Polisan HOLDİNG

Annual Report
2016

Operating Activities

Grows via New Partnerships and Business Lines

Polisan HOLDİNG

Paint

Polisan HOME COSMETICS

KANSAI PAINT

Foreign Partnership

Chemical Activities

Polisan KİMYA

Polisan YAPIKİM

ROHM AND HAAS

DOW

Foreign Partnership

Polisan HELLAS

Foreign Subsidiary

Port Operations

Poliport

Agriculture

Polisan TARIM

Real Estate

Polisan YAPI

Holding: All the services provided for Holding companies such as accounting, finance, budgeting, health, maintenance, investment, human resources.

Paint: Production and sales of paint and insulation systems, and sales of auxiliary products.

Chemical Activities: Production and sales of chemicals.

Port Operations: Bulk liquid storage, dry bulk and general cargo, and warehouse services.

Agriculture: Growth and sale of all types of plants and animals.

Real Estate: Constructing, buying, and selling real estates.

Shareholders Structure: Polisan Holding's shareholder structure is shown on the table

	Share Value (TRY)	Pay Oranı
Bitlis Family	328,429,075	88.76%
Other	10,507,500	2.84%
Float	31,063,425	8.40%
Total	370,000,000	100.00%

*Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. (Rohm and Haas) and Polisan Kansai Boya Sanayi ve Ticaret A.Ş. are joint-ventures, being managed jointly. Other holding companies are subsidiaries.

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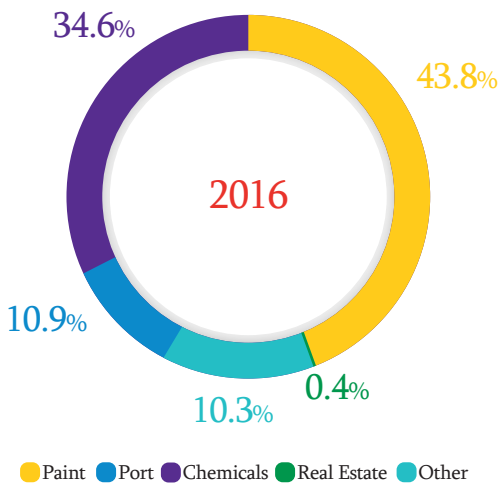
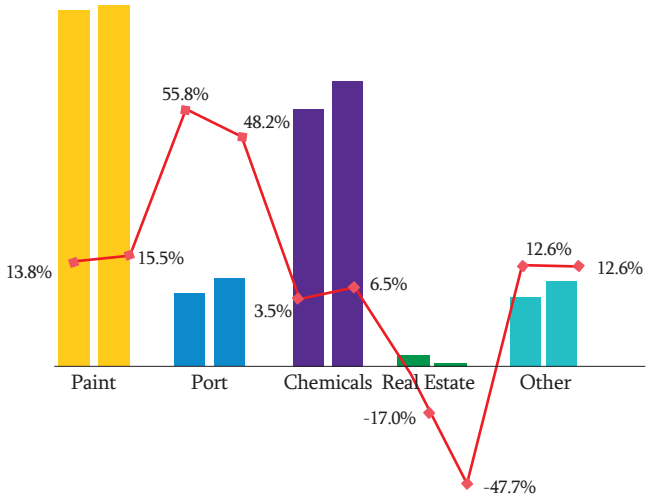
2016 Financial and Operational Outlook

Polisan Holding 2016 Combined Financial Results

Holding Revenue Breakdown* (TRY1,092 mln)



2015-2016 Combined Revenue and EBITDA Margin Evolution

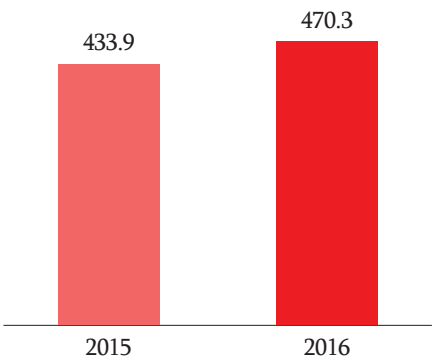


Segment Revenues	Paint	Port	Chemicals	Real Estate	Other
2015	472.5	97.6	343.2	16.2	92.4
2016	478.4	119.0	378.0	4.4	112.6

