a huge database for our country's agriculture.

6) To provide applied training to minimum 10 thousand major farmers about agricultural issues like getting soil examples, fertilizer and fertilizer use with this project.

❖ GÜBRETAŞ Training Course

GÜBRETAŞ training course, which we was started in 2007 for students at agricultural faculties in order to support human resources in agricultural sector, still continues. Within this scope, scholarship support is being provided to children of farmers in need, as they get their undergraduate education at 34 agricultural faculties all around Turkey. With this project, which more than 250 students at agricultural faculties benefited from since the starting of project, currently 93 students continue to get scholarship.

❖ Conscious Agricultural Training

Gübretaş makes educational activities for farmers in accordance with its mission "giving fertility to our land by spreading the conscious agricultural production". Our training activities, which have objectives like supporting Turkish Farmers growing more efficient and higher quality agricultural products that can be competitive globally and achieving higher profilibility via optimizing costs of inputs, fertilizers in particular, continue all year long. Company's Regional Directorates inform farmers in all aspects of agriculture in seminar meetings organized in cooperation with Turkish Agricultural Credit Cooperatives.

Specialist agricultural engineers enlighten farmers in these meetings on principles of balanced and regular fertilizer usage, plant nutrition technics and also soil analysis. Gübretaş has continued to give the services of education and agricultural counsulting to farmers via farmer support line, mobile applications and internet.

❖ Farmer Support Line

GÜBRETAŞ, has added online phone support to the consultancy services aimed for farmers. From all around Turkey, companies can call telephone line with number (0216) 468 51 51 and they can ask their questions to specialized agricultural engineers about plant nutrition and agricultural production and they can get replies from related engineers.

Farmers calling GÜBRETAŞ Consultancy line, are directed to agricultural engineers in their regions after specifying their city traffic code. In this way by calling from fields, yards, and gardens, farmers find to opportunity to solve their production problems, to exchange information, and to get information about products and services. Farmer consultancy line is providing online service between the hours of 09.00 – 17.00 at weekdays and by voice mail service outside these hours and on weekends.

❖ Advisory Services

The usage of farmer-oriented mobile information program, EFP (Efficient Fertilization Programs) is becoming more popular gradually. Gübretaş, who composes special fertilization programmes by its in-house engineers and R&D team in order to increase productivity in agricultural production, brought this valuable experience into use of farmers with a new mobile application. With this new mobile application, which is developed by Gübretaş and offered for free, the farmers can track plant nutrition programmes for 40 agricultural products, which are being produced in Turkey, with usage time, method and dosage. With this new application, 65-years sectoral experience of Gübretaş is transferred to smartphones and tablets. The farmers now have the opportunity to request instant information from "ask the expert" function of the application even when they are working in the field.

❖ Model Agricultural Production

In order to expand conscious agricultural production, Model test fields/gardens are being created. As Gübretaş, in these tests, which are being carried out with pioneer farmers, achieving maximum yield with minimum fertilizer consumption is being aimed. Thus, prohibiting the wastage of resources by avoiding more than necessary fertilizer consumption and protecting the soil, which is one of the most important resources, is being worked on. The lands, which the test are being carried out at, are managed with pure scientific methods and the fertilization programmes are determined according to the soil analysis results.

Test fields/gardens are continously controlled by specialist engineers in the production era and the results are shared with farmers living in places, where "field days" are organized. The plant nutrition programmes, which are carried out at test places, are converted to documentation with **"Efficient Fertilization Programs**" name and provided all of the farmers with different communication channels.

E. SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Composition of the Board of Directors

In our company; Board of Directors are elected under the framework of the Articles of Association, Turkish Commercial Code and Capital Market Law during the General Assembly.

They fulfill their duties in accordance with Turkish Commercial Code and Capital Market Legislation. Current members of the Board of Directors are:

Title	Name	Start Date of Employment
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	Ali Yekta SUNAR	13.04.2016
Independent Member	Bahattin YILDIZ	13.04.2016
Independent Member	Ali Rıza ÖZDEMİR	17.06.2016

Ayhan KARAYAMA

Chairman

After completing his elementary, secondary and high school education in Tokat, Başçiftlik, he graduated from Agricultural Economics Division of Faculty of Agriculture at Ankara University and from Faculty of Economics at Anadolu University. He worked as consultancy specialist in private sector, as consultant to congressmen at Turkish Grand National Assemby (TBMM), and as private director and Consultant to Minister at Ministry of public works and settlement.

In 2004 he began working as agricultural engineer at General Directorate of Agricultural Products Office. After working as branch manager for a while, he was assigned on the date of 07.09.2005 as President of research, planning and coordination office and he was assigned on the date of 25.04.2008 as Assistant General Manager of Agricultural Products Office (TMO) and Board Member. In 2006 he was awarded by Ministry Head, due to his success as General Coordinator of purchasing of hazelnuts during the first purchasing operation of hazelnuts at Agricultural Products Office (TMO).

Through this period, Ayhan Karayama, who worked as Turkish Union of Chambers and Exchange Commodities Agricultural Committee Member, Ankara Commercial Exchange cereal products Occupational Committee President, Turkish Public Enterprises Union Audit Council Member and Ministry of agriculture and rural areas Monitoring group member, Agricultural Products Office Members Social Aid Union Foundation President and Agricultural Products Office Ethical Committee President, was also assigned as Agricultural expert at Intellectual and Industrial Rights Civil Court, and as founder, member and manager at various civil society institutions.

Ayhan Karayama who was assigned on the date of 18.08.2011 as Assistant General Manager at Agricultural Enterprises General Directorate and as Board Member and who was assigned on 21.12.2015 as Deputy General Manager of same institution was assigned as General Manager of Agricultural Products Office and as Board Chairman as per the decision published on Official Gazette on 27.02.2016. As per the decision taken on 29th of March 2016 at meeting of board of directors of Agricultural Credit Cooperatives, he was assigned as General Manager of Agricultural Credit Cooperatives.

Duties Carried Out Within Last 10 Years

Ongoing Duties

✓ TK Taşımacılık ve Loj. Yön. A.Ş.	Chairman	2017-
✓ TK Lisanslı Dep. A.Ş.	Chairman	2017-
✓ Bereket Sigorta A.Ş.	Chairman	2017-
✓ Gübre Fabrikaları T.A.Ş.	Chairman	2017-
✓ TACC	General Manager	2016-
✓ Bereket Emeklilik ve Hayat A.Ş.	Chairman	2016-
✓ Negmar Den. Yat. A.Ş.	Board Member	2016-
✓ Narlı Feribot İşlet. A.Ş.	Chairman	2016-
✓ Arya Phos. Co.	Chairman	2016-
✓ Razi Petrochemical Co.	Chairman	2016-
✓ Raintrade Petrokimya A.Ş.	Chairman	2016-
✓ TMO-TOBB Lis. Dep. A.Ş.	Board Member	2016-
✓ TOBB Agricultural Assembly	Member	2009-

Finished Duties

✓ TMO Foundation	Chairman	2016-2017
✓ The Board of High Stewards	Member	2016
✓ Turkish Grain Board	General Manager – Chairman	2016
✓ TİGEM	Deputy General Manager	2015-2016
✓ TİGEM	Assis. GM– Board Member	2008-2011
✓ TMO Foundation	Chairman	2010-2011

Mahmut GÜNGÖR

Vice Chairman

He is born in 1972 in Ankara. He graduated in 1995 from Industrial Relations Division of Faculty of Political Sciences at Ankara University. In 2006 he completed his post graduation at Banking and Insurance Institute at Marmara University. Between the years of 1996-2011 he was assigned at Ziraat Finansal Kiralama A.Ş. as specialist, assistant manager, manager and assistant general manager. Mahmut Güngör who was assigned as assistant general manager between years 2011-2015 at Vakıf Finansal Kiralama A.Ş., was assigned as assistant general manager as per decision of Board of directors of Central Union of Turkish Agricultural Credit Cooperatives, being dated 26.10.2015 with no. 1605.

<u>Duties Carried Out Within Last 10 Years</u>

Ongoing Duties

✓ TACC	Assistant General Manager	2015-
✓ Gübre Fabrikaları T.A.Ş.	Vice Chairman	2016-
✓ Tarkim Bitki Koruma A.Ş.	Chairman	2016-
✓ Tarım Kredi Yem San. ve Tic. A.Ş.	Chairman	2016-
✓ Bereket Emeklilik ve Hayat A.Ş.	Vice Chairman	2016-
✓ Bereket Sigorta A.Ş.	Vice Chairman	2017-

Finished Duties

✓ Vakıf Finansal Kiralama A.Ş.	Assistant General Manager	2011-2015
✓ Ziraat Finansal Kiralama A.Ş.	Assistant General Manager	1996-2011

Ertekin ÇOLAK

Member

He is born in 1964 in Artvin. He completed his elementary education in the district of Yusufeli and his secondary education at Erzurum İmam Hatip High School. He graduated from Fishery Engineering Division of Marine Sciences Faculty at Karadeniz Technical University. After working as engineer at Provincial agricultural directorates of Trabzon, Van and Artvin, he was assigned as Provincial Agriculture Manager, Project Statistics Branch Manager, Provincial Agriculture Manager of Artvin and Gümüşhane.

During his working at Provincial Agriculture Directorate of Artvin, he realized important works as relating with fishery, greenhouse cultivation, apiculture, and production of kiwis and he has established infrastructure of kiwi production in Artvin region and he realized first Caucasian breed bea production.

During his period at Provincial Agricultural Directorate of Gümüşhane, he started first cage fishery at Kurtun dam and he realized leading cage fishery production in Turkey. He realized projects for improvement of forages and their being fertilized in the cities of Artvin and Gumushane. He worked on creating projects for various social and economical activities of social aid foundations and to bring them to life. Besides in the evaluation of performance for providing support to farmers as conducted by Ministry of agriculture and rural affairs, he was ranked as 1th among provincial directorates and he was awarded by the Ministry. He also acted as the leader to bring Dogan Sut Organik Isletmesi (Organic milk enterprise) as being the first and only organic mill producing enterprise into life and to enable it to be sustainable.

He was assigned as 23rd period Artvin Congressman and Agriculture, Forest and Rural affairs committee member. During when organization law of Ministry of food, agriculture and animal breeding was prepared, he was assigned as sub committee president. Since the date of 26.06.2016 he is working as Gübretaş Board member.

Ertekin who knows intermediate level of english and arabic language, is married and he is the father of three children.

Duties Carried Out Within Last 10 Years

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Board Member	2016-

Finished Duties

✓ Turkish Grand National Assembly	Artvin Congressman	2007-2011
✓ Tarım Orman ve Köy İşleri Komisyonu	Committee Member	2007-2011
✓ Ministry of Food, Agri. and Livestock	Sub-Committee President for Organizational Law	

İbrahim YUMAKLI

Executive Member

He is born in 1969 in Kastamonu. He completed his secondary education in 1987 at Bakırköy İmam Hatip High School and his higher education in 1992 at Business Administration division of Faculty of Economics and Administrative Sciences at Uludağ University.

Yumaklı who began his working life in 1993 at Marshall Boya A.S. as Import Operations Specialist, has worked at managerial positions in the financial groups of Marshall Boya A.S. within the body of Akzo Nobel Turkey until year 2011. In 2011, he transfered Aljazeera Turkey. Between years 2012 -2015, he was the manager of Cine5 TV channel owned by Aljazeera Turkey. Between January 2016 – October 2016, he worked as International Operations Director of Anadolu Agency.

Starting from the date of 28.10.2016, he worked as Deputy General Manager of Gübretaş. İbrahim Yumaklı who knows English, is married and he is the father of two children.

Duties Carried Out Within Last 10 Years

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Deputy General Manager /Board Member	2016-

Finished Duties

✓ Marshall Boya A.Ş.	Manager	1993-2011
✓ Aljazeera Türkiye/Cine5 TV	Manager	2011-2015
✓ Anadolu Agency	International Operations Director	2016

Tahir OKUTAN

Executive Member

He was born on the date of 03.02.1966 in Afyon. He has completed his higher education in 1988 at Faculty of Agriculture at Ataturk University. Besides, in 1998 he graduated from Faculty of Economics at Anadolu University. Afterwards, he had his post graduation degree at Management and Organization Division of Department of Business Administration at Social Sciences Institute of Dumlupınar University. He began his working life at Agricultural Credit Cooperatives and he worked at various top managerial positions till year 2006.

In 2006 he began working at Gübretaş as Assistant General Manager. Tahir Okutan who worked at Board of Directors of Gübre Fabrikaları T.A.Ş., Razi Petrochemical Co. and subsidiaries, Negmar Denizcilik Yatırım A.Ş. subsidiaries and Tarkim Bitki Koruma Sanayi ve Ticaret A.Ş., is married and he is the father of two children.

<u>Duties Carried Out Within Last 10 Years</u>

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Assistant General Manager	2006-
✓ Tarkim Bitki Koruma A.Ş.	Chairman - Board Member	2009-
✓ Tarım İlaç. San., İth. ve Tem. Der.	Board Member	2015-
✓ Gübre Fabrikaları T.A.Ş.	Board Member	2016-
✓ Razi Co. and subsidiaries	Board Member	2016-

Finished Duties

✓ Etis Loj. A.Ş.	Audit Board Member	2010-2014
✓ İstanbullines Den. Yat. A.Ş.	Audit Board Member	2010-2014
✓ Negmar Den. Yat. A.Ş.	Audit Board Member	2008-2014
✓ Tarım İlaç. San., İth. ve Tem. Der.	Board Member	2010-2014

Mesud ŞENKARDEŞLER

Executive Member

He is born in 1981 in Sakarya. In 2003, he graduated from International Relations Division of Bilkent University. In the same year, he began his carrier as Export Specialist at Petlas A.Ş. He is specialized in main functions as sales, marketing, product management, field sales coordination, and import-export operations. Between years 2005-2006, he worked as Product Specialist responsible from Marmara Region at Tyco Sağlık A.Ş. and between years 2007-2011, he worked as Process-Work Development and Network Management Consultant at Ototronik Otomotiv ve Enerji A.Ş. (automotive and energy). Afterwards between years 2011-2015, he worked as Automotive, Energy and Finance Sector Manager at GFK Turkey and for 1 year, he was assigned as Senior Consultant.

Mesud Şenkardeşler, who began working as Foreign Trade Manager at Gübretaş in 2016, was assigned as Assistant General Manager responsible for Supply Chain on the date of 30.09.2016 as proxy and starting from the date of 28.10.2016 personally. He is working as Board Member at Raintrade Petrokimya ve Dış Ticaret A.Ş. Mesud Şenkardeşler, who knows English is married and he is the father of 2 children.

<u>Duties Carried Out Within Last 10 Years</u>

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Board Member	2017-
✓ Gübre Fabrikaları T.A.Ş.	Assistant General Manager	2016-
✓ Raintrade Petrokimya A.Ş	Board Member	2016-

Finished Duties

✓ Ototronik Otomotiv ve Enerji A.Ş.	Process-Bus. İmpr. and Network Man. Cons.	2007-2011
✓ GFK Türkiye	Otomotive, Energy ve Finance Sector Man.	2011-2015

Ali Yekta SUNAR

Independent Member

Ali Yekta Sunar who completed his undergraduation at Finance division at Anadolu University, has realized his military service between years 1988-1991 as private guard at Cankaya Pavilion. In 1992 he started working in banking at Türkiye Finans Bursa Branch. In 2001 under the name of Kutupyıldızı (pole star) he established Private Asiye Coşkun schools and since 2005, he is working as Deputy Board Chairman.

Between years 2004-2013 he worked as Kuveytturk Osmangazi Branch Manager and in 2013 he retired from the same bank.

He is currently holding the position of Board Chairman at MAYES Danışmanlık A.Ş. (Financial structuring and training systems) being founded by himself.

Ali Yekta Sunar who is involved with various sports branches as social acitivies is married and he is the father of three children.

<u>Duties Carried Out Within Last 10 Years</u>

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Board member	2016-
✓ MAYES Danışmanlık A.Ş.	Board chairman	

Finished Duties

✓ Kuveyttürk Osmangazi Branch	Branch manager	2004-2013

Bahattin YILDIZ

Independent Member

Bahattin Yıldız, who completed his undergraduation in 2011 at Business Administration division of Faculty of Business admiration at Anadolu University, and completed his postgraduation at Political sciences and public management division of Ahmet Yesevi University.

Bahattin Yıldız who began his working life in 2003 in private sector as financial and administrative affairs manager, realized auditing responsibility in activity areas of company during this period.