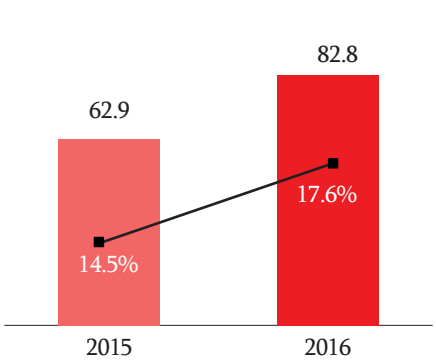
Segment Net Income	Paint	Port	Chemicals	Real Estate	Other
2015	12.5	34.8	-21.5	9.2	21.6
2016	11.0	28.1	-12.1	15.0	457.1

Polisan Holding 2016 Consolidated Financial Results

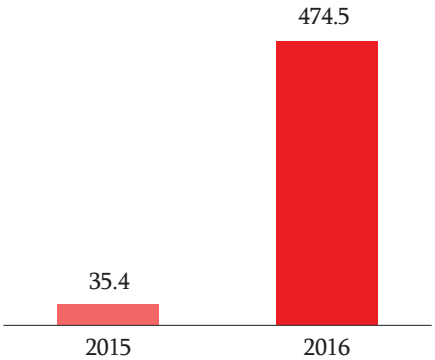
Revenue



EBITDA



Net Income



Summary Income Statement (TRY million)	2015	2016	% Change
Revenues	433.9	470.3	8.4%
Gross Profit	71.4	87.0	21.9%
Gross Profit Margin (%)	16.5%	18.5%	2.0 p.p.
Profit Before Interest and Tax (EBIT)	33.6	45.9	36.5%
EBIT Margin (%)	7.7%	9.8%	2.1 p.p.
Profit Before Interest, Tax and Depreciation (EBITDA)	62.9	82.8	31.7%
EBITDA Margin (%)	14.5%	17.6%	3.1 p.p.
Net Profit	35.4	474.5	n.m.
Net Profit Margin (%)	8.2%	100.9%	n.m.

Summary Balance Sheet (TRY million)	2015	2016
Cash and cash equivalents	103.2	91.2
Current Assets	626.6	363.6
Non-Current Assets	1,017.6	1,343.4
TOTAL ASSETS	1,644.2	1,707.0
Short Term Financial Liabilities	597.7	228.3
Long Term Financial Liabilities	214.7	166.0
Paid in Capital	370.0	370.0
Total Equity	831.8	1,312.7
TOTAL EQUITY AND LIABILITIES	1,644.2	1,707.0

Profitability Ratios	2015	2016
Current Ratio	1.048	1.593
Liquidity Ratio	0.865	1.307
Net Profit / Total Equity	0.04	0.36
NET PROFIT / TOTAL EQUITY AND LIABILITIES	0.02	0.28

Milestones

1956

Founded by Bitlis Family, Şark Mensucat's fabric dyeing and weaving integrated facilities started its operations in Zeytinburnu.

1961

Kağıthane Hosiery has been bought and operations continued there.

1964

First Step to 50 Years…
Polivinil Asetat Kimyevi Maddeler Sanayi A.Ş. was established and began production of emulsion resins for the first time in Turkey. In 1967, the Company name was changed to Polisan Kimya Sanayi A.Ş. (Chemical Company).

1968

The production of formaldehyde resin, used in ply board and formica started, also for the first time in Turkey in Kağıthane Facilities.

1971

Poliport (Port Operations) was established in Dilovası where Polisan Holding Facilities are located to offer Bulk Liquid Storage Services.

1977

100,000 ton capacity urea formaldehyde production facility, armed with the latest technology, was built in Gebze-Dilovası and the production unit in Kağıthane was relocated to Dilovası facilities.

1985

Polisan Boya Sanayi ve Ticaret A.Ş. (Paint Facility) was established and started paint production.

2000

The first water-based mix machine in the sector was developed, ensuring the factory quality and sales channel was positioned as the production center.
Polisan Holding A.Ş. (The Holding) was established.

2004

Polisan Holding A.Ş. formed a JV with Rohm and Haas, one of the largest emulsion resin producer renowned globally.

2006

Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. (Real Estate Company) was established.

2008

Polisan Boya has changed its brand name to "Polisan", and for the first time in Turkey and globally, Polisan has introduced a new approach, claiming that “we do not produce paint, but home cosmetics, instead”. After the registry of the new concept, Polisan products were offered to the consumers as "HOME COSMETICS".

2009

Polisan Yapı Kimyasalları A.Ş. (Construction Chemicals Company) was established and the sales of concrete additives started.
Having had the VDA license, Polisan Kimya started AUS32 production with the Adblue brand.

2011

The name of the Polikem Kimya San. ve Tic. A.Ş. has been changed to Polisan Tarımsal Üretim San. ve Tic. A.Ş. (Agriculture Company) and started seedling cultivation activities.
Polisan Boya started a loyalty program and collection practice, for the first time in the sector, using a single POS.

2012

Polisan Yapı Kimyasalları A.Ş. started the sales of cement chemicals.
Polisan Holding went public and its shares were started to be traded on Bourse İstanbul.

2013

The single Polyethylene Terephthalate (PET) granule & preform plant of Greece and Balkans, working as a continuous facility with full automation was purchased.
The new facility, which started its operations in Greece as Polisan Hellas, has a 75.000 m² land with 15.000 m² indoor area.

2014

On its 50. year, Polisan Holding’s the first international subsidiary, Polisan Hellas in Greece started to generate revenues.
Polisan Yapı’s Z Office Project in Kağıthane has been completed.
Polisan Holding companies have been included in the TURQUALITY® Support Program under the ‘POLİSAN‘ brand name.

2015

Polisan Boya has been the 1. Paint Manufacturer in Turkey and the 3. in Europe that received Environmental Product Declaration Certificate.
Polisan Kimya renewed its Formaldehyde Facilities and enhanced Smart Solution product portfolio.
Polisan Yapı signed an agreement with DAP-DOP Yapı JV for a project to be built on the 180,000 square meter land in Pendik.

2016

Kansai Paint, one of the world's top 10 and Japan's leading paint producers, acquired 50% of Polisan Boya shares and the investment of the new paint production and storage facility started.
Poliport, has been awarded as “the Best Storage Service Provider in 2015-2016" in Europe by Shell Chemicals Europe B.V.
Having its 2014-2015 Sustainability Report approved by the Global Reporting Initiative (GRI), Polisan Holding became the 65th company that published the "GRI Version 4" compliant Sustainability Report in Turkey.

Our Mission

To have a share in the development of the Turkish society, and the economy with our superior services and products, and create high value to the environment and the sectors, in which we operate.

Our Strategic Priorities

To maximize shareholder value through:

- Sustaining profitable growth of existing businesses
- Maximizing intra-group synergies
- Forming strategic alliances to expand in high margin, new business lines
- Utilizing Holding's other assets in its portfolio
- Exploring new markets and becoming a global brand with Polisan's innovative products, services, and practices
- Professional management dedicated to have a high level of Corporate Governance

Our Vision

To be one of the most respected group companies in Turkey

To be the group of companies, which are most desired to work for by people

To lead the sectors we compete in and be recognized as the leader

As a result, ensuring sustainable growth and high return to our customers, employees, and shareholders.

Chairman Letter

> “We are pleased to be able to contribute to the foreign capital inflow to our country, while taking a major step toward becoming a global brand in 2016.”

Necmettin Bitlis
Polisan Holding Chairman

Dear Shareholders, Customers, Business Partners and Employees;

2016 was a very intense year in terms of agenda, the effects of which we will be continuing to feel also in 2017. The deceleration in the global economy has continued, mainly due to the slow down in the acceleration of the growth rates of emerging economies, particularly China. The US presidential elections and the "Brexit" referendum in the UK were the developments that marked the year, while the central banks of developed countries gave signals of recovery through expansionary monetary policies. The Federal Reserve's decision to increase interest rate by 25 basis points at the end of the year, policies of the new administration in the US and Brexit's effects will remain to be the uncertainty factors in 2017 for global markets.

2016 was a painful and unfortunate year for our country.