Bahattin Yıldız who was assigned in 2006 at ER-KA Tıbbi Malzeme Paz. Tic. Ltd. Şti. as company manager, has brought many successful projects into life during his working period of 10 years and he especially played an important role in improving efficiency of company organizational structure and in continuing profitability of the company.

He is still carrying out this assignment.

Duties Carried Out Within Last 10 Years

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Board Member	2016-
✓ ER-KA Tıbbi Malzeme Paz. Tic. Ltd. Şti.	Company manager	
✓ Traders Union	Vice Chairman	
✓ Development Academy Union	Consultant to President	
✓ MÜSİAD Şanlıurfa Branch	Corporate Communication Consultant	

Ali Rıza ÖZDEMİR

Independent Member

He is born in 1968 in Tokat. He completed his high school education in the district of Başçiftlik in Tokat. Until year 2007, he worked as a tradesman. He completed Accounting education at Faculty of Business administration at İstanbul University, English Education at English-Turkish Cultural Union, and collective structure management education at Private Trade University. He completed AK Party political academy education. He is a Agricultural Credit Cooperatives partner and also has a farming certification.

During municipality elections realized in 1992 in district of Başçiftlik in Tokat, he was selected as municipality council member. In 2007 he started working at Boğaziçi Yönetim A.Ş. as being a subsidiary of İ.B.B. Kiptaş. He worked at Esenyurt and Büyükçekmece Kiptaş Residences as site management manager. Özdemir who is currently working at this position is married and he is the father of four children.

Duties Carried Out Within Last 10 Years

Ongoing Duties

✓ Gübre Fabrikaları T.A.Ş.	Board Member	2016-
✓ Kiptaş Tepecik Houses	Site Manager	2010-

Finished Duties

✓ Kiptaş Esenyurt Houses	Site Manager	2007-2010

DECLARATION OF INDEPENDENCY

I hereby declare that I am a candidate to take office as an independent member of the Board of Directors of Gübre Fabrikaları T.A.Ş. (the Company) within the scope of the legislation, the articles of association and criteria specified under the Corporate Governance Principals which have been published by the Capital Market Board and in this context I declare that;

a) Within the last five years; I, my wife and my second degree consanguine and my relatives by marriage have not been in a relationship of employment that will take important duties or responsibilities, have not had more than 5 percent of shares, voting rights or privileged shares with or without somebody or had substantial trading with the Company, partnerships which the company has management control or significant effect, the shareholders which have significant effect over company or the legal entities which are controlled by these shareholders.

b) Within the last five years, I have not worked or been a board member or partner in the companies which have significant goods or service purchase or sales with the company while these goods or services were traded, primarily the companies which conduct auditing (including tax audit, legal audit and internal audit), ranking and consultancy of the Company.

c) I have the professional education, knowledge and experience to conduct the duties which I will undertake due to being an independent member of the board of directors,

ç) According to the legislation I am bound, I will not work full-time in the public agencies and institutions with the exception of being an academic staff.

d) I am respected as a resident of Turkey under the Income Tax Law, dated 31/12/1960 and no. 193,

e) I have strong ethic standarts, Professional reputation and experience in order to provide positive contributions to the activities of the company, remain objective in cases of conflicting interests to be emerged between of the shareholders of the company, make my decision freely taking into account the interests of the stakeholders,

f) I will allocate time for the company works to be able to follow up the the processes of the company's activities and fullfil the duties which I have undertaken to the fullest extent.

g) I have not been a board member of the company more than 6 years in the last 10 years,

ğ) I am not an independent board member more than 3 companies that the company or shareholders who controls the company have the management control or 5 companies that are listed in total,

h) I am registered or declared for the Corporation that has been elected as board member.

In 2016, there has not been any case that eliminates the independency of an independent board member.

In 2016, 3 independent board members have been nominated by the nomination committee. The report that shows our nominees have the specialities for independency has been prepared in 21.03.2016 and has been presented to the Board in the same day.

There is not any principle set for our Board members about taking duties outside of company.

Also, there is not any target ratio or time set for female members in the Board.

5.2. Principles of Activity of the Board of Directors

The Board of Directors continues their operations in a transparent, fair and responsible way. The Board reviews the efficiency of risk management and internal control systems of our company in every two months via Committee of Early Determination of the Risk. Information is given in Annual Report about the mechanism and efficiency of internal control system. While the authorities of the Chairman of the Board and Chief Executive Officer/ General Manager were not separated transparently in Articles of Association, nobody is furnished with unlimited decision-making authority by him/herself. The Board plays a pioneer role in the case of providing effective communication, removing possible conflicts and finding a solution between company and shareholders. Therefore, it works in very close cooperation with Committee of Corporate Governance and Investor Relations Department.

The losses resulting from the faults of board members are not underwritten.

5.3. Type of the Board Meetings

Meetings and quorums of the Board of Directors are carried out in accordance with the provisions of the Articles of Association, Turkish Commercial Code and Capital Market Law. Office of the Private Secretary, which works under the General Manager, has been constituted to conduct the works with regard to the meetings of the Board of Directors of the Company and to service the members of the board of directors. Departments prepare their motions for the required resolutions and they transmit it to the Office of the Private Secretary upon obtaining the approval of the General Directorate. An agenda regarding these motions is formed and it is transmitted to the chairman of the board of directors with the invitation letter for the meeting of the board of directors. The invitation letter are sent to the members together with the agenda. The resolutions which were taken in the meeting are sent to the relevant departments after the meeting. 12 board meetings were made in 2016.

The members of the board of directors do not have weighted voting rights and negative veto right. The decisions are made with the majority of Board and the questions asked and statements made by the members are not recorded into minutes. Principally, the members of the board of directors attend each meeting. The Board of Directors meets regularly and within the framework of the provisions of the articles of association at least once a month and the Board of Directors meets when necessary without complying with such timetable.

5.4. Numbers, Structures And Independencies Of The Committees Constituted By The Board Of Directors

Considering the current position and the requirements of the company, The Board of Directors has formed Committee of Audit, Committee of Corporate Governance, Committee of Nomination, Committee of Early Determination of the Risk, and Committee of Remuneration in order to perform its duties and responsibilities in a healty way, in accordance with the Turkish Commercial Code, Articles of the association of the company and corporate governance principles of the Capital Market Board. These Committees conduct their activities without a special procedure but in accordance with the communiqués of the Capital Market Board.

Committee of Audit

Name	Title	Duty
Ali Yekta Sunar	Head of Committee	Independent Board Member
Ali Rıza Özdemir	Committee Member	Independent Board Member
Bahattin Yıldız	Committee Member	Independent Board Member

The Committee is composed of three independent members of the Board of Directors. Independent member Ali Yekta Sunar is the Chairman of the Committee. Other members of the Committee are Ali Rıza Özdemir and Bahattin Yıldız.

Duties and responsibilities of the Committee are as follows;

- To audit the financial statements and footnotes, both of which are disclosed to public, in terms of compliance with the current legislation and international accounting standards,
- To review the activity report and to review the information indicated in the activity report in terms of their accuracy and consistency compared to the information of the Committee,
- To examine the complaints which are serious enough to affect the financial statement submitted by the shareholders and stakeholders,
- To review the efficiency of the internal audit activities,
- To make sure that the important problems which are determined during or as a result of the audits of the internal audit department of the company and to make sure that relevant proposals for elimination of these problems are notified to the Committee on time,
- To observe whether the activities of the company are conducted in accordance with the current legislation and internal regulations of the company.

In 2016, Committee made 5 meetings and in this direction, presented 5 reports to the Board.

Committee of Corporate Governance

Name	Title	Duty
Ali Yekta Sunar	Head of Committee	Independent Board Member
Ertekin Çolak	Committee Member	Board Member
Gökhan Gümüş	Committee Member	Investor and Subsidiary Relations Manager (by proxy)

The Committee is composed of three people, two members of the Board of Directors and Investor and Subsidiary Relations Manager. Independent member Ali Yekta Sunar is the Chairman of the Committee. Other members of the Committee are Ertekin Çolak and Gökhan Gümüş.

Duties and responsibilities of the Committee are as follows;

- To provide the constitution and adaptation of the importance and benefits of the Corporate Governance Principals within the structure of the company,
- To determine whether the Corporate Governance Principals are being applied or not and if they are not applied, to determine the reasons and to determine the conflicting interests due to noncompliance with these principals accurately and to submit reformatory recommendations to the Board of Directors regarding the procedures of the corporate governance applications.

In 2016, Committee made 1 meeting and in this direction, presented 1 report to the Board.

Committee of Nomination

Name	Title	Duty
Bahattin Yıldız	Head of Committee	Independent Board Member
Ertekin Çolak	Committee Member	Board Member

The Committee is composed of two members of the Board of Directors. Independent member Bahattin Yıldız is the Chairman of the Committee. Other member of the Committee is Ertekin Çolak.

Duties and responsibilities of the Committee are as follows;

- To form a transparent system for the determination, assessment and training of the appropriate candidates for the Board of Directors and to determine policies and strategies in this regard,
- To make regular assessments regarding the structure and efficiency of the board of directors and to submit recommendations to the Board of Directors regarding changes in this regard,
- To determine approaches, principals and procedures regarding the performance assessment and career planning of the members of the Board of Directors and the senior managers and to make supervision in this regard,

In 2016, Committee made 1 meeting and in this direction, presented 1 report to the Board.

Committee of Early Determination of the Risk

Name	Title	Duty
Ali Yekta Sunar	Head of Committee	Independent Board Member
Mahmut Güngör	Committee Member	Board Member
Ali Rıza Özdemir	Committee Member	Board Member
Dr. Ertuğrul Köse	Committee Member	Risk Management Manager

Committee of Early Determination of the Risk has been constituted for the purposes of early determination of the risks which may jeopardize existence, development and continuance of the Company, application of the necessary measures regarding the determined risks and management of the risk.

The Committee is composed of four people, three members of the Board of Directors and Risk Management Manager. Independent member Ali Yekta Sunar is the Chairman of the Committee. Other members of the Committee are Mahmut Güngör, Ali Rıza Özdemir ve Dr. Ertuğrul Köse.

Duties and responsibilities of the Committee are as follows;

- To prepare the risk management strategies and policies to be followed up by the Company and to submit them for the approval of the Board of Directors and to follow up the applications closely,
- To submit proposals to the Board of Directors in order to determine the limits with regard to the major risks that the Company carries and track the limit violations,
- To submit proposals to the Board of Directors with regard to making changes in the risk management policies,
- To provide the conduct of the tracking and communication during the process of risk determination, identification, measurement, assessment and management.
- To form a basis for the provision of the accuracy and reliability of the method and results and of the risk.

In 2016, Committee made 6 meetings and in this direction, presented 6 reports to the Board.

Committee of Remuneration

Name	Title	Duty
Ali Rıza Özdemir	Head of Committee	Independent Board Member
Bahattin Yıldız	Committee Member	Independent Board Member

The Committee is composed of two members of the Board of Directors. Independent member Ali Rıza Özdemir is the Chairman of the Committee. Other member of the Committee is Bahattin Yıldız.

Duties and responsibilities of the Committee are as follows;

- To determine the proposals regarding the principals of the remuneration system of the members of the Board of Directors and the senior managers taking into consideration the long term targets of the company,
- To determine the criteria which may be used for the remuneration system taking into account the performance of the Company and the member,

- To submit the proposals regarding the remunerations which will be paid to the members of the Board of Directors and the senior managers, to the Board of Directors, taking into consideration their level of meeting with the criteria.

Committee has not made any meetings in 2016.

5.5. Risk Management and Internal Control Mechanism

Works related to the early determination of the risks which may jeopardize existence, development and continuance of Gübre Fabrikaları T.A.Ş. and application of the necessary measures regarding the determined risks and management of the risk are being carried out under the coordination of Department of Risk Management. Companywide, risks are tracked on the basis of four categories which are financial risks, strategic risks, operational risks and other risks. Daily and monthly reports are produced with regard to the risk management. Our company has completed the software study relating to risks in financial category in the context of improvement studies of “Integrated Risk Management System”. In order to increase efficiency of corporate risk management, our company continues the studies on “Risk Management Policies”.

Moreover, Department of Internal Audit, which conducts its activities under the General Directorate of the Company, controls the suitability of transactions realized in Head Office, Facilities and Region Directorate at a specific time to legal regulations in the context of internal audit. It also controls the suitability of vision, mission, target, strategy, general purpose, procedure and instructions of company to the policies, plans, procedures of company as well as regulations and statutes within the scope of reliability and accuracy of information. As a result, this department controls the operations of our company as a whole and it presents its audit reports to top management about the issues of the protection of assets; economic and productive usage of resources; the realizing of targets determined for activities and programs; the reasons of mistakes and its corrective measures; the effectiveness and efficiency of operations.

5.6. Strategic Goals of the Company

To be a company that benefits from contemporary technological changes as much as possible, grounding on quality consciousness, efficient resource management, continous improvement, productivity and customer oriented management; to be a leading company for Turkish agriculture by creating synergy together with the academic world, relevant institutions and Agriculture Credit Cooperatives.

To become the leading company that can drive its sector with its infrastructure and well known trademark name "Gübretaş"; to attain global competitive power with its production technology.

Adopting the motto of 'Human First', to be a company which provides physical and social facilities to its workers, both spiritual and material, keeps environment consciousness and human health foreground, supports social projects.

To be a company which provides to customers different possibilities and alternatives in agriculture sector, to provide product variety, information bank and accredited laboratories for the need of farmers, to emphasize R & D works by following up the modern developments in the world.

Encouraged by the company's origin and past, to make manufacturing and procuring of chemical fertilizer with best quality at our well equipped factories with our expert staff and managements, creating the best marketing and distribution network to our customers,

To keep market advantage and preserving sustainable growth trend in accordance with "highest quality, reasonable cost" approach.

To emphasize advertisement and public relations works by establishing communication channels and bridges between Gübretaş - Public and Farmers and to do image development activities convenient to Gübretaş's corporate structure and spread them in and outside the company,

To reach the quality that could compete with the world in sense of productivity, efficiency and the world standards, procuring its raw material needs itself, efficient resource management, having production and infrastructure establishments within the country and abroad and adopting relevant policies.

To be a company that measures its success with the customer satisfaction who could find fast and best quality solutions to the needs of the customers.

5.7. Remuneration of the Board of Directors

The remuneration policy, which was prepared in the frame of Corporate Governance Principles of Capital Markets Board, put the remuneration principles of board members and managers with administrative responsibility. The policy has been explained based on Board of Directors and top management and announced in our corporate website, both in Turkish and English.

The amounts of the attendance fees and and travel allowances to be paid to the Members of the Board of Directors of our Company are determined by the General Assembly, and such amounts are determined in accordance with the international standards and legal liabilities and taking into account the members of the board of directors, top managers, economic data in the market, current remuneration system policies in the market, company size and experiences, education levels and of the people, their contributions to the company and their current positions. Stock options or payment plans based on the performance of the company are not used for the remuneration system of the independent members of the board of directors.

Our company has not provided any credit or lends, have not used any credit under personel loans through 3rd parties or have not provided any collaterals like guarantees to the members of the Board of Directors or managers with administrative responsibilities.

Total benefits provided for Board members, general manager and assistant general managers in our company fiscal period of 01th of January-31th of December 2016 are stated in footnote with no 30 on the independent audit report and on the consolidated financial tables.

CONCLUSION

DEAR SHAREHOLDERS,

In 2016, 1.519.352 tons of fertilizers and raw materials were procured from domestic and foreign markets and 523.163 tons of various types of chemical fertilizer were produced at our facilities. On the other hand, 1.835.440 tons of solid, liquid and powder fertilizers were sold in of 2016. Net sale revenues realized as 1.804.262.519 TRY.

Also 1.749.692 tons of fertilizer and fertilizer raw materials were produced, 1.236.438.730 TRY sale revenues were realized by the sale of 1.402.557 tons of fertilizer and fertilizer raw material in our affiliated company Razi Petrochemical Co and its subsidiaries.

Our company reached to 2.834.839.791 TRY consolidated sales revenue. Beside, by extracting cost of goods sold, operation expenses, other operating expenses-income and financial expenses; 6.240.385 TRY profit realized before tax. 43.964.404 TRY consolidated profit occured after deducting 50.204.789 TRY net tax expense. 68.736.970 TRY loss to shareholders has occured after deducting 24.772.566 TRY shares of minority shareholders.

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

Best Regards,

BOARD OF DIRECTORS

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated financial statements at 31 December 2016 together with the independent auditor's report

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

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

Independent auditors' report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Gübre Fabrikaları T.A.Ş. (the Company) and its Subsidiaries (together will be referred to as the ''Group'') as at 31 December 2016 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's responsibility for the financial statements

Group's; management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gübre Fabrikaları T.A.Ş. and its Subsidiaries as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Other matters

Without qualifying our opinion we would like to draw your attention to following matters:

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 notified that income generated from exports carried out by Razi were treated as tax exemption its tax calculations. The tax authority accrued additional tax expense 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 the years 2015 and 2016 since there is a net loss from its operations except for export exemption.