2015 has been a challenging year for our country; however 2016 was a painful and unfortunate year. The treacherous terrorist attacks, which echoed also in global markets, against our country throughout the year, as well as the failed coup attempt in July, caused consumer sentiment to deteriorate in the domestic market, stagnation in tourism, contraction in the foreign capital flow into country, leading to a slowdown in the economic activity.

In such an environment, we joined forces by transferring 50% of Polisan Boya shares to the world giant Kansai Paint.

In 2016, we joined forces by transferring 50% of our subsidiary Polisan Boya shares to Kansai Paint, one of the world's top 10 and Japan's leading paint manufacturer. Kansai Paint paid a transfer amount of $113.5 million for Polisan Boya's 50% shares, together with the subsequent capital increase. We are pleased to be able to contribute to the foreign capital inflow to our country, while we will have a stronger balance sheet structure in our paint operation, which will operate as Polisan Kansai Paint from now on. This is the second partnership, bringing us, as Polisan Holding, together with a world giant. We realized the first one with Rohm and Haas, one of the leading chemical companies in the world in 2004, which we later carried out with DOW Chemical, after DOW acquired Rohm and Haas.

While we launch pioneer products for our sector through the synergies we created together with DOW, we strongly believe that we will undersign works, creating strong synergies also with Kansai Paint in the new paint facility that we started to invest in 2016. We think Kansai Paint is familiar to us in terms of culture and innovation with their health-focused products. Through this partnership Kansai Paint will expand in the Eastern European market as part of its long-term strategy, while as Polisan Kansai Boya, we will initially focus on exports and then, continue to take firm steps towards becoming a global brand through our studies and certifications in innovation and sustainability.

Poliport, which has been awarded by Shell Chemicals Europe B.V., leaving behind its peers in Europe with its service quality, is also on the foreigners radar screen.

Positioned itself among the global leaders of seaborne trade with its EBITDA per cubic meter profitability, our port facility Poliport, which left behind its peers in the UK, France, Belgium, the Netherlands, and Italy in service quality, is on the radar of foreigners. Including our investment in 2016, we have invested around $250 million to date. We are the only terminal, which has the capability of further increasing its capacity in the Kocaeli Port, with the 135,000 square meter area belonging to our Holding behind the land we have rented from Milli Emlak (General Directorate of National Property). Serving as the leading, independent chemical storage terminal of Kocaeli Port, we continue our actions to increase both our revenues and profitability, and we attain the loyalty and satisfaction of our

customers, consisting of the leading companies of the world, at the maximum.

Our profit-oriented maneuvers continue in our chemical activities.

We started to take fruit of our actions going on since last year to increase our operational profitability in our chemical activities both through the restructuring in our sales channels, and our focus on efficiency. This year, the stagnation in the construction sector affected the revenues of construction chemicals, which is used in ready mixed concrete; ongoing renovation work and conjunctural factors had an impact on our Formaldehyde and Resins revenues, and structuring processes in the sales channel affected our smart solution product revenues. However, despite the operating environment, the operational profitability we recorded from our chemical activities, which is above the rational profitability levels recorded in our industry, is quite encouraging. Additionally, our first foreign subsidiary, the only PET producer in the Balkans, Polisan Hellas, which we started to record revenues as of 2014, also reached break-even in operational profitability this year despite the challenging economic conditions in Greece. While we continue to record profitable revenue growth in our operations in Turkey, our measures and actions will continue so as to achieve net income break-even at Polisan Hellas.

Istanbul still continues to be an attraction center, although the real estate sector was adversely affected by the conjuncture in our country.

With a 14.8 million population growing at a higher pace than that of Turkey's average, hosting head offices of multinational companies addressing the Middle East, North Africa (MENA) and Commonwealth of Independent States (CIS), and becoming more attractive for investment day by day with the ongoing Urban Transformation and Finance Center Projects, Istanbul real estate market had a stagnant year in 2016 due to economic uncertainties. We have two ongoing projects in areas open to development in Istanbul in terms of urbanization and logistics. The real estate sales and rental activities in the Z Office in Kağıthane, continue, albeit slowly. Development studies for the project that we agreed for our land in Pendik, is ongoing. In the coming period, we expect to have meaningful cash inflows from the real estates on our portfolio as Istanbul is a city attracted by not only institutional investors but also individual investors.