As explained in Note 16 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, Razi has trade payables to National Iranian Oil Company ("NIOC") at an amount of 1,681 billion Rials (for 56,7 Million USD) for price of of sour gas purchased up to 31 December 2016. In accordance with the contract between Razi and NIOC and letter dated 20 October 2014 by Ministry of Petroleum, the price of gas should be calculated and billed based on Rials. Despite of the aforementioned contract and letter, NIOC has issued all the invoices in foreign currency and on this basis, claims by NIOC for the sum owed by the Company amounts to 62 million USD the outcome of the matter and possible effect on the consolidated financial statements is subject to final agreement between Razi and NIOC.

As explained in Note 16, İskenderun State Treasury Office (“Treasury”) has filed a lawsuit against the Group in 2011 for the cancellation of its title deed and demanded enforced evacuation of Group’s property located in the Sarıseki province of İskenderun within the city of Hatay claiming that the property is within the shoreline. The net book value of the property is 117.851.925 TL. The Group has objected the lawsuit asked for a new expert report for the determination of shoreline and at the same time filed another lawsuit for a compensation of its ownership right of the property. The litigation process is ongoing as of the report date. Based on the opinions of legal advisors, the Group Management has not provided any provisions in the consolidated financial statements for this lawsuit.

As explained in Notes 8 and 16; one of the consortium partners that bought shares of Razi, Tabosan Manufacturing Engineering and Construction, Inc. (Tabosan) in 2011, has applied to the court to postpone its bankruptcy claim, the court rejected the request and and has decided to transfer the entire process to bankruptcy estate. During the purchase of Razi shares, Group funded banks as the joint guarantor on behalf of Tabosan to the Iranian Privatization Administration. Within this scope, Group has paid the debt of Tabosan amounting to 46.994.091 TL to the banks and the Iranian Privatization Administration as the guarantor and accounted this amount to other receivables. Capital receivable sourcing from surety payments and accrued interest receivable as of the date of the report of the Group is 34.870.723 TL. The Group management has not made a provision for the aforementioned receivable in current and prior periods through considering mortgages and guarantees transferred to the Group by the bank and its acquisition right of the shares owned by Tabosan from initial purchased share value in accordance with the protocol made with Taboson during the purchasing of Razi shares. Bankruptcy administration made payment to the Group at an amount of 25.278.225 TL on 8 July 2015 and 5.548.880 TL on 4 August 2016 which corresponds to dividend income of Tabosan from Razi for its 10,88% shares. The aforementioned registration acceptance file has been finalized. Accrued interest receivable of the Group shall be paid by the Bankruptcy administration provided that a dividend income of Tabosan from Razi accrued and such amount covers its receivable. The Group management do not provide any provision on this matter, by taking into account the protocol made during the acquisition of Razi shares from Tabosan and also taking into consideration the right to receive the shares of Tabosan from the initial purchased unit shares and the pledges and mortgages of Tabosan transferred by the bank to the Company.

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

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 378 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 13 March 2017.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2016 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Kaan Birdal, SMMM
Engagement Partner

13 March 2017
İstanbul, Turkey

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Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of financial position as at 31 December 2016

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

		Audited	Audited (Restated-Note2.4)
	Notes	**31 December 2016**	31 December 2015
ASSETS			
Current assets:			
Cash and cash equivalents	5	**136.519.570**	364.409.394
Financial investments	31	**24.961.482**	7.720.146
Trade receivables			
- Trade receivables from related parties	30	**97.413.609**	135.955.617
- Trade receivables from third parties	7	**289.086.265**	251.170.309
Other receivables			
- Other receivables from related parties	30	**2.756.403**	228.630
- Other receivables from third parties	8	**167.768.077**	193.544.984
Inventories	9	**814.012.500**	958.089.021
Prepaid expenses	10	**75.887.364**	54.210.898
Derivative financial instruments	20	**16.743.178**	-
Assets related to the current period taxes	28	**5.687.893**	387.155
Other current assets	18	**17.452.274**	49.506.210
Total current assets		**1.648.288.615**	2.015.222.364
Non-current assets:			
Financial investments	31	**44.152.656**	39.504.710
Other receivables			
- Other receivables from related parties	30	**94.567.063**	102.902.884
- Other receivables from third parties	8	**23.074.100**	26.396.569
Investments valued by equity method	3	**9.025.166**	8.581.263
Investment properties	11	**57.028.000**	14.266.000
Property, plant and equipment	12	**1.219.905.720**	1.157.908.601
Intangible assets			
-Goodwill	13	**188.461.258**	168.244.294
-Other intangible assets	13	**29.129.804**	29.570.130
Prepaid expenses	10	**40.975.917**	20.020.062
Deferred tax assets	28	**28.524.082**	44.939.625
Total non-current assets		**1.734.843.766**	1.612.334.138
Total assets		**3.383.132.381**	3.627.556.502

The consolidated financial statements for the year ended 31 December 2016 have been approved by the Board of Directors on 13 March 2017.

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of financial position as at 31 December 2016

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

	Notes	**Audited** **31 December 2016**	Audited (Restated-Note2.4) 31 December 2015
LIABILITIES			
Current liabilities:			
Short term borrowings	6	**798.391.047**	919.798.706
Current portion of long-term borrowings	6	**42.297.246**	36.809.807
Trade payables			
- Trade payables to related parties	30	**5.224.461**	3.706.743
- Trade payables to third parties	7	**627.026.512**	513.673.796
Employee benefit obligations	17	**35.667.368**	16.622.317
Other payables			
- Other payables to third parties	8	**153.941.939**	45.040.111
Deferred income	10	**34.436.793**	32.648.994
Current income tax liability	28	**53.959.350**	61.851.406
Short-term provisions			
- Short-term provisions for employee benefits	17	**24.212.339**	19.438.117
- Other short term provisions	16	**79.923.906**	68.233.395
Total current liabilities		**1.855.080.961**	1.717.823.392
Non-current liabilities:			
Long-term borrowings	6	**99.492.773**	119.304.435
Long-term provisions			
- Long-term provisions for employee benefits	17	**185.422.202**	152.525.000
Deferred tax liability	28	**41.518.380**	32.279.455
Total non-current liabilities		**326.433.355**	304.108.890
Total liabilities		**2.181.514.316**	2.021.932.282
Shareholders' equity:			
Share capital	19	**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	27	**262.570.832**	262.570.832
- Actuarial gain/(loss) arising from defined benefit plans		**(945.335)**	-
- Foreign currency translation reserve		**(62.489.158)**	(74.870.622)
- Shares to be classified as profit / loss from other comprehensive income of investments accounted for by the equity method	3	**(25.428.512)**	(13.780.834)
Restricted reserves			
-Legal reserves	19	**41.378.380**	39.708.380
Retained earnings		**466.809.637**	416.698.169
Net income or expense		**(68.736.970)**	85.181.468
Equity attributable to equity holders of the parent		**947.158.874**	1.049.507.393
Non-controlling interests		**254.459.191**	556.116.827
Total shareholders' equity		**1.201.618.065**	1.605.624.220
Total liabilities and equity		**3.383.132.381**	3.627.556.502

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of profit or loss as of 31 December 2016

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

	Notes	**Audited** **1 January – 31 December 2016**	Audited (Restated Note 2.4) 1 January – 31 December 2015
Sales	21	**2.834.839.791**	2.930.899.065
Cost of sales (-)	21	**(2.418.214.457)**	(2.300.797.341)
Gross profit		**416.625.334**	630.101.724
General and administrative expense (-)	22	**(127.957.341)**	(109.442.082)
Marketing, selling and distribution expense (-)	22	**(229.077.384)**	(207.955.648)
Other operating income	24	**214.273.395**	270.702.139
Other operating expenses (-)	24	**(219.268.957)**	(289.501.712)
Operating profit		**54.595.047**	293.904.421
Income from investment activities	25	**2.336.601**	18.896.303
Expense from investment activities (-)	25	**-**	(8.774.255)
Profit / (loss) from investments accounted by equity method	3	**(3.833.419)**	(1.888.847)
Financial income / (expense) before operating profit		**53.098.229**	**302.137.622**
Financial income / (expense)	26	**(46.857.844)**	(19.563.886)
Profit before tax from continuing operations		**6.240.385**	282.573.736
- Current period tax income / (expense)	28	**(20.786.763)**	(68.439.486)
- Deferred tax income / (expense)	28	**(29.418.026)**	36.554.900
Total tax income / (expense)		**(50.204.789)**	(31.884.586)
Net profit		**(43.964.404)**	250.689.150
Distribution of income for the period:			
Non-controlling interests		**24.772.566**	165.507.682
Attributable to equity holders of the parent		**(68.736.970)**	85.181.468
Other comprehensive income			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans	17	**(1.181.669)**	-
Gains or (losses) in revaluation of property, plant and equipment	12	**-**	50.303.018
Tax effect of other comprehensive income/expense not to be reclassified to profit or loss	28	**236.334**	(5.805.807)
Items to be reclassified to profit or loss			
Changes in currency translation differences		**47.870.920**	119.057.953
Changes in currency translation differences from investments accounted by equity method	3	**(11.647.678)**	(13.780.834)
Other comprehensive income / (expense)		**35.277.905**	149.774.330
Total comprehensive income / (expense)		**(8.686.497)**	400.463.480
Distribution of total comprehensive income			
-Non-controlling interests		**59.316.687**	226.367.635
-Equity holders of the parent		**(68.003.184)**	174.095.845
Earnings per share	29	**(0,0021)**	0,0026

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of equity movement as of 31 December 2016

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

		Items not to be reclassified to profit or loss		Items to be reclassified to profit or loss				Retained earnings			
	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 2015	334.000.000	218.073.621		-	(133.068.622)	28.477.401	267.419.383	210.609.765	925.511.548	352.900.809	1.278.412.357
Transfers	-	-	-	-	-	11.230.979	199.378.786	(210.609.765)	-	-	-
Dividend paid	-	-	-	-	-	-	(50.100.000)		(50.100.000)	(23.109.513)	(73.209.513)
Total comprehensive income/ (expense)	-	44.497.211	-	(13.780.834)	58.198.000	-	-	89.382.336	178.296.713	230.718.545	409.015.258
31 December 2015	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
Financial statement of Razi restatement affect (Note 2.4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.200.868)**	**(4.200.868)**	**(4.393.014)**	**(8.593.882)**
1 January 2016	**334.000.000**	**262.570.832**	**-**	**(13.780.834)**	**(74.870.622)**	**39.708.380**	**416.698.169**	**85.181.468**	**1.049.507.393**	**556.116.827**	**1.605.624.220**
Transfers	**-**	**-**	**-**	**-**	**-**	**1.670.000**	**83.511.468**	**(85.181.468)**	**-**	**-**	**-**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**(33.400.000)**	**-**	**(33.400.000)**	**(360.974.323)**	**(394.374.323)**
Other comprehensive income / (expense)	**-**	**-**	**(945.335)**			**-**	**-**	**-**	**(945.335)**		**(945.335)**
Total comprehensive income / (expense)	**-**	**-**	**- -**	**(11.647.678)**	**12.381.464**	**-**	**-**	**(68.736.970)**	**(68.003.184)**	**59.316.687**	**(8.686.497)**
31 December 2016	**334.000.000**	**262.570.832**	**(945.335)**	**(25.428.512)**	**(62.489.158)**	**41.378.380**	**466.809.637**	**(58.736.970)**	**947.158.874**	**254.459.191**	**1.201.618.065**

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

Gübre Fabrikaları Türk Anonim Şirketi

Consolidated statement of cash flows as of 31 December 2016

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

	Notes	**Audited 1 January – 31 December 2016**	Audited 1 January – 31 December 2015
Cash flows from operating activities			
Profit from continuing operations		**(43.964.404)**	250.689.150
Adjustments to reconcile net profit/(loss) for the period			
Adjustments related to depreciation and amortization expense	12,13,23	**70.088.478**	54.531.437
Gain / (loss) on equity investments	3	**3.833.419**	1.888.847
Retirement pay provision, early retirement pay liability	17	**79.949.994**	64.514.038
Adjustements related to interest expense		**83.249.489**	16.284.025
Impairment of inventories	9	**539.074**	-
Deferred financial income		**2.384.246**	-
Lawsuit provision / cancellation	16	**1.598.160**	882.494
Allowance for / reversal of doubtful receivable		**-**	947.741
Current year tax income / (expense)	28	**50.204.789**	31.884.586
Adjustments related to losses (gains) on sale of property, plant and equipments	25	**(1.394.601)**	-
Adjustements related to fair value losses (gains) on investment property	25	**(942.000)**	(13.903.140)
Adjustements related to fair value losses (gains) on derivative financial instruments	20	**(16.743.178)**	-
Cash flows from the operating activities before changes in the assets and liabilities		**228.803.466**	407.719.178
Changes in working capital (net):			
Adjustements related to increase / (decrease) in trade receivables		**(709.191)**	44.693.656
Adjustements related to increase / (decrease) in other receivables		**34.907.424**	(33.267.253)
Adjustements related to increase / (decrease) in inventories		**107.885.336**	(220.013.171)
Adjustments related to increase / (decrease) in trade payables		**113.821.431**	(211.483.913)
Employee benefit obligations		**19.045.051**	10.021.240
İncrease / (decrease) in deferred income		**1.787.799**	(26.971.941)
Increase / (decrease) in prepaid expenses		**(42.632.321)**	8.872.693
Increase / (decrease) in other payables		**7.780.945**	(90.828.584)
Adjustments related to other increases / (decreases) in working capital		**88.394.432**	98.359.982
Cash flows from the operations after the changes in working capital		**559.084.372**	(12.898.113)
Interest paid		**(83.249.489)**	(16.284.025)
Taxes refunds/(payments)	28	**(43.216.291)**	(44.698.337)
Payment termination Indeminty	17	**(64.606.000)**	(48.813.605)
Cash flow regarding investment activities		**368.012.592**	(122.694.080)
Investment activities:			
Cash outflows from the purchases of property, plant and equipment and intangible assets	12,13	**(93.958.099)**	(77.967.443)
Proceeds from sales of property, plant and equipment	12,13	**2.286.390**	195.062
Cash outflows from the purchases of investment property	11	**(41.820.000)**	-
Other cash inflows / (outflows)	31	**(21.889.282)**	(36.796.981)
Cash flows from investment activities		**(155.380.991)**	(114.569.362)
Financing activities:			
Dividend paid		**(293.253.439)**	(67.434.940)
Cash inflows from financial borrowings		**2.703.251.617**	3.755.642.459
Cash outflows from financial borrowings payments		**(2.858.968.945)**	(3.489.235.679)
Cash flows from financing activities		**(448.970.767)**	198.971.840
Net change in cash and cash equivalents before effect of foreign currency translation difference		**(236.339.166)**	(38.291.602)
Cash and cash equivalents as of January 1	5	**364.409.394**	378.469.391
Foreign currency translation difference		**(2.550.801)**	24.231.605
Cash and cash equivalents as of December 31	5	**125.519.427**	364.409.394

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

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

NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

The number of employees of the Company and its subsidiaries for the year ended 31 December 2016 is 1.539 (31 December 2015 – 1.522)

25,70 % 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:

	31 December 2016		31 December 2015	
Name	**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

Subsidiaries

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

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

In 2012, Razi Petrochemical Co. has purchased 87,5% of Arya Phosphoric Jonoob Co.,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%.

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

Associates

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

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

Financial assets available for sale

As of 31 December 2016 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. On 5 October 2016, Imece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş. company has been transferred to Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. company without liquidation and universally and completely in the framework of provisions of Turkish Commercial Code and other related legislation regarding business combinations through taking its assets and liabilities as basis identically. Participation rate of Tarnet Tarım Kredi Bilişim ve İletişim A.Ş. has changed as 15.78% following the aforementioned transfer transaction.

The approval of the financial statements:

The consolidated financial statements have been approved by the Board of Directors and instructed to be issued on 13 March 2017. The General Assembly has the power to amend the financial statements.

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 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 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.

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

2.1. Basis of presentation (Continued)

Going concern

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

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 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:

	31 December 2016		31 December 2015	
Currency	**Period end**	**Period average**	Period end	Period average
IRR / TL	**0,00010870**	**0,00009760**	0,00009650	0,00009371

2.2. Changes in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

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

2.2. Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

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

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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

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

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

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

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

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

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

2.2. Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

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

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

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

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

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

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

2.2. Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, 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.