Our studies on the agricultural front carry on.

Polisan Tarım continues its activities for the production of walnuts, in which we are a net importer in foreign trade and for the production of olive, in which Turkey is among the leading producers of the world and which was included within the scope of incentivization with a regulation passed on January. We aim to contribute to the Turkish economy while developing a profitable, new business line on the land we purchase.

We attach great importance to our social responsibility and sponsorship projects with a focus on our society and environment.

In 2016, we continued to contribute to increasing the quality of life in our country with our projects aimed at improving education, culture, art and living spaces. Our "Every Voice One Breath" project, raising social awareness on violence against women, which is one of the most important problems of our country, has been awarded both in Turkey and abroad. In 2016, we received the approval of the Global Reporting Initiative (GRI) for the Sustainability Report prepared for the sustainable performance of Polisan Kansai Boya, Polisan Kimya and Poliport on the economic, social and environmental issues regarding 2014-2015 and we became the 65th company that published "GRI Version 4" compatible Sustainability Report in Turkey.

Our achievements are not coincidental...

Our achievements in 2016 are not coincidental. We have a strong management team, able to maneuver quickly, and an agile human resource passionate to realize the decisions taken. As Board of Directors, we give them endless support. Thanks to our capabilities, as always, we continue our investments despite challenging conditions, and ensure the loyalty of our suppliers and our customers. While uncertainty in money markets and on geopolitical issues prevails in 2017 both globally and in our country, we will benefit our country's economy and our people by evaluating new business opportunities both in and outside our country in order to grow our businesses with a focus on profitability.

On behalf of the Holding Board of Directors, I would like to thank our employees, our loyal customers, our shareholders, our dealers and suppliers.

Necmettin BİTLİS

Polisan Holding Board of Directors

Necmettin Bitlis

Board Chairman

He was born on December 1, 1928 in Malatya. After having graduated from Commercial High School, he started working in 1955. Necmettin Bitlis, currently serving as the Chairman of Polisan Holding BoD, is also the Board Chairman of Polisan Kimya, Poliport, Polisan Tarım, Polisan Yapı, Şark Mensucat, and the Board member of Polisan Yapı Kimyasalları. Additionally, Mr. Bitlis is the founding member of Malatya Education Fund, President of Dilovası Industrial Zone Entrepreneurs' Board and the member of Turkish Industry and Business Association.

Mehmet Emin Bitlis

Vice Chairman

He was born on August 22, 1958. Between 1972 and 1984, he attended high school and completed undergraduate degree in Austria. He speaks English and German. Having started his professional career in 1985, Mehmet Emin Bitlis is currently the Vice Chairman of the Board of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, and Polisan Yapı Kimyasalları. He is the Board member of Poliport, Şark Mensucat, and Rohm and Haas. Additionally, Mr. Bitlis is also the Chairman of Polisan Hellas BoD.

Ahmet Ertuğrul Bitlis

Board Member

He was born on May 31, 1961 in İstanbul. He was graduated from Boston University, Production Engineering (BSc) in 1983 and he had a master's degree from the same university in 1984 on Mechanical Engineering. He started his professional career in 1986. Ahmet Ertuğrul Bitlis is currently the Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Polisan Yapı Kimyasalları, and Şark Mensucat. He is also the Vice Chairman of Poliport BoD.

Ahmet Faik Bitlis

Board Member

He was born on August 29, 1962 in İstanbul. He was graduated from Deutsche High School in İstanbul in 1981 and Boğaziçi University, Industrial Engineering (BSc) in 1986. He had a master's degree from İstanbul University International Management Program in 1990 and completed Harvard Business School Owners and Presidents Certificate Program in 2004. He started his professional career in 1987. Ahmet Faik Bitlis is currently the Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, Poliport, and Rohm and Haas. He is the Chairman of Polisan Yapı Kimyasalları BoD. Additionally, Mr. Bitlis is the member of Association of Paint Industry (BOSAD), Vice Chairman of İstanbul Minerals and Metals Exporters' Association (IKMIB), Member of Malatya Education Fund's Board of Trustees, and Member of Board of Directors at Deutsche High School Culture and Education Fund.