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.

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

2.2. Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on 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 1 January 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 amendments on financial position or performance of the Group.

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

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group

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

2.2. Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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:

a. 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

b. 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 amendments on 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 amendments on financial position or performance of the Group.

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 interpretation on financial position or performance of the Group.

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

2.2. Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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 amendments on financial position or performance of the Group.

2.3 Summary of the significant accounting policies

2.3.1 Income

Incomes are calculated via fair value of the received or receivable amount.

The income from the sale of the goods is calculated after the following conditions are in place:

The Group hands over the property right, risks and gains to the buyer

Group has no longer effective control over the sold-out goods and administrative contribution linked to the property right.

Income amount is reliably calculated.

Economical benefits related to the operation are possible to flow in the company.

The costs resulted / to-be resulted from the operation is reliably calculated.

2.3.2 Dividend and interest income

The interest income is realized at the related period at rate of the effective interest reducing the assumed cash input gained from the related financial asset with the remaining principal amount over its expected life to the recorded value of the asset.

Dividends from the share investments are recorded when the shareholders get right to receive the dividend.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.3 Lease income

The rental income from the real estate is accounted in accordance with linear method during the related leasing contract is in effect.

2.3.4 Inventories

Inventories are calculated with the lower one of the cost or net realizable value. The costs including a part of fixed and changeable general production expenses are calculated with a method which the inventories depend on and generally first-input-first-output and weighted average cost method.

Net realizable value is calculated by deducting the completion cost and assumed costs for sale from the assumed sale price fixed under normal commercial conditions. When the net realizable value of inventories falls below its cost, the inventories value is reduced to net realizable value and reflected to the income statement as an expense on the year when the value decrease happened. If the conditions causing the inventories to reduce to the net realizable value are no more effective or if the net realizable value increase due to changing economical conditions; the provision for decrease in value of the stocks is cancelled. The cancelled amount is limited with the earlier determined amount of decrease in value of the inventories.

The processing cost is used as a cost system. In the inventories, the first-in-first-output costing method is applied for first material and goods as well as monthly moving average costing method is applied for the aids and spare parts.

2.3.5 Investment properties

The investment properties are presented for rental income or/and value growth gain and they are initially valued with their main cost as well as operational cost. Following the initial accounting, the investment properties are evaluated with the fair values reflecting market realities as at the balance sheet date. Gains / losses from the fair value amendments are included in the income statement during the period when they occurred.

The real estate used by the owner has been considered as amortized until they become investment properties shown on the basis of fair value. Since then no amortization has been calculated.

2.3.6 Tangible fixed assets

Landed properties and buildings that are held in use for the purpose of delivering product /service or for administrative purposes are expressed with their re-evaluated value. Re-evaluated value is determined by subtracting accumulated depreciation and accrued depredation that occur within the next period from fair value measured at the re-evaluation date. The re-evaluations are done on a regular basis in such a way that it will not differ from book value of fair value that is to be determined at the re-evaluation date.

Increase resulting from the re-evaluation of the aforementioned landed properties and buildings is recorded to re-evaluation fund in equity. If there is a deprecation that has been showed previously in income statement concerning the tangible-fixed assets, increment value resulting from the re-evaluation is recorded to income statement at the rate of said depreciation. Decrease in book value resulting from the re-evaluation of mentioned landed property and building is recorded to the income statement in case the asset exceeds its balance in re-evaluation fund relating its previous re-evaluation.

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

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

2.3 Summary of the significant accounting policies (Continued)

2.3.6 Tangible fixed assets (Continued)

Depreciation of re-evaluated building is included in income statement. When the re-evaluated real estate is sold or upon its retirement, remaining balance in re-evaluation fund is transferred to profits which are not distributed directly. Unless the asset is excluded from the balance sheet, it shall not be transferred from re-evaluation fund to profits which are not distributed directly.

Machines and equipments are shown on the basis of the amount which is after subtracting the accumulated depreciation and accrued depredation from their cost value.

Machines and equipments are shown on the basis of the amount which is after subtracting the accumulated depreciation and accrued depredation from their cost value.

Except the lands and ongoing investments, cost value or valued amounts of tangible-fixed assets are subject to deprecation by using the straight-line method according to their expected useful life. Expected useful life, residual value and depreciation method are reviewed every year for possible effects of changes in estimations and if there is a change in estimations, they are accounted in advance.

Proceeds and losses resulting from disposal or retirement of tangible-fixed assets are determined as a difference between sale revenue and book value of the asset and included in income statement.

Except for lands having unrestricted use life, depreciation has been calculated over the inflation adjusted values of fixed asset and according to ordinary depreciation method and on basis of prorate depreciation. Tangible-fixed assets are amortized considering below-mentioned economic lives. (Note 12)

Buildings, land improvements	5-50 Years
Machines, facilities and equipment	3-40 Years
Vehicles	4-10 Years
Furnitures and fixtures	3-25 Years
Leasehold improvements	5 Years

2.3.7 Intangible-fixed assets

Intangible-fixed asset is accounted in case expected future economic benefits are possible for the business and the cost of the asset can be measured reliably.

Intangible assets are accounted with their cost value at the initial recognition. The cost of a separately acquired intangible asset is calculated by deducting all discounts from the purchase price and including import taxes and non-refundable purchase taxes as well as all other kind of costs linked to the asset in order to operationalize it.

As of the purchase date, the historical costs of the intangible assets have been finally adjusted for the inflation rates on 31 December 2004. In the current period, the intangible assets are redeemed with straight line method according to their economical life based on the cost value. The amount noted at the financial statement is redeemed in 5 years. (Note 13)

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

2.3 Summary of the significant accounting policies (Continued)

2.3.8 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items carried at cost. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

2.3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.10 Goodwill

The acquisition of subsidiary is accounted for using the purchase method. The cost of business combination is calculated according to the aggregate of the assets given at the combination date, liabilities which are arising or committed and the fair value of equity instruments which are issued to obtain the control of the subsidiary and other costs which are directly related to the business combination. The assets, liabilities and contingent liabilities of the acquisited entity which are corresponding the terms of recording according to the IFRS 3 "Business Combinations" are recorded based on their fair values. The goodwill arising on the acquisition is determined as the excess of the acquisition cost over the Group's share in the identifiable assets, liabilities and contingent liabilities of the acquired entity and recorded first on the cost basis.

2.3.11 Financial instruments

Financial assets

The financial assets - apart from those recorded at fair value and grouped as financial tools of which fair value difference reflected as loss or profit - are accounted based on total amount of the expenses directly related to purchase transaction and fair market value. The assets are recorded or charged off at the date of transaction in result of purchase or sale of the financial assets linked to a contract indicating the delivery conditions of investment tools, such as the deadline determined in line with market conditions.

Financial assets are classified as "financial assets of which fair value difference is reflected as profit or loss", "financial assets which will be held till the due term", "financial assets which are ready for sale" and "credits and receivables". The classification is determined at the first record as to qualifications and acquirement goals of the financial asset.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Effective interest method

The effective interest method is a way to evaluate the financial asset with the amortised cost and to distribute the related interest income to the related period. The effective interest method is the rate reducing the assumed total receivable cash to its current net value as long as it is available over the life of financial tool.

The classified financial assets except from those of which fair value difference is reflected to profit or loss are accounted by using the effective interest method.

Financial assets of which fair value difference reflected to profit or loss

The financial assets of which fair value difference reflected to profit or loss, are the financial tools held for commerce. When a financial asset is acquired for sale, it is classified in this category. These financial assets constituting the derivatives which have not been designed as protective tool against financial risk are also categorized as financial asset of which fair value difference reflected to profit or loss.

Held-to-maturity financials assets

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest methodless impairment, with revenue recognized on an effective yield basis.

Derivative instruments

The Group holds derivative financial instruments to hedge against foreign currency risk and the fair value difference is classified as profit or loss. Derivative financial instruments are initially recognized at cost, which reflects their fair value at the date of contract, and are remeasured at fair value in subsequent periods. A financial instrument is classified in this group if it has been acquired for the purpose of being sold or repurchased at a later date. Derivative financial instruments are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative instruments that reflect that profit/loss the fair value difference of the Group are composed of forward foreign currency purchase and sale contracts. Derivative financial instruments are initially measured at fair value after initial recognition and are reflected in profit or loss when changes in fair value are realized.

Financial assets ready for sale

The equity instruments that are held by the Group and that are quoted on the stock exchange and transacted at an active market as well as some debt securities are categorized as financial assets ready for sale and are recorded with their fair value. The Group has also other equity instruments that are ready for sale, but neither quoted on the stock exchange nor transacted at an active market. So they are recorded with their cost value as their fair value cannot be determined via a trustable way.

Credits and receivables

The commercial and other receivables that are not transacted and that have fixed and determinable payments as well as the credits are classified in this category. The credits and receivables are recorded by deducting the decrease in value from the cost amortised via effective interest method.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Impairment of financial assets

The financial assets or asset groups, except from the financial assets of which fair value difference reflected to profit or loss, are evaluated on each balance sheet date as to whether there is any indication of being affected by decrease in value. If more than one event happen after the initial recognition and there is a sideless indication of that the future cash flows of the financial asset or asset group have been subjected to the decrease in value, the impairment loss takes place. For the financial assets recorded with their amortised value, the amount of the decrease in value is difference between its book value and current value accounted by reducing the expected future cash flows at the rate of effective interest.

Decrease in value of all financial assets, except for trade receivables of which book value was decreased through usage of a reserve account, is directly deducted from registered value of relevant financial asset. In case trade receivable cannot be collected, the amount in question is written off by being deducted from reserve account. Changes in reserve account are accounted in income statement.

Except for equity instruments ready for sale, in case that loss due to decrease in value reduces in the following period and this reduction can be connected with an event occurred after accounting the loss due to decrease in value, loss due to decrease in value which has been accounted before is deleted from income statement in a way so as not to exceed amortized cost which decrease in value of investment would reach on the date decrease in value would be cancelled in case it would not have been accounted at any time.

Increase in fair value of equity instruments ready for sale which occurred after decrease in value is directly accounted in equities.

Cash and cash equivalent

Cash and cash equivalent values are the short term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity.

Financial liabilities

Financial liabilities and equity instruments of Group are designated in accordance with contractual arrangements and description of a financial liability and an instrument based on equity. The contract representing right in assets remained after all payables of Group are deducted is a financial instrument based on equity. Accounting policies applied for specific financial liabilities and financial instruments based on equity are explained below.

Financial liabilities are classified as financial liabilities of which fair value deficit is reflected on profit or loss and other financial liabilities.

Financial liabilities which reflected to profit / loss as fair value difference

Financial liabilities of which fair value deficit is reflected on profit or loss are registered with their fair value and reevaluated with their fair value at balance sheet date in each reporting period. Changes in their fair value are accounted in income statement. Net income or loss which is accounted in income statement also includes interest rate paid for financial liability in question.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.11 Financial instruments (Continued)

Other financial liabilities

Other financial liabilities are accounted with their fair values which are freed from transaction costs in the beginning, including financial payables.

Other financial liabilities are accounted over amortized cost amount by using effective interest method along with interest expense calculated over effective interest rate in the following periods.

Effective interest method is the one in which amortized costs of financial liability are calculated and relevant interest expense is distributed to related period. Effective interest rate is the one which reduces estimated cash payments to be performed in future during the anticipated lifespan of financial instrument or a shorter period of time, in case suitable, to exactly net present value of related financial liability.

Leasing- Group as lessor

Leasing procedure in which a significant portion of risk and benefit arising from owning an asset belongs to lessor is categorized as financial leasing. Other leasing procedures are categorized as operating lease.

There is no financial leasing transaction of Group in the current period.

Leasing incomes of operating lease are accounted by straight-line method during relevant leasing period. Straight-line initial costs borne during leasing procedure and negotiation are added to cost of leased asset and it is amortized during leasing period by straight-line method.

Leasing - Group as tenant

Leasing procedure in which a significant portion of risk and benefit arising from owning an asset belongs to tenant is categorized as financial leasing, while other leasing procedures are categorized as operating lease.

There is no financial leasing transaction of Group in the current period.

Payments performed for operating lease (incentives received or to be received from lessor for carrying out leasing transaction are recorded in income statement by straight-line method during leasing period), are recorded in income statement by straight-line method during leasing period.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.12 Impacts of exchange rate

Financial statements of each enterprise of Group are presented with currency unit (functional currency unit) which is valid for basic economic environment that they operate. Financial situation and operation results of each enterprise are indicated as TL which is valid currency unit for company and presentation unit for consolidated financial statements.

Foreign currency unit based transactions (other currencies than TL) made during the preparation of financial statement of each enterprise are recorded based on foreign exchange rates that are applicable on the date of transaction. The monetary assets and liabilities indexed to foreign currency used in balance sheet are converted to Turkish Lira by using foreign exchange bid rates valid on balance sheet date. Those non-monetary items which are followed with their fair value and recorded in foreign currency unit are converted to TL based on exchange rates on the date fair values are determined. Non-monetary items in foreign currency unit of which date is calculated over cost are not subjected to conversion again.

Exchange rate differences, except for the conditions listed below, are accounted as profit or loss in the period which they come into existence:

Exchange rate differences which are handled with as adjustment item to interest costs on payables that are associated with assets constructed in order to use in future and indicated in foreign currency unit and which are included in costs of such assets,

Exchange rate differences caused by transactions made in order to provide financial protection against risks arising from foreign currency unit (accounting policies related to providing financial protection against risks are explained below),

Exchange rate differences arising from monetary payables and receivables which compose a part of net investment in foreign operation, are accounted in conversion reserve, are associated with profit and loss in net investment sale and derive from foreign operation of which there is no payment intention or possibility.

Assets and liabilities of Group in its foreign operations are expressed in consolidated financial statements in TL by using exchange rates valid on the date of balance sheet. Income and expense items are converted by using average exchange rates during the period, in case that no substantial fluctuation has been occurred on foreign exchange rates during the period in which exchange rates valid on the date of transaction should be used (in case a substantial fluctuation occurs, exchange rates on transaction date are used). Exchange rate difference which has occurred is classified as equity and transferred to Group's conversion fund. Conversion differences in question are recorded on income statement in the period when foreign operations are sold out.

Goodwill and fair value adjustments arising from foreign operation purchase are considered as assets and liabilities of foreign operation and converted by using period-end exchange rate.

2.3.13 Earnings per share

Earnings per share stated in consolidated income statement is calculated by dividing net profit by weighted average number of share certificate which exists in market during the year.

In Turkey companies increase their capitals by means of "non-paid up shares" which they distributed from their previous year profit to their shareholders. Such kind of "non-paid up shares" distribution is evaluated as exported shares in calculation of earnings per share. According to this, weighted average number of shares used in this calculation is found by taking into account past effects of share distribution in question.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.14 Events after balance sheet date

Even though the events after balance sheet date have come up after any announcement made about profit or any public announcement about other selected financial information, they cover all the events occurred between balance sheet date and date of authorization for balance sheet publication. In case that the events requiring adjustment have come up after balance sheet date, Group adjusts the amounts included in financial statements in compliance with this new situation.

2.3.15 Provisions, conditional assets and liabilities

A provision is reserved in financial statements, in case that there is a current liability arising from past events, it is possible to carry out the liability and the amount of liability in question can be estimated in a safe way.

The amount reserved as provision is calculated by estimating in the safest way the expense to be made in order to fulfill the liability as of balance sheet date by taking into account risks and uncertainties about liability.

In case that provision is measured by using estimated cash flow required for meeting current liability, the book value of provision in question is equal to present value of relevant cash flows.

In case that either a part or whole of economic benefit required for paying the provision is expected to be met by third parties, the amount to be collected is accounted in case that the collection of relevant amount is almost certain and can be measured in a safe way.

2.3.16 Taxes calculated on the basis of the company's earnings

Since Turkish tax legislation does not allow preparation of consolidated tax statement of a main company with its subsidiary, tax provisions are calculated separately based on each enterprise as it is reflected on attached consolidated financial statements.

Expense of income tax consists of sum of current tax and deferred tax expense.

Current tax

Current year tax liability is calculated over the part of period income which is subjected to tax. The profit subjected to tax is different than the profit included in income statement since it excludes the items which is taxable in other years or is tax deductable as well as those which are impossible to tax or could not be tax deductable. Current tax liability of Group has been calculated by using tax rate which has become legal as of the date of balance sheet or become legal at a considerable extend.