Fatma Nilgün Kasrat

Board Member

She was born on April 1, 1964 in İstanbul. She was graduated from Notre Dame de Sion French Girls High School in 1983 and İstanbul Technical University (ITU), Chemical Engineering (BSc) in 1987. She started her professional career in 1987. Fatma Nilgün Kasrat is currently the Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, and Poliport.

Polisan Holding Board of Directors

Erol Mizrahi

Board Member

He was born on September 2, 1954 in Edirne. He was graduated from University of İstanbul, Faculty of Law in 1977. Having carried out several responsibilities since 1976 within Polisan Holding, he was assigned as the General Coordinator of the Holding and the General Manager of Polisan Kansai Boya at the second half of 1998. He has been serving as Polisan Holding's CEO since 2005. Erol Mizrahi is currently the Executive Committee member of Polisan Holding, Chairman of Polisan Kansai Boya BoD, and the Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Polisan Yapı Kimyasalları, Şark Mensucat, Poliport, Rohm and Haas, and Polisan Hellas. Additionally, he is the Board member of Association of Paint Industry (BOSAD).

Ali Fırat Yemeniciler

Board Member

He was born in 1956 in İstanbul. He was graduated from Saint Joseph High School in 1975. After having graduated from University of İstanbul, Chemical Engineering (BSc) in 1981, he had a master's degree at University of Brussels on Petrochemicals (MSc). Between 1985 and 1995, Mr. Yemeniciler worked at Societe General de Surveillance as Petrochemicals Unit Manager and at Union Carbide as Turkey General Manager. He joined Polisan Holding in 1995. Ali Fırat Yemeniciler is currently the General Manager of Poliport, the Executive Committee Member of Polisan Holding and the Board member of Polisan Holding, Polisan Kansai Boya, Polisan Hellas, and Poliport. Additionally, he is the Council Member at Chamber of Shipping and Vice President of Port Operations Committee.

Yahya Mehmet İzzet Özberki

Independent Board Member

He was graduated from Galatasaray High School and University of Ankara; Political Sciences (BSc), Faculty of Economics, and had a masters degree on Economics, from Middle East Technical University (METU). He has been a Research Fellow at Gazi University for 5 years. Mr. Özberki, who has a work experience of 28 years, owns a Corporate Financier (CF) degree from the Institute of Chartered Accountants of England and Wales.

Ahmet Temizyürek

Independent Board Member

He was graduated from the University of Ankara; Political Sciences (BSc) in 1995. At the same year, he started to work as an Associate Account Expert at the Account Expert Board. Having succeeded at Proficiency Exam, he was assigned as the Account Expert in 1999. He became the Chief Account Expert in 2006. He completed his master's degree in the US on the Financial Economy and E-Trade, Systems and Technologies (MSc) between 2006 and 2008. He resigned his duty as an Account Expert in 2010. He is currently the Sworn Financial Advisor.

CEO Letter

> “Despite all of its challenges, for us, 2016 was a milestone, in which we realized our second foreign partnership, again with a global giant, and achieved profitable growth.”

Erol Mizrahi
Polisan Holding CEO

Dear Shareholders, Customers, Business Partners and Employees;

In 2016, Turkey witnessed dismal terrorist incidents starting from January.

In particular, the bombing attack in Atatürk Airport on June 30 and the impact of the following July 15 coup attempt felt on the global scale, negatively reflected our country's economy. In the second half of 2016, while the sectors in our operating areas were adversely affected, as Polisan Holding, we revised our targets for 2016 and immediately took necessary measures to protect our profitability. While, after the transfer of 50% shares of our paint operations to Japanese Kansai Paint in the last quarter of the year, we no longer consolidate Polisan Kansai Boya into our Holding’s financials, we reached our targets in general. In a challenging year like 2016, our Holding revenues increased by 8.4% compared to 2015, and realized at TRY470.3 million, thanks to the contribution of our port facilities and our chemical activities in Greece and Turkey. In terms of operational efficiency, our subsidiary Polisan Hellas, engaging in PET business in Greece, reached EBITDA break-even and the productivity increased in our chemical facilities in Turkey, resulting in a 3.1 p.p. increase in EBITDA margin to 17.6%. Our net profit was realized as TRY474.5 million in 2016, due to increased operational profitability compared to the previous year, as well as TRY457.9 million “Income from Investment Activities” recorded in the last quarter of the year subsequent to the sale of Polisan Boya shares.