Deferred tax

Deferred tax liability or asset is found out by calculating temporary differences between the amounts of assets and liabilities shown in financial statement and the amounts taken into consideration in calculation of legal tax base by balance sheet method taking into account legalized tax rates of tax effects. While deferred tax liabilities are calculated for all of taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that benefiting from the differences in question is highly-likely by making profit subjected to tax in future. The mentioned assets and liabilities are not accounted in case that they arise from inclusion of temporary difference, goodwill related to transaction not affecting commercial or financial profit/loss or other assets and liabilities in the financial statement for the first time (except for business enterprise merger).

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

2.3 Summary of the significant accounting policies (Continued)

2.3.16 Taxes calculated on the basis of the company's earnings (Continued)

Deferred tax (Continued)

Deferred tax liabilities are calculated for all of taxable temporary differences which are associated with investments in subsidiaries and affiliates and shares in joint ventures except for the conditions under which Group is able to control removal of temporary differences and under which possibility of removal of these differences in near future is low. Deferred tax assets arising from taxable temporary differences which are associated with such kind of investments and shares are calculated provided that benefiting from the differences in question is highly-likely by making sufficient profit subjected to tax in near future and removal of relevant differences in future is possible.

Recorded value of deferred tax asset is reviewed as of each balance sheet date. Recorded value of deferred tax asset is reduced at extend to which it is impossible to obtain financial profit which will enable to benefit from it partially or wholly.

Deferred tax assets and liabilities are calculated over tax rate which has become legal or become legal at a considerable extend (tax regulations) as of the date of balance sheet and which is expected to be valid in the period during which assets will realize or liabilities will be fulfilled. During the calculation of deferred tax assets and liabilities, tax results of methods anticipated for Group assets' regaining their book value or fulfilling its liabilities as of balance sheet date are taken into consideration.

Deferred tax assets and liabilities are deducted in case that there is a legal right related to deducting current tax assets and current tax liabilities or assets and liabilities in question are associated with income tax collected by the same taxation authority or Group has the intention to pay it by way of clarifying its current tax assets and liabilities.

Current tax except for those which are associated with the items accounted as receivable or payable directly in equity (under these circumstances deferred tax related to relevant items are accounted directly in equity) or those which arises from first recording of business enterprise mergers as well as deferred tax of the period are accounted as income or expense in income statement. Tax effect is taken into account during business enterprise mergers, calculation of cost control or determination of purchase-cost exceeding part of share obtained by purchaser at the fair value of identifiable asset, liability and contingent payables of purchased subsidiary.

2.3.17 Benefits for employees

Termination indemnity liability

In accordance with provisions of current laws and collective labor agreements in Turkey, termination indemnity is made in case of retirement or displacement. In compliance with TAS 19 Employee Benefits Standard ("IAS 19") which has been updated, such payments in question are described as identified retirement benefit plans. In fact, Turkish and Iranian seniority indemnity systems are similar, there are not core differences between them. Moreover while period of Razi's privatization, the right of early retirement is given to employees and responsibility is accounted in the scope of TAS 19 by Razi.

Termination indemnity liability which was accounted in balance sheet was calculated according to net present value of estimated amount of liability which was expected to arise in future due to retirement of all employees and reflected on financial statements.

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

2.3 Summary of the significant accounting policies (Continued)

2.3.17 Benefits for employees (Continued)

Seniority incentive premium

In accordance with the prevailing collective labor agreement, seniority incentive premium is paid to the staff within the scope of agreement in the years when they complete certain seniority incentive periods. The liability calculated for incentive premium in question is reflected on records. (Note 17)

Vacation pay provision

The company makes a provision for the wages corresponding to the unused portion of vacation allowances of its employees in the previous years. (Note 17)

2.3.18 Statement of cash flow

The cash flows pertaining to the period are classified and reported in a manner that will include the costs of main activities, investments and financing.

Cash flows originating from main activities indicate cash flow of Group arising from activities of fertilizer and petro chemical products sale.

Cash flows related to investment operations indicate Group's cash flow used in and obtained through investment operations (fixed investments and financial investments).

Cash flows related to finance operations indicate resources of Group used in finance operations and repayment of these resources.

Cash and cash equivalent values are the short term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity.

2.3.19 Capital and dividends

Ordinary shares are classified as equity capital. Dividends distributed on ordinary shares are recorded by deducting from the accumulated profit in the period that the dividend payment decision is reached.

2.3.20 Basis of consolidation

a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the year ended 31 December 2016 and include financial statements of Gübretaş and its Subsidiaries.

b) At 31 December 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2015. The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the year, respectively.

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

2.3. Summary of the significant accounting policies (Continued)

2.3.21 Basis of consolidation (Continued)

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.

2.3.21 Critical accounting estimates and judgements

At the process of preparing of consolidated financial statements pursuant to Turkish Financial Reporting Standards, The Group's management should make critical accounting estimates and judgments that determines as date of reporting period, amount of income and expenses and amount of probable liabilities and guarantees that may be occurred as date of balance sheet. Although these forecasts and assumptions, is depend on the groups' well knowledge that is associated current event and transactions, may differ from actual results. Forecasts are reviewed on a regular basis, required adjustments is made and reflected to periods' income statement. In the next financial period, forecasts and assumptions that may risk of adjustment of assets and liabilities' registered values, are shown as follows:

Net realizable value

Stock is valued at lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Goodwill impairment

The Group reviews goodwill for impairment annually. Razi has been identified as the cash generating unit since the goodwill balance has been recognized through the acquisition of Razi. The value in use calculations are based on post-tax Turkish Lira cash flow projections as approved the Group management. 24% discount rate and 1% growth rate (31 December 2015: discount 24%, growth 1%) have been used in calculations of the value in use. Discount rate before tax for presentation is about 24% (31 December 2015: 24%) The discount rate represents the risk associated with the entity. Based on the impairment analysis performed by Group management, no impairment of goodwill has been identified. As of 31 December 2016, the Group does not determine impairment in goodwill amount according to results of value impairment tests which was made by using the above assumptions

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

2.3 Summary of the significant accounting policies (Continued)

2.3.21 Critical accounting estimates and judgements (Continued)

Deferred tax

Group, recognized deferred tax asset and liability for temporary timing difference arising from difference between its financial statement which constitute the basis of Tax and financial statement is prepared according to TFRS. Deferred tax assets' partially or whole recoverable amount is estimated in current circumstances. While evaluating, projections of future profits, occurred loss in current period, deadline of use of inappropriate loss and other tax assets and tax planning strategies can be used if necessary has been taken into account. In the light of data obtained, if group's taxable profit will be obtained in future is not enough to meet all deferred tax assets, partially or whole of deferred tax is reserved. If operating results in future excess Group's expectations, it may be required to enroll unregistered/recorded deferred tax assets.

Fair value of properties

Fair value of the properties of the Group as of December 31, 2016 is established according to valuation performed in January 2016 by an independent expertise company which does not have relation with the Group. Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş, which is an independent valuation company authorized by Capital Markets Board of Turkey and Banking Regulation and Supervision Authority, has the appropriate quality and experience regarding the valuation of properties at aforementioned locations. It is established through Market Value Approach, Cost Approach and Capitalization of Revenues Approach which are appropriate to International Valuation Standards. Unit price is established following the performance of price adjustment in the framework of criteria which can affect Market value considering the similar properties which are put on sale or sold/rented recently in the Market Value Approach. Judgement on the valuation does not take deed liens into consideration and depends upon the acceptation that there is no case regarding the property. Cost approach is referenced upon reconstruction cost of the building in present conditions. Capitalization of Revenues Approach is the return capitalization calculating rate of return with an appropriate discount rate including potential income sources, cash flows, and rental losses deducting the operation expenses.

2.4 Restatement of consolidated financial statements

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

As of 31 December 2015, intangible assets amounting to 29.135.214 TL which are accounted for under the accounts of other receivables from the related parties are classified as intangible assets.

As of 31 December 2015, the value increase of investment property amounting to 13.903.140 TL which is accounted under other operating income has been classified under income from investment activities.

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

NOTE 3 - SHARES IN OTHER BUSINESSES

Consolidated balance sheet and income statement of subsidiaries recognizing accounting to equity methods is as follows:

	Negmar Denizcilik Yatırım A.Ş.		**Tarkim Bitki Koruma San. ve Tic. A.Ş.**	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Current assets	**54.446.057**	86.110.948	**36.674.021**	49.121.866
Non- current assets	**404.140.909**	373.287.353	**6.937.248**	7.871.375
Short term liabilities	**153.933.182**	160.566.976	**13.868.509**	25.435.307
Long term liabilities	**408.501.193**	362.866.232	**7.179.844**	10.104.775
Net (liabilities)/assets	**(103.847.409)**	(64.034.907)	**22.562.916**	21.453.159

	Negmar Denizcilik Yatırım A.Ş.		**Tarkim Bitki Koruma San. ve Tic. A.Ş.**	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Net sales	**290.410.423**	409.682.071	**46.734.092**	41.994.800
Net (loss)/profit	**(8.238.952)**	(10.442.469)	**1.109.757**	2.749.716
Non-controlling interests	**2.454.354**	(2.970.637)	**-**	-
Parent campany share	**(10.693.306)**	(7.471.833)	**-**	-

Net assets in balance sheet statement of subsidiaries recognizing according to equity methods is as follows:

	31 December 2016	31 December 2015
Negmar Denizcilik Yatırım A.Ş. (Note 8)	**(41.538.964)**	(25.613.963)
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**9.025.167**	8.581.263
Total net liabilities	**(32.513.798)**	(17.032.700)

Current year operating results of subsidiaries recognizing accounting to equity methods is as follows:

	31 December 2016	31 December 2015
Negmar Denizcilik Yatırım A.Ş.		
-Net profit	**(4.277.322)**	(2.988.733)
-Foreign currency translation difference	**(11.647.679)**	(13.780.834)
Tarkim Bitki Koruma San. ve Tic. A.Ş.-net profit	**443.903**	1.099.886
Total	**(15.481.097)**	(15.669.681)

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

NOTE 3 - SHARES IN OTHER BUSINESSES (Continued)

	2016		2015	
	Negmar Denizcilik Yatırım A.Ş.	**Tarkim Bitki Koruma San. ve Tic. A.Ş.**	Negmar Denizcilik Yatırım A.Ş	Tarkim Bitki Koruma San. ve Tic. A.Ş.
Participation rate	**40%**	**40%**	%40	%40
Total equity	**(103.847.409)**	**22.562.916**	(64.034.907)	21.453.159
1 January	**(25.613.963)**	**8.581.263**	(8.844.396)	7.481.377
Current year comprehensive income/expense	**(15.925.001)**	**443.903**	(16.769.567)	1.099.886
31 December	**(41.538.964)**	**9.025.166**	(25.613.963)	8.581.263

NOTE 4 -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 December 2016 and 31 December 2015 is as follows:

	Turkey	**Iran**	**Consolidation adjustments**	**Total**
Assests	**31 December 2016**	**31 December 2016**	**31 December 2016**	**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 assests	**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**

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

NOTE 4 -SEGMENT REPORTING (Continued)

	Turkey	Iran	Consolidation adjustments	Total
Assests	31 December 2015	31 December 2015	31 December 2015	31 December 2015
Current assets	1.012.177.945	1.143.571.732	(140.527.313)	2.015.222.364
Non-current assets	1.083.652.046	788.935.617	(260.253.525)	1.612.334.138
	2.095.829.991	1.932.507.349	(400.780.838)	3.627.556.502
Liabilities				
Short term liabilities	1.276.433.081	547.987.185	(106.596.874)	1.717.823.392
Long term liabilities	127.425.543	176.683.347	-	304.108.890
Equities	691.971.367	1.207.836.817	(294.183.964)	1.605.624.220
Total liabilities	2.095.829.991	1.932.507.349	(400.780.838)	3.627.556.502

The distribution of income statements by segments for the periods ending on 31 December 2016 and 31 December 2015 is as follows:

	Turkey	**Iran**	**Consolidation adjustments**	**Total**
Operating income	**1 January 2016 - 31 December 2016**	**1 January 2016 - 31 December 2016**	**1 January 2016 – 31 December 2016**	**1 January 2016 – 31 December 2016**
Sales (Net)	**1.804.262.519**	**1.236.438.730**	**(205.861.458)**	**2.834.839.791**
Cost of sales (-)	**(1.648.757.063)**	**(986.874.577)**	**217.417.183**	**(2.418.214.457)**
Gross profit	**155.505.456**	**249.564.153**	**11.555.725**	**416.625.334**
Marketing, selling and distribution expense (-)	**(97.056.126)**	**(132.021.258)**	**-**	**(229.077.384)**
General and administrative expense (-)	**(28.291.366)**	**(99.665.975)**	**-**	**(127.957.341)**
Other operating income / expense (-)(net)	**(133.651.118)**	**28.650.561**	**4.995**	**(4.995.562)**
Operating profit	**(3.493.154)**	**46.527.481**	**11.560.720**	**54.595.047**
Income / (expense) from investments	**305.985.454**	**-**	**(303.648.853)**	**2.336.601**
Profit / (loss) from investments accounted by equity method	**(3.833.419)**	**-**	**-**	**(3.833.419)**
Operation profit before financial income / (expense)	**298.658.881**	**46.527.481**	**(292.088.133)**	**53.098.229**
Financial income / (expense)	**(58.048.435)**	**11.190.591**	**-**	**(46.857.844)**
Profit before tax	**240.610.446**	**57.718.072**	**(292.088.133)**	**6.240.385**
Tax expense	**(15.904.458)**	**(4.882.305)**	**-**	**(20.786.763)**
Deferred tax income / (expense)	**(13.488.138)**	**(13.040.957)**	**(2.888.931)**	**(29.418.026)**
Profit / (loss) for the period	**211.217.850**	**39.794.810**	**(294.977.064)**	**(43.964.404)**

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

NOTE 4 -SEGMENT REPORTING (Continued)

	Turkey	Iran	Consolidation adjustments	Total
Operating income	1 January 2015 – 31 December 2015	1 January 2015 – 31 December 2015	1 January 2015 – 31 December 2015	1 January 2015 – 31 December 2015
Sales	1.664.670.261	1.374.693.724	(108.464.920)	2.930.899.065
Cost of sales (-)	(1.517.497.071)	(880.209.465)	96.909.195	(2.300.797.341)
Gross profit	147.173.190	494.484.259	(11.555.725)	630.101.724
Marketing, selling and distribution expense (-)	(94.474.418)	(113.481.230)	-	(207.955.648)
General and administrative expense (-)	(21.342.463)	(88.099.619)	-	(109.442.082)
Other operating income / expense (-)	(52.521.644)	47.625.211	-	(4.896.433)
Operating profit	(21.165.335)	340.528.621	(11.555.725)	307.807.561
Income / (expense) from investments	14.947.380	-	(18.728.472)	(3.781.092)
Profit / (loss) from investments accounted by equity method	(1.888.847)	-	-	(1.888.847)
Operation profit before financial income / (expense)	(8.106.802)	340.528.621	(30.284.197)	302.137.622
Financial income / (expense)	(75.402.526)	55.838.640	-	(19.563.886)
Profit before tax	(83.509.328)	396.367.261	(30.284.197)	282.573.736
Tax expense	-	(68.439.486)	-	(68.439.486)
Deferred tax income / (expense)	29.150.720	4.515.249	2.888.931	36.554.900
Profit / (loss) for the period	(54.358.608)	332.443.024	(27.395.266)	250.689.150

Investment expenditures:

Investment expenditures pertaining to segment assets for the periods ending on 31 December 2016 and 31 December 2015 are as follows:

	1 January - 31 December 2016	1 January – 31 December 2015
Gubre Fabrikaları T.A.Ş.	**68.710.410**	24.798.837
Razi Petrochemical Co. and its subsidiary	**25.247.689**	53.168.606
Total	**93.958.099**	77.967.443

Depreciation and amortization:

Depreciation and amortization expenditures pertaining to segment assets for the periods ending on 31 December 2016 and 31 December 2015 are as follows:

	1 January - 31 December 2016	1 January – 31 December 2015
Gubre Fabrikaları T.A.Ş.	**15.230.667**	7.197.984
Razi Petrochemical Co. and its subsidiary	**54.857.811**	47.333.453
Total	**70.088.478**	54.531.437

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hands	**17.237**	274.762
Bank	**119.788.896**	362.244.428
- demand deposits	**52.772.601**	161.740.581
- time deposits	**67.016.295**	200.503.847
Other cash equivalents(**)	**16.713.437**	1.890.204
Total	**136.519.570**	364.409.394
Pledge cash and cash equivalents (*)	**(11.000.143)**	-
Cash and cash equivalents at the statement of cash flow	**125.519.427**	364.409.394

(*) As of 31 December 2016, pledge cash and cash equivalents include 11.000.143 TL, which is related with the letters of credit opened by Raintrade Petrokimya ve Dış Tic. A.Ş.

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

Time deposits

As of 31 December 2016 and 2015, the maturity of time deposits are less then 3 months and values with effective interest method are a below:

Time deposits (TL):

The details of time deposit as of 31 December 2016 and 2015 are as below:

Interest rate (%)	**Maturity**	**31 December 2016**
8,00	**January 2017**	**1.200.000**
		1.200.000

Interest rate (%)	Maturity	31 December 2015
8,84 – 9,97	January 2016	1.600.373
		1.600.373

Time deposits (Foreign currency):

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

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

NOTE 6 – FINANCIAL BORROWINGS

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

	31 December 2016	31 December 2015
Short term borrowings	**798.391.047**	919.798.706
Short term portion of long term borrowings	**42.297.246**	36.809.807
Total	**840.688.293**	956.608.513

Short and long term borrowings	**31 December 2016**	31 December 2015
Payable within 1 year	**840.688.293**	956.608.513
Payable within 1 – 5 years	**99.492.773**	119.304.435
Total	**940.181.066**	1.075.912.948

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

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

Bank loans:

Currency	**Maturity**	**Average effetive 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 finansal borrowings (*):

Currency	**Maturity**	**Average effetive annual interest rate (%)**	**Original amount**	**Amount in TL**
EUR	**January 2017**	**Libor+0,5**	**71.706.725**	**266.024.780**
Total				**266.024.780**

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

NOTE 6 – FINANCIAL BORROWINGS (Continued)

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

Bank loans:

Currency	Maturity	Average effetive annual interest rate (%)	Original amount	Amount in TL
EUR	January - July 2016	3,40	11.584.154	36.809.807
USD	January - February 2016	2,30 - 3,10	60.349.446	175.472.050
TL	January - December 2016	12,75 - 13,00	570.382.162	570.382.162
Total				782.664.019

Other finansal borrowings (*):

Currency	Maturity	Average effetive annual interest rate (%)	Original amount	Amount in TL
EUR	January 2016	Libor+0,5	54.740.840	173.944.494
Total				173.944.494

(*) 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 December 2016	31 December 2015
Long term bank loans (Gübretaş)	**99.492.773**	119.304.435
Total	**99.492.773**	119.304.435

As 31 December 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**

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

Bank Loans:

Currency	Maturity	Average effective annual interest rate (%)	Original amount	Amount in TL
EUR	January 2020	3,4	37.545.454	119.304.435
Total				119.304.435

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:

	31 December 2016	31 December 2015
Trade receivables	**274.744.041**	226.906.125
Notes receivables	**3.321.819**	125.380
Receivables from National Petrochemical Company ("NPC") (Razi)	**15.386.214**	28.504.613
Trade receivables from third parties (gross)	**293.452.074**	255.536.118
Allowance for doubtful receivables (-)	**(4.365.809)**	(4.365.809)
Trade receivables from third parties (net)	**289.086.265**	251.170.309

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

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

Overdue following the maturity	**31 December 2016**	31 December 2015
More than 9 months	**4.365.809**	4.365.809
Total	**4.365.809**	4.365.809

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

	2016	2015
Balance at 1 January	**4.365.809**	3.430.740
Period cost	**-**	947.741
Collection	**-**	(12.672)
Balance at 31 December	**4.365.809**	4.365.809

As 31 December 2016 guarantees related to not overdue receivables are as follows:

	31 December 2016	31 December 2015
Guarantee letters	**253.128.074**	243.038.812
Collateral cheques and notes	**60.937.401**	60.831.521
Total	**314.065.475**	303.870.333

Short term trade payables:

	31 December 2016	31 December 2015
Trade payables (Gübretaş)	**345.133.568**	338.897.353
Trade payables (Razi)	**96.247.990**	93.492.706
Payables to NPC (Razi)	**182.745.018**	78.779.458
Other trade payables	**2.899.936**	2.504.279
Total	**627.026.512**	513.673.796

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

Other short term receivables:

	31 December 2016	31 December 2015
VAT receivables (Razi)	**101.569.275**	67.916.248
Receivables from non-controlling interests (Razi) (**)	**-**	53.210.914
Other various receivables (Tabosan) (*)	**33.135.093**	34.870.723
Due from personnel	**11.244.879**	20.930.410
Other various receivables (***)	**21.818.830**	16.616.689
Other short term receivables	**167.768.077**	193.544.984

(*) The total amount of capital receivables sourcing from payments made as co-guarantor and accrued interest receivable as of the report date of the Group is 33.135.093 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 EUR 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 2016.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.

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

(***) As of 31 December 2016, 20.046.022 TL of Group's other various receivables consist of the receivables of Gübretaş regarding VAT returns.

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other long term receivables:

	31 December 2016	31 December 204
Deposits and guarantees given	**13.189.904**	12.426.771
Due from personnel (*)	**9.884.196**	13.969.798
Other long term receivables	**23.074.100**	26.396.569

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

Other short term payables:

	31 December 2016	31 December 2015
Dividend payables to non-controlling interests	**101.120.883**	5.774.573
Payables from investments accounted by equity method	**41.538.964**	25.613.963
Other payables	**11.282.092**	13.651.575
Other short term payables	**153.941.939**	45.040.111

NOTE 9 – INVENTORIES

	31 December 2016	31 December 2015
Raw materials and supplies	**214.676.484**	258.573.487
Finished goods	**142.129.647**	213.142.287
Trade goods	**408.573.898**	445.366.727
Other inventories	**49.171.545**	41.006.520
	814.551.574	958.089.021
Provision for inventories	**(539.074)**	-
Total	**814.012.500**	958.089.021

The Group carried out net realisable value analysis for inventories and the result of this analysis stock impairment of inventories has been made provisioned amounting to 401.237 TL. (2015: None). In addition, the Group made provision for slow-moving inventories amounting to 137.837 TL. (2015: None).

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

NOTE 10 - PREPAID EXPENSES VE DEFERRED INCOME

Short term prepaid expenses	31 December 2016	31 December 2015
Advance given for inventories	62.093.829	50.740.102
Prepaid expenses	13.793.535	3.470.796
Total	**75.887.364**	54.210.898

Long term prepaid expenses	31 December 2016	31 December 2015
Advance given for fixed asset	40.975.917	20.020.062
Total	**40.975.917**	20.020.062

Short term deferred income	31 December 2016	31 December 2015
Received order advances	34.436.793	32.648.994
Total	**34.436.793**	32.648.994

NOTE 11 - INVESTMENT PROPERTIES

	31 December 2016			31 December 2015		
	Lands and parcels	Buildings	Total	Lands and parcels	Buildings	Total
Net value at the beginning of period	-	14.266.000	14.266.000	89.488.850	13.845.303	103.334.153
Purchases	41.820.000	-	41.820.000	-	-	-
Transfer to property, plant and equipment (*)	-	-	-	(89.488.850)	(13.845.303)	(103.334.153)
Transfer from property, plant equipment (**)	-	-	-	-	362.860	362.860
Rise in fair value	942.000	-	942.000	-	13.903.140	13.903.140
Total	42.762.000	14.266.000	57.028.000	-	14.266.000	14.266.000

(*) After evacuation of Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi ("Denizciler Birliği") Group's properties including lands, buildings, port and warehouses at İskenderun Sarıseki has reclassified to property, plant and equipment from investment properties by using port services.

(**) After the Company moved in new office, the building in Şişli has been vacated. The building in Şişli reclassified to investment properties form property, plant and equipment.

The Company had rent income in the amount of 407.116 TL from its investment properties in the period ending on the date of 31 December 2016 (2015: None)

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

NOTE 12 –PROPERTY, PLANT AND EQUIPMENT

The depreciation cost and amortization of the company is 70.088.478 TL as of 31 December 2016 and 31 December 2015 details are given below;

			31 December 2016
	Gübretaş	**Razi**	**Total**
Amortization cost	**15.031.226**	**54.857.811**	**69.889.037**
Depreciation cost	**199.441**	**-**	**199.441**
Total	**15.230.667**	**54.857.811**	**70.088.478**

31 December 2016: Out of the total of 70.088.478 TL depreciation and amortization costs; 66.381.748 TL have been included in General Production Costs, 655.028 TL in Sales and Marketing Costs, 3.051.702 TL in General Management Costs

			31 December 2015
	Gübretaş	Razi	Total
Amortization cost	7.021.361	47.333.454	54.354.815
Depreciation cost	176.622	-	176.622
Total	7.197.983	47.333.454	54.531.437

31 December 2015: Out of the total of 54.531.437 TL depreciation and amortization costs; 51.557.870 TL have been included in General Production Costs, 678.797 TL in Sales and Marketing Costs, 2.294.770 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 December 2016 and 31 December 2015.

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

NOTE 12 –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	16.878.058	-	12.267.320	49.122.806	616.405	1.740.846	-	6.595.308	87.220.743
Additions	1.111.900	1.004.794	3.480.492	1.395.505	1.234.416	2.325.688	61.550	82.979.972	93.594.317
Sales/cancellations	-	(154.650)	-	(1.583.557)	(1.458.493)	(632.040)	-	-	(3.828.740)
Transfer from construction in progress	-	-	50.425.493	154.054.958	419.696	2.246.309	-	(207.146.456)	-
Closing balance on 31 December 2016	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
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	-	-	(5.515.533)	(41.107.568)	(459.568)	(954.446)	-	-	(48.037.115)
Expenses of the period	-	(973.195)	(10.588.800)	(54.241.218)	(1.336.881)	(2.604.181)	(144.762)	-	(69.889.037)
Sales/cancellations	-	26.175	-	1.567.997	1.023.621	319.158	-	-	2.936.951
								-	
Closing balance on 31 December 2016	-	(49.754.294)	(119.448.834)	(706.506.946)	(6.763.208)	(12.919.553)	(225.105)	-	(895.617.940)
Net book value on 31 December 2016	460.149.818	10.140.984	214.943.296	427.471.653	3.467.083	14.092.834	793.053	88.846.999	1.219.905.720

As of 31 December 2016, 24.319.420 TL within construction in progress is capitalized interest and foreign currency exchange difference. As of 31 December 2015, amaounting to 21.000.0000 TL of 31.391.356 TL of exchange rate difference and interest has been capitalised and transferred to the buildings and plant machinery and equipment account in 2016.

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

NOTE 12 –PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands and parcels	Land improvemenst	Buildings	Facility, machinery and equipment	Vehicles	Fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
Opening balance on January 2015	283.210.320	17.610.534	406.884.136	730.877.173	7.661.994	15.827.781	167.655	253.721.137	1.715.960.730
Foreign currency translation differences	14.540.418	-	23.688.708	88.197.778	616.218	1.335.518		8.602.176	136.980.816
Valuation differences	34.075.554	1.335.291	14.892.173	-	-	-	-	-	50.303.018
Additions	14.156.756	964.881	23.768.418	4.960.591	647.374	1.734.729	788.606	30.614.709	77.636.064
Sales/cancellations	-	-	-	(279.619)	(192.632)	(245.424)	-	-	(717.675)
Transfer to investment property	-	-	(226.510.061)	-	-	-	-	-	(226.510.061)
Transfer from investment property	89.488.850	39.134.428	19.891.516	35.908.827	23.986	436.841	-	-	184.884.448
Transfer from construction in progress	6.687.962	-	5.603.935	71.324.137	661.327	2.242.139	347	(86.519.847)	-
Closing balance on 31 December 2015	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
Accrued depreciation									
Opening balance on January 2015	-	(11.833.908)	(303.222.702)	(482.203.668)	(4.744.306)	(7.017.816)	(33.469)	-	(809.055.869)
Foreign currency translation differences	-	-	(4.091.771)	(57.332.741)	(443.172)	(679.200)	-	-	(62.546.884)
Adjustments	-	-	3.666	49.891	41.496	114.258	-		209.311
Expenses of the period	-	(655.622)	(8.800.530)	(41.804.284)	(985.517)	(2.061.988)	(46.874)	-	(54.354.815)
Sales/cancellations	-	-	-	213.943	164.737	143.932	-	-	522.612
Transfer to investment property	-	-	226.147.201	-	-	-	-	-	226.147.201
Transfer from investment property	-	(36.317.744)	(13.380.365)	(31.649.298)	(23.618)	(179.270)	-	-	(81.550.295)
Closing balance on 31 December 2015	-	(48.807.274)	(103.344.501)	(612.726.157)	(5.990.380)	(9.680.084)	(80.343)	-	(780.628.739)
Net book value on 31 December 2015	442.159.860	10.237.860	164.874.324	318.262.730	3.427.887	11.651.500	876.265	206.418.175	1.157.908.601

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

NOTE 13 – INTANGIBLE ASSETS

Rights:

	31 December 2016	31 December 2015
Opening balance on 1 January	**29.570.130**	29.824.475
Purchases	**363.782**	331.379
	(18.943)	-
Closing balance on 31 December	**29.914.969**	30.155.854
Accrued depreciation:		
Opening balance on 1 January	**(585.724)**	(409.102)
Amortization expenses for current period	**(199.441)**	(176.622)
Closing balance on 31 December	**(785.165)**	(585.724)
Net book value	**29.129.804**	29.570.130

Goodwill:

	31 December 2016	31 December 2015
Opening balance on 1 January	**168.244.294**	148.146.765
Foreign currency translation differences	**20.216.964**	20.097.529
Balance as of 31 December	**188.461.258**	168.244.294

NOTE 14- 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, transffering 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 ,transfering and selling the financial assets of Razi unless having written acknowledgement from Privatization Administration. As of balance sheet date, the Group and other consortium members has paid all debts related to the purchase of shares to Iran Privatization Organisation. Application has been made for removing pledges on shares, relevant process is ongoing as of the date of this report

Purchasing commitments

As of 31 December 2016 Group has USD 142.539.315 accredited purchasing commitment. (31 December 2015: USD 28.971.400).

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

NOTE 15 – GOVERNMENT GRANTS

3 May 2013 dated and 110061 numbered investment incentive certificate is obtained based upon 29099 numbered application which realized on 27 March 2013 from Ministry of Economy. The investment incentive certificate is valid for three years round and include 170.000.000 TL worth fixed assets investment plans. The support elements fort the investmenst are Support of the Insurance Premium Payment Employer's Share, Privilege of the Custom Duty, Rate of Tax Deduction (50%),Content Rate of Investment (15%) and VAT Exemption.

As of 31 December 2016, based on the above incentive certificate provided on 3 May 2013 dated and 37045 numbered a new application has made on 29 February 2016 to Ministry of Economy. The investment incentive certificate is valid for five years round and include 210.000.000 TL worth fixed assets investment plans. The support elements fort the investmenst are Support of the Insurance Premium Payment Employer's Share, Privilege of the Custom Duty, Rate of Tax Deduction (50%), Content Rate of Investment (25%) and VAT Exemption.

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term debt provision:

	31 December 2016	31 December 2015
Provision for cost expenses	**74.807.731**	66.453.037
Provisions for pending claims and law suits	**3.378.518**	1.780.358
Other short term debt provisions	**1.737.657**	-
Other short term debt provision	**79.923.906**	68.233.395

Law suit provision:

	31 December 2016	31 December 2015
As of 1 January	**1.780.358**	897.864
Addition / cancellation	**1.598.160**	882.494
As of 31 December	**3.378.518**	1.780.358

In the current period, Denizciler Birliği Deniz Nakliyatı ve Ticaret Anonim Şirketi has sued against the Group for 785.193 TL profit loss. The Group Management has not made any provision for this lawsuit in the added consolidated financial statements according to recieved legal opinion but it has made 3.378.518TL (2015: 1.780.358 TL) provision for other lawsuits.

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

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

		31 December 2016			31 December 2015	
	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**	**13.622.890**	**13.622.890**	TL	9.987.517	9.987.517
B.Total amount of APH's given for the partnership included to full consolidation (hypethec)	**-**	**-**	**-**	-	-	-
C. APH given for guaranteeing the debts of other 3rd parties for the performance of ordinary businesss activites	**USD**	**30.418.152**	**107.047.561**	USD	34.644.944	100.733.640
D. Total amount of other APH's given	**-**	**-**	**-**	-	-	-
i. Total amount of APH's given for main partner	**-**	**-**	**-**	-	-	-
ii. Total amount of APH's given for other group companies not falling into the scope of articles B and C (assurance)	**-**	**-**	**-**	-	-	-
iii. Total amount of APH's given for 3rd parties not falling in to the scope of article	**-**	**-**	**-**	-	-	-
Total			**120.670.451**			110.721.157

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 evey 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 Rebublic of Iran was decided about price which was rated with 21 March 2010 and 19 December 2010 period at 13 November 2011. So invoices was 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.

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As explanined in Note 16, as of 31 December 2016 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 decleration dated on 20 October 2014 by Ministry of Petroleum, the price of gas sholud be calculated and billed based on Rials. Despite of the aforementioned contract and decleration, 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, Sarıseki 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.

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.

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

NOTE 16 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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.

NOTE 17 - EMPLOYEE BENEFITS

Liabilities for employee benefits:

	31 December 2016	31 December 2015
Due to the personnel	**34.839.988**	15.784.439
Social security premiums payable	**827.380**	837.878
Total	**35.667.368**	16.622.317

Short Term:

	31 December 2016	31 December 2015
Provision for allowance and employee termination benefits	**3.315.484**	6.583.507
Provision for early retirement salary (*)	**19.720.274**	11.808.446
Provision for premium	**1.176.581**	1.046.164
Total	**24.212.339**	19.438.117

Long Term:

	31 December 2016	31 December 2015
Allowance for retirement pay (Gübretaş)	**10.160.803**	8.121.107
Allowance for retirement pay (Razi)	**94.757.320**	72.696.186
Provision for early retirement salary(*)	**80.504.079**	71.707.707
Total	**185.422.202**	152.525.000

(*) While period of Razi's privatization, the right of early retirement is provided to employees and responsibility is accounted in the scope of TAS 19 by Razi.

As of 31 December 2016, termination indemnity liability of the company has been calculated with and annual inflation of 6,25 % and discount rate of 10,5 %, and by using 4,00 % real discount rate (31 December 2015; 4,25%). As the termination indemnity cap of the company's provision for termination indemnities is adjusted on every six months basis, it is calculated as 4.297 TL, which is valid as of the date of 31 December 2016 onwards (31 December 2015: 3.828 TL).

The Termination Indeminity of Razi has not discounted as a result of considering rate of Islamic Republic of Iran.

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

The movement of provision for termination indemnity throughout the year is as follows

	1 January – 31 December 2016	1 January – 31 December 2015
Provisions as of 1 January	**152.525.000**	123.041.034
Service cost	**63.942.672**	63.630.652
Interest cost	**16.007.321**	883.386
Payment termination indeminty	**(64.606.000)**	(48.813.605)
Foreign currency translation differences	**16.371.540**	13.783.533
Actuarial gain/loss	**1.181.669**	-
Provision as of 31 December	**185.422.202**	152.525.000

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2016**	31 December 2015
Deferred VAT	**10.330.048**	49.324.030
Job advances	**5.491.212**	-
Other various current assets	**1.631.014**	182.180
Total	**17.452.274**	49.506.210

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

Paid-in capital

The equity structure as of 31 December 2016 and 31 December 2015 is as follows:

	%	**31 December 2016**	%	31 December 2015
Central Union of Agricultural Credit Cooperatives of Turkey	**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

Company's capital is formed 33.400.000.000 pieces stocks. (2015:33.400.000.000 pieces) Stocks' nominal value is 0,01 TL. (2015: 0,01 TL)

Reserves on retained earnings

The legal reserves consist of first and second composition of legal reserves according to the Turkish Code of Commerce. The first composition of legal reserves is composed of 5% of the previous period's commercial profits until the date it reaches 20% of the paid capital. The second composition of legal reserves is allocated as 10% of the total cash dividend distributions following the first composition of legal reserves and dividends.

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

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (Continued)

The retained earnings that were reclassified consist of the below items as of 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Legal reserves	**39.995.728**	38.325.728
Real estate sales gain to be added to capital	**1.382.652**	1.382.652
Total	**41.378.380**	39.708.380

Regarding to legal records of company, sum of sources available for distribute is 10.069.621 TL (2015: 132.001.670 TL).

NOT 20 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge against foreign currency risk and the fair value difference is classified as profit or loss. Derivative financial instruments are initially recognized at cost, which reflects their fair value at the date of contract, and are remeasured at fair value in subsequent periods. A financial instrument is classified in this group if it has been acquired for the purpose of being sold or repurchased at a later date. Derivative financial instruments are accounted for as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative instruments that reflect that profit/loss the fair value difference of the Group are composed of forward foreign currency purchase and sale contracts. Derivative financial instruments are initially measured at fair value after initial recognition and are reflected in profit or loss when changes in fair value are realized.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Group does not have derivative transactions within the scope of hedge accounting. For this reason, derivative financial instruments are measured at their fair value after they are initially recorded and are reflected in profit or loss when changes in their fair value are realized.

As of 31 December 2016 detail of derivative financial instruments of the company as below:

Option contracts:

	Maturity	**Nominal value (USD)**	**Fair value (TL)**
USD buying / USD selling	**September 2017**	**62.115.750**	**16.743.178**
Total		**62.115.750**	**16.743.178**

As of 31 December 2015 there is no derivative financial instruments of the Company.

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

NOTE 21 – REVENUE AND COST OF SALES

Sales	31 December 2016	31 December 2015
Domestic sales	**2.149.960.010**	2.032.086.131
Foreign sales	**708.265.832**	924.581.798
Service sales	**407.116**	-
Sales returns(-)	**(1.634.349)**	(1.288.460)
Sales discounts(-)	**(15.755.823)**	(23.924.133)
Other discounts from sales(-)	**(6.402.995)**	(556.271)
Total	**2.834.839.791**	2.930.899.065

Cost of sales (-)	31 December 2016	31 December 2015
Cost of good produced	**1.267.522.359**	1.399.402.829
Change in the good inventory	**71.012.640**	(164.662.757)
-Goods at the beginning of the period	**213.142.287**	48.479.530
-Goods at the end of the period	**(142.129.647)**	(213.142.287)
Cost of good sold	**1.338.534.999**	1.234.740.072
-Merchandise inventory at the Beginning of the period	**445.366.727**	465.205.635
-Purchases	**1.035.811.344**	1.045.762.887
-Merchandise inventory at the end of the period	**(408.573.898)**	(445.366.728)
Cost of merchandise sold	**1.072.604.173**	1.065.601.794
Cost of other sales	**4.473.260**	455.475
Cost of services sold	**2.602.025**	-
Total	**2.418.214.457**	2.300.797.341

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES

	31 December 2016	31 December 2015
General administrative expenses	**127.957.341**	109.442.082
Marketing and selling expenses	**229.077.384**	207.955.648
Total	**357.034.725**	317.397.730

General administrative expenses	31 December 2016	31 December 2015
Personnel expenses	**94.979.490**	80.176.926
Outsourced services (*)	**6.158.611**	8.471.429
Depreciation and amortisation expenses	**3.051.702**	2.294.770
Taxes and duties	**2.441.718**	1.218.435
Other expenses	**21.325.820**	17.280.522
Total	**127.957.341**	109.442.082

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

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES (Continued)

Marketing and selling expenses	31 December 2016	31 December 2015
Personnel expenses	**13.416.395**	11.320.378
Outsourced services (*)	**204.986.877**	185.422.069
Depreciation and amortisation expenses	**655.028**	678.797
Taxes and duties	**285.118**	762.100
Other expenses	**9.733.966**	9.772.304
Total	**229.077.384**	207.955.648

(*) The benefits and services providing from the outside are formed mainly by the transportation costs, maintenance-repair expenses, energy, fuel, water and communication costs.

NOTE 23 - OPERATING EXPENSES (BASED ON THEIR NATURE)

	31 December 2016	31 December 2015
Personnel expenses	**108.395.885**	91.497.304
Outsourced services	**211.145.488**	193.893.498
Amortization	**70.088.478**	54.531.437
Depreciation and amortisation expenses	**2.726.836**	1.980.535
Taxes and duties	**31.059.786**	27.052.827
Cost of goods sold	**1.338.534.999**	1.234.740.072
Cost of trade goods sold	**1.072.604.173**	1.065.601.794
Cost of other sales	**4.473.260**	455.475
Cost of services sold	**2.602.025**	-
Total	**2.841.630.930**	2.669.752.942

NOTE 24 – OTHER OPERATING INCOME AND EXPENSES

Other operating income:	1 January- 31 December 2016	1 January- 31 December 2015
Foreign exchange gain from trade receivables	**161.925.746**	248.016.843
Interest income	**1.274.642**	4.546.556
Credit finance gains from trade receivables	**29.070.694**	11.924.214
Other income	**22.002.313**	6.214.526
Total	**214.273.395**	270.702.139

Other operating expenses:	1 January- 31 December 2016	1 January- 31 December 2015
Foreign exchange loss from trade payables	**169.428.609**	262.984.591
Interest expenses	**2.538.322**	-
Credit finance loss from trade receivables	**5.966.530**	5.941.068
Other expenses	**41.335.496**	20.576.053
Total	**219.268.957**	289.501.712

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

NOTE 25 – INCOME / (EXPENSE) FROM INVESTMENT ACTIVITIES

	31 December 2016	31 December 2015
Foreign exchange gain related to investment activities	**-**	4.993.163
Value increase of investment property	**942.000**	13.903.140
Income related to sales of fixed assets	**1.394.601**	-
Total	**2.336.601**	18.896.303

	31 December 2016	31 December 2015
Foreign exchange loss related to investment activities	**-**	8.774.255
Total	**-**	8.774.255

NOTE 26 - FINANCIAL EXPENSES

	31 December 2016	31 December 2015
Interest expenses on bank loans	**83.249.489**	16.284.025
Total interest expenses	**83.249.489**	16.284.025
Net foreign exchange (income)/expenses	**(16.980.448)**	3.220.295
Income from derivative instruments	**(16.743.178)**	-
Other financial (income)/expenses	**(2.668.019)**	59.566
Total financial expenses	**46.857.844**	19.563.886

NOTE - 27 OTHER COMPREHENSIVE INCOME

	31 December 2016	31 December 2015
Fixed assest revaluation fund	**262.507.233**	262.507.233
Inflation adjustment on equity	**63.599**	63.599
Total	**262.570.832**	262.570.832

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate tax

The company is subjected to the corporate tax on the basis of the legislation applicable in Turkey. Turkish tax law does not allow a main company and its subsidiaries to make a consolidated tax statement. Therefore, tax provisions included in attached consolidated financial statements were calculated on basis of considering each consolidated company as separate legal entities.

The rate of corporate tax to be imputed over company's earning which is subjected to taxation is calculated over the remaining tax-basis after the expenses which are not deducted from tax basis recorded as expense during the calculation of commercial earning are included and tax exempt earnings, incomes not subjected to taxation and other discounts (if any, previous year losses and investment discount benefited in case they are preferred) are deducted.

Effective tax rate applied in the year 2016 was 20% (2015: 20%).

In Turkey, a provisional tax is calculated and imputed in quarterly periods. A provisional tax of 20% over company earnings was calculated at the stage of taxation of company earnings (2015: 20%).

The losses may be carried forward maximum 5 years provided that it will be deducted from taxable profit to be obtained in future years. However, the losses accrued may not be retrospectively deducted from the profit obtained in previous years.

In Turkey, there is not an accurate and definite agreement procedure pertaining to tax assessment. Companies prepare their tax statements between 1-25 April of the year following the balancing payment period of relevant year (for the companies having special accounting period, it is between 1-25 of the fourth month following the balancing payment period). These statements and accounting records on which the statements are based may be inspected and changed by Tax Office within 5 year-period.

In accordance with Corporate Tax Law numbered 5520, corporate tax and provisional tax rates are applied as 20% (year 2015: 20%). The corporate tax rate calculated according to Iranian legislation is 25%. (2015:%25)

Tax provision included in the balance sheet belonging to the period 31 December 2016 and 2015 is as follows:

			31 December 2016
	Gübretaş	**Razi**	**Total**
Provision for current period corporate tax	**(15.606.873)**	**(5.179.890)**	**(20.786.763)**
Prepaid tax	**21.294.766**	**21.921.525**	**43.216.291**
Prior years corporate tax liabilities	**-**	**(61.851.406)**	**(61.851.406)**
Foreign currency translation effect	**-**	**(8.849.579)**	**(8.849.579)**
Total	**5.687.893**	**(53.959.350)**	**(48.271.457)**

			31 December 2015
	Gübretaş	Razi	Total
Provision for current period corporate tax	-	(59.845.604)	(59.845.604)
Prepaid tax	387.155	6.588.080	6.975.235
Prior years corporate tax liabilities (Note 2.4)	-	(8.593.882)	(8.593.882)
Total	387.155	(61.851.406)	(61.464.251)

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES) (Continued)

Deferred tax assets and liabilities

Group is accounting deferred tax assets and liabilities on the basis of the temporary timing differences arising from the difference between financial statements that are prepared in accordance with TFRS and the statements prepared as setting the basis for tax obligations. In general the subject matter differences result from some income and expense amounts included in the tax based statements to take place in different periods in the financial statements that are prepared in accordance with TFRS.

	31 December 2016		31 December 2015	
Reflected to the income statement deferred tax	**Temporary differences**	**Deferred tax, assets and liab.**	Temporary differences	Deferred tax, assets and liab.
Investment incentive	**159.749.040**	**39.937.260**	197.454.761	29.618.214
Stock adjustment	**3.490.790**	**698.158**	15.346.565	3.069.313
Other	**8.029.040**	**1.605.808**	39.051.160	7.810.233
Provisions for termination indemnity	**14.377.731**	**2.875.545**	10.287.947	2.057.589
Receivables rediscount	**4.212.735**	**842.547**	2.877.492	575.498
Loss of current year	**-**	**-**	83.709.368	16.741.874
Deferred tax assets	**189.859.336**	**45.959.318**	348.727.293	59.872.721
Tangible/intangible assets/investment property	**267.128.779**	**13.743.215**	271.001.086	14.517.676
Expense accruals	**464.771**	**92.954**	-	-
Derivative financial instruments	**16.743.178**	**3.348.636**	-	-
Payables rediscount	**1.028.096**	**205.619**	2.077.099	415.420
Other	**224.061**	**44.812**	-	-
Deferred tax liabilities	**285.588.885**	**17.435.236**	273.078.185	14.933.096
Net deferred tax asset		**28.524.082**		44.939.625
Razi Co. deferred tax asset / (liability) (*)		**(41.518.380)**		(32.279.455)
Total deferred tax asset / (liability)		**(12.994.298)**		12.660.170

(*) 41.518.380 TL is arise from the deferred tax effect of the Property valuation adjustment of the Razi.

Information related to deferred tax transaction table:

	31 December 2016	31 December 2015
1 January	**12.660.170**	(14.760.747)
Impact of foreign currency translation of deferred tax of Razi	**3.527.224**	(3.328.176)
Sub Total	**16.187.394**	(18.088.923)
Deferred tax income /(expense)	**(29.418.026)**	36.554.900
Tax revenue recognized in other comprehensive income	**236.334**	(5.805.807)
31 December	**(12.994.298)**	12.660.170

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES) (Continued)

Tax provision agreement:

	1 January - 31 December 2016	1 January - 31 December 2015
Pre-tax profit/ (loss)	**3.900.675**	282.573.736
	20%	20%
Calculated tax	**(780.135)**	(56.514.747)
Impact of foreign subsidiaries subjected to different tax rates	**(3.568.446)**	(18.628.053)
Disalowable expenses	**(124.634.536)**	(134.481.381)
Tax effects of discount and exemptions	**132.521.008**	231.273.376
Tax effect of dividend elimination	**(69.037.136)**	(3.745.694)
Previous period tax expenditure of Razi	**(8.496.090)**	(52.011.415)
Total discounts of ınvestment incentives	**(25.925.919)**	12.788.214
Other differences	**(2.135.373)**	(1.971.004)
Tax base increases and penalties	**-**	(8.593.882)
Tax income/ expense	**(50.204.789)**	(31.884.586)

NOTE 29 - 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 December 2016 and 31 December 2015 are as follows.

	1 January- 31 December 2016	1 January- 31 December 2015
Net profit for the period	**(68.736.970)**	85.181.468
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) (*)	**(0,0021)**	0,0026

(*) 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.

At the Ordinary General Meeting on 13 April 2016 approved that date from 29 July 2016 to pay 33.400.000 TL (1 TL nominal value share: Gross 0,1000 TL, Net 0,0850 TL) cash from profit of 2015 year (2015: Gross 0,1500, Net 0,1275 TL).

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

NOTE 30 - RELATED PARTIES TRANSACTIONS

(i) Balances due from related parties

(a) Trade and other receivables

	31 December 2016	31 December 2015
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	**85.191.486**	125.807.493
Other related parties	**12.222.123**	10.148.124
Total	**97.413.609**	135.955.617
Affiliates and other related parties (short term)		
Etis Lojistik A.Ş.	**2.300.000**	-
Negmar Denizcilik A.Ş.	**346.024**	228.630
Tarnet A.Ş.	**88.902**	-
Other related parties	**21.477**	-
Total	**2.756.403**	228.630
Affiliates and other related parties (long term)		
Negmar Denizcilik A.Ş.	**85.252.157**	73.131.945
Other related parties	**9.314.906**	29.770.939
Total	**94.567.063**	102.902.884

(b) Trade payables:

	31 December 2016	31 December 2015
Affiliates and other related parties		
Negmar Denizcilik A.Ş.	**69.303**	-
Tarnet A.Ş.	**65.675**	206.386
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**739.929**	873.868
Other related parties	**4.349.554**	2.626.489
Total	**5.224.461**	3.706.743

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 December 2016	1 January- 31 December 2015
Main parent		
Türkiye Tarım Kredi Kooperatif Merkez Birliği	**1.255.822.937**	1.210.071.382
Affiliates		
Negmar Denizcilik A.Ş.	**138.902**	2.289.198
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**722.907**	152.486
Tarnet A.Ş.	**-**	2.547
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	**4.727.614**	-
Total	**1.261.412.360**	1.212.515.613

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

NOTE 30 - RELATED PARTIES TRANSACTIONS (Continued)

(ii) Transactions with related parties

Purchase of goods and services:

	1 January- 31 December 2016	1 January- 31 December 2015
Main parent		
Tarım Kredi Koop. Merkez Birliği	**6.189.663**	-
Affiliates		
Negmar Denizcilik A.Ş.	**7.685.527**	126.033.134
Tarkim Bitki Koruma San. ve Tic. A.Ş.	**38.346.131**	1.347.680
Tarnet A.Ş.	**1.311.679**	2.085.020
Raintrade Petrokimya ve Dış.Ticaret A.Ş.	**201.133.845**	-
Total	**254.666.845**	129.465.834

(*) Group gets service for logistics and handling from Negmar Denizcilik A.Ş. and its subsidiaries. Service's due payment is 15 days.

Remuneration of board of directors and executive management:

The total benefits the company has provided to its board of directors and executive management as of 31 December 2016 shown below table:

	31 December 2016		31 December 2015	
	Gübretaş	**Razi**	Gübretaş	Razi
Short-term employee benefits (*)	**1.871.994**	**3.204.184**	1.695.964	4.604.321
Total	**1.871.994**	**3.204.184**	1.695.964	4.604.321

(*) The amaount consists of attendence fee paid to Board of Directors.

NOTE 31 - FINANCIAL INSTRUMENTS

<u>**Financial investments**</u>

Short term financial investments:

As 31 December 2016 details of short term financial investments are as follows:

	Maturity	**Interest rate (%)**	**31 December 2016**
Government securities and treasury bonds	**August 2017**	**18**	**5.435.058**
Private sector debts and bonds	**May 2017**	**18**	**16.265.389**
Private sector debts and bonds	**August 2017**	**15**	**3.261.035**
Total			**24.961.482**

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

NOTE 31 - FINANCIAL INSTRUMENTS (Continued)

As 31 December 2015 details of short term financial investments are as follows:

	Maturity	Interest rate (%)	31 December 2015
Government securities and treasury bonds	August 2016	22	7.720.146
Total			7.720.146

Long term financial investments:

As 31 December 2016 details of long term financial investments are as follows:

	Maturity	**Interest rate (%)**	**31 December 2016**
Government securities and treasury bonds	**2020**	**24,5**	**41.415.141**
Total			**41.415.141**

	Maturity	Interest rate (%)	31 December 2015
Government securities and treasury bonds	2020	24,5	36.767.195
Total			36.767.195

		31 December 2016		31 December 2015	
Title	**Subject of activities**	**% Share**	**Amount of participant**	% Share	Amount of participant
İmece Prefabrik Yapı Tarım Makineleri Temizlik ve Güvenlik Hizmetleri San. A.Ş.	Steel, Container,Tower,Crane and Spare Part Manufacture	**-**	**-**	15,00	2.013.888
Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri A.Ş.	Internet Service Provider etc.	**15,78**	**2.537.515**	17,00	523.627
Tareksav	Agricultural Credit Cooperative Education Foundation		**200.000**		200.000
Total			**2.737.515**		2.737.515

Financial investments ready for sale are valued with cost since they do not have an active market. Group does not expect a value decrease in financial investments.

(*) On 5 October 2016, Imece Tahmil Temizlik ve Güvenlik Hizmetleri A.Ş. company has been transferred to Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri Sanayi ve Ticaret A.Ş. company without liquidation and universally and completely in the framework of provisions of Turkish Commercial Code and other related legislation regarding business combinations through taking its assets and liabilities as basis identically.

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group focus on the manage of the various financial risks which includes price, fx rates and interest rate changes on monatery and capital markets as a result of its own activity. Besides the Group aimed to decrease potential negative effects of market fluctuations with its risk management programme.

Capital management

In capital management, the Group tries to ensure the continuity of its activities, while it, on the other hand, aims at increasing its profit by using its payable and equity capital balance in the most effective way. The capital structure of the company is comprised of equity capital items such as payables, cash and cash equivalents and other equity capital items including issued capital, capital reserves and profit reserves, which are defined in footnote 19.

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Top management of the Group continuously evaluates the risks associated with each capital level together with capital cost and manages capital by trying to ensure the most appropriate payable/equity capital balance. Payables/equity capital ratio is calculated dividing net payables by total capital. Net payable is calculated by deducting cash and cash equivalent values from total payable amount.

Net payable/total capital ratio as of 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Total debt	**2.181.514.316**	2.021.932.282
Cash and cash equivalents (-)	**136.519.570**	364.409.394
Net debt	**2.044.994.746**	1.657.522.888
Total equity	**1.201.618.065**	1.605.624.220
Net debt / total equity	**170%**	102%

Hedging activities and derivative instruments

Liquidity risk

The management of the company has formed an appropriate liquidity risk management for the short-, mid- and long-term funding and liquidity requirements. The company manages the liquidity risk by providing the continuation of sufficient funds and borrowing reserves by regularly following up the estimated and actual cash flows and by matching the maturities of financial assets and liabilities.

The management of the medium-term and long-term liquidities are realize with sector dynamics, and cashflow cycle is also followed and tested according to various scenarios by Group.

31 December 2016	**Book value**	**Total of contractual cash outflows**	**Shorter than 3 months**	**Between 3-12 months**	**Longer than 5 years**
Non-derivative financial liablities					
Financial payables	**940.181.066**	**956.458.873**	**311.090.256**	**542.493.090**	**102.875.527**
Trade payables	**632.250.973**	**634.978.780**	**492.533.001**	**142.445.779**	**-**
Other payables	**153.941.939**	**155.188.853**	**155.188.853**	**-**	**-**
Total	**1.726.373.978**	**1.746.626.506**	**958.812.110**	**684.938.869**	**102.875.527**

31 December 2015	Book value	Total of contractual cash outflows	Shorter than 3 months	Between 3-12 months	Longer than 5 years
Non-derivatives financial liablities					
Financial payables	1.075.912.948	1.092.579.468	960.299.791	-	132.279.677
Trade payables	517.380.539	520.419.116	449.896.042	70.523.074	-
Other payables	45.040.111	46.605.710	46.605.710	-	-
Total	1.638.333.598	1.659.604.294	1.456.801.543	70.523.074	132.279.677

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Group because of its activities is being subjected to financial risks regarding the changes on exchange rate and interest rate. In order to control the risks associated with exchange rate and interest rate, company uses the financial instruments.

Besides sales prices are determined over TL, the sector is substantially dependent on import inputs; therefore, changes in exchange rates affect the product sale prices directly. The "fixed interest/variable interest" and "long-term/short-term" balances were monitored and interest changing period of financial debits and credits were harmonized for minising the effect of interest rate fluctuations.

	31 December 2016	31 December 2015
Fixed interest financial instruments		
Financial assets		
Time deposits	**66.525.726**	200.019.215
Financial investments	**66.376.623**	44.487.341
Financial liabilities	**940.181.066**	1.075.912.948
Floating rate financial instruments		
Time deposits	**490.568**	484.632

Funding risk

Risk of funding for existing and possible loan requirements in future is managed by perpetuated the access with adequate and high quality credit provider.

Credit risk

The Group is subject with credit risk as a result of trade receivables of Credit sales and bank deposits.

The Group aimed the highest possible guarantee for the management of collection risk of trade receivables.

In this context the methods are;

- Bank Guarantee (Guarantee Letter, Letters of Credit, etc.),
- Credit Insurance (Global Insurance Policy, Eximbank and Factoring Insurance, etc.),
- Mortgage,
- Cheque-bond.

The Group considers the rates are given by independent rating agencies for banks.

The same credit risk principles are used for the management of financial assests. The highest liquidity instruments are preferred for investments and agency's credit rating are considered.

Credit risk management

The Group is subjected to credit risk because of its trade receivables arising from the forward sales of the Group. Management decreases the credit risk to minimum level regarding its receivables by taking securities (such as bank letter of guarantee, mortgage, etc.) from customers (except for related parties). These credit risks are monitored continuously by the Group and evaluated by considering the quality of the trade receivables, past experiences and current economic condition and expressed in the balance sheet by its net amount after allowance for doubtful receivables is allocated for the receivables not to be collected. (Note: 7). Approximately 72% of Group sales are related to the main shareholder Turkish Agricultural Credit Cooperatives Central Union.

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management (Continued)

The credit risks being subjected by the financial instrument types as of 31 December 2016 and 31 December 2015 are as follows:

31 December 2016	Receivables						
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party	Deposit in bank	Derivative financial insturements	Financial investments
Minimum credit risk exposed as of reporting date (A+B+C+D)	97.413.609	306.355.586	97.323.466	190.842.177	136.519.570	16.743.178	69.114.138
-part of maximum risk secured by guarantee,etc.	-	179.440.240	-	-	-	-	-
A) Net book value of financial assets which are undue or not exposed to depredation	97.413.609	289.086.265	97.323.466	190.842.177	136.519.570	16.743.178	69.114.138
B) Net book value of assets which are overdue but not exposed to depredation	-	17.269.321	-	-	-	-	-
C) Net book value of assets which are exposed to depredation	-	-	-	-	-	-	-
-Overdue (gross book value)	-	4.365.809	-	-	-	-	-
- Value decrease (-)	-	(4.365.809)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net value secured by guarantee, etc	-	-	-	-	-	-	-
D) Off-balance sheet elements carring credit risk	-	-	-	-	-	-	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

31 December 2015	Receivables				Deposit in bank	Derivative financial insturements	Financial investments
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party			
Minimum credit risk exposed as of reporting date (A+B+C+D)	135.955.617	251.170.309	103.131.514	249.076.767	364.409.394	-	44.487.341
-part of maximum risk secured by guarantee,etc.	-	98.673.562	-	-	-	-	-
A) Net book value of financial assets which are undue or not exposed to depredation	135.955.617	223.289.019	103.131.514	249.076.767	364.409.394	-	44.487.341
B) Net book value of assets which are overdue but not exposed to depredation	-	27.881.290	-	-	-	-	-
C) Net book value of assets which are exposed to depredation	-	-	-	-	-	-	-
-Overdue (gross book value)	-	4.365.809	-	-	-	-	-
- Value decrease (-)	-	(4.365.809)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	-	-
- Value decrease (-)	-	-	-	-	-	-	-
- Part of net value secured by guarantee, etc	-	-	-	-	-	-	-
D) Off-balance sheet elements carring credit risk	-	-	-	-	-	-	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The details of overdue trade receivables are as follows:

31 December 2016	**Trade receivables**	**Total**
1-30 days overdue	**2.391.790**	**2.391.790**
1-3 months overdue	**4.535.075**	**4.535.075**
3-12 months overdue	**8.208.034**	**8.208.034**
1-5 years overdue	**2.134.422**	**2.134.422**
Total	**17.269.321**	**17.269.321**

31 December 2015	Trade receivables	Total
1-30 days overdue	6.608.107	6.608.107
1-3 months overdue	7.720.340	7.720.340
3-12 months overdue	9.396.622	9.396.622
1-5 years overdue	4.156.220	4.156.220
Total	27.881.289	27.881.289

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

NOTE 32- 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	61.894.207	11.547.014	5.730.061
2	Monetary financial assets (cash and bank accounts included)	29.160.486	7.464.521	779.359
3	Other current assets	36.405.091	9.062.024	1.216.749
4	Current assets (1+2+3)	127.459.784	28.073.559	7.726.169
5	Trade payables	266.491.383	74.031.530	1.606.411
6	Financial liabilities	521.795.818	60.659.750	83.107.907
7	Other short term liabilities, net	3.232.817	918.623	-
8	Short term liabilities (5+6+7)	791.520.018	135.609.903	84.714.318
9	Trade payables	-	-	-
10	Financial liabilities	99.492.773	-	26.818.182
11	Long term liabilities (9+10)	99.492.773	-	26.818.182
12	Total liabilities (8+11)	891.012.790	135.609.903	111.532.500
13	Net foreign exchange asset/ (liability) position (4-12)	(763.553.007)	(107.536.344)	(103.806.331)
14	Monatery items net foreign exchange asset/(liability) (4-12)	(763.553.007)	(107.536.344)	(103.806.331)
15	Fair value of derivative instruments calssified as risk protection	16.743.178	4.757.666	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

				31 December 2015
		TL (functional currency)	USD	EURO
1	Trade receivables	176.457.348	53.010.321	-
2	Monetary financial assets (cash and bank accounts included)	196.357.556	67.294.692	342.496
3	Other current assets	8.449.531	568.285	2.139.041
4	Current assets (1+2+3)	381.264.435	120.873.298	2.481.537
5	Trade payables	363.300.902	123.483.439	1.340.779
6	Financial liabilities	386.226.351	60.349.446	66.324.994
7	Other short term liabilities, net	210.756	72.479	-
8	Short term liabilities (5+6+7)	749.738.009	183.905.364	67.665.773
9	Trade payables	-	-	-
10	Financial liabilities	119.304.436	-	37.545.455
11	Long term liabilities (9+10)	119.304.436	-	37.545.455
12	Total liabilities (8+11)	869.042.445	183.905.364	105.211.228
13	Net foreign exchange asset/ (liability) position (4-12)	(487.778.010)	(63.032.066)	(102.729.691)
14	Monatery items net foreign exchange asset/(liability) (4-12)	(487.778.010)	(63.032.066)	(102.729.691)
15	Fair value of derivative instruments calssified as risk protection	-	-	-

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

NOTE 32- FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

In the years ending on 31 December 2016 and 31 December 2015, in case there is a (+) / (-) 10% change in foreign exchange rates when the other variables are kept fixed according to the net foreign exchange position on the balance sheet of the company, the change on the pre-tax profit is as follows:

		31 December 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	**(37.844.190)**	**37.844.190**
2- The part hedged for USD risk (-)	**-**	**-**
3- The impact of TL net profit for the period	**(37.844.190)**	**37.844.190**
The part hedged for risk	**(1.674.318)**	**1.674.318**
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	**(38.511.111)**	**38.511.111**
2- The part hedged for EUR risk (-)	**-**	**-**
3- The impact of TL net profit fort the period	**(38.511.111)**	**38.511.111**

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 2.091.981 TL and the foreign currency adjustments would decrease by 50 Million TL.

		31 December 2015
		Profit/(loss)
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by %10 against TL		
1- Assets/liability denominated in USD - net	(18.327.204)	18.327.204
2- The part hedged for USD risk (-)	-	-
3- The impact of TL net profit for the period	(18.327.204)	18.327.204
Change of EUR by %10 against TL		
1- Assets/liability denominated in EUR - net	(32.643.386)	32.643.386
2- The part hedged for EUR risk (-)	-	-
3- The impact of TL net profit fort the period	(32.643.386)	32.643.386

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE FRAME OF HEDGE ACCOUNTING)

Fair values of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

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

The fair value classification of financial assets measured at fair value as of 31 December 2016 and 31 December 2015 is as follows:

31 December 2016	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments	**-**	**16.743.178**	**-**

31 December 2015	Level 1	Level 2	Level 3
Derivative financial instruments	-	-	-

NOTE 34 - SUBSEQUENT EVENTS

It is decided at Board of Directors meeting of the Company, held on 12 January 2017, that the Company shall transferred to Raintrade Petrokimya ve Dış Ticaret A.Ş. for the purpose of selling of its shares owned at Negmar Denizcilik Yatırım A.Ş. at a ratio of 40% and receive tender, make preparations for sale amounting of 21.050.000 TL in order to decide reviewing them in Board of Directors meeting which will be authorized the Management for carrying out all related works and transactions in this scope.