2016 was a year of great achievements in terms of our operations.

In our paint operation, we continued our investment for the new facility, which we aim to finish by the end of 2017 with a total investment of €35 million while the ongoing negotiations for the transfer of 50% of Polisan Boya shares to Kansai Paint Co., one of the world's top 10 and Japan’s leading paint manufacturer, were concluded in December. The share transfer pointed to a value of $113.5 million while Polisan Kansai Boya had a stronger balance sheet structure due to increasing capital and reduced financial liabilities. Thanks to our innovative products and services, we are proud to have undersigned this alliance, creating added value for our country even at such a difficult time, and we think that synergies to be created with Kansai Paint will be a touchstone that culminates the steps we take to become a global brand.

Particularly in the second half of the year, we continued our studies in regards to this partnership and we focused on our strategy of ensuring sustainable profitability in the long run by bearing some costs in the short term during this crisis period, which was challenging for our market. We anticipated the concerns in the markets to create a collection problem in the Paint Sector in the upcoming periods and within this context, we accelerated the structuring of logistics center, mix and distribution systems, which we have been carrying out since last year with a focus on operational efficiency. Accordingly, instead of placing new products to the market, and taking the risk of a potential cost for holding inventory, and a bad debt problem in the future; we prioritized the consumption of the inventory on the field by heavily using logistic centers. In this way, we took the risk of short-term revenue loss without having to compromise from profitability. We aimed to ensure healthy revenue growth for the upcoming year, first by reducing the cost of holding inventory and then placing new products to the market after the clean up of the piled inventory. As a natural consequence of depleting the stocks, the new product that we placed in the market declined, in terms of tons, compared to the previous year, yet our revenues increased by 1.2% to TRY478.4 million and our EBITDA margin was realized at 15.5% as a result of the actions we took.

Our investments to increase capacity in our port operations continued.

In Poliport, both due to the increase in cargo handled and the exchange rates, our revenues increased 22.0% compared to the last year and amounted TRY119.0 million. Despite the decline in EBITDA margin on the back of one-time payment made for a zoning plan and the customs (TRY2.7 million in total, excluding taxes) and our fixed costs, our EBITDA margin was realized at a rather high level of 48.2%. In 2016, our investments to enhance capacity continued and we increased the bulk liquid storage capacity from 200,000 cubic meters to 237,000 cubic meters and the warehouse area from 29,000 square meters to 44,500 square meters. The service quality of Poliport, which we carry out our port activities, was registered as it was awarded "The Best Storage Service Provider of the Year 2015-2016 in Europe" by Shell Chemicals Europe B.V. The strong contribution of Poliport to our Holding's financials increasingly continues.

We are working on growing revenue and profitability in our chemical activities.

At Polisan Kimya, while the structuring in the smart solution product sales channel positively contributed to our efforts to compensate for the challenges in the Formaldehyde and Resins and Construction Chemicals markets, our focus on maintaining operational efficiency continued. Polisan Kimya increased its revenues by 4.7%, above our expectations for the year, and EBITDA by 38.2%, resulting in a quite high EBITDA margin of 13.3%. We are setting up a separate R&D Center for Polisan Kimya with the aim of diversifying the product groups of Polisan Kimya and generating profitable revenue growth in the coming years. Additionally, we take steps to increase revenues and reduce costs by taking into consideration the potential uses of the Ready-Mixed Concrete and its production processes and we continue our growth-oriented feasibility studies both in and outside Turkey. At Polisan Hellas, by diverting our marketing strategy to exports since last year, we successfully balanced the pressure on sales stemming from the economic environment in Greece and the protection on PET resin in the Turkish market, which makes it impossible to sell the product in the domestic market. We increased our revenues by 21.2% to TRY186.9 million. We are pleased to have achieved break-even in operational profitability while the share of exports declined from 50% level to 30% level along with increasing domestic demand in the Greek market. We are working to expand the client portfolio of Polisan Hellas, which is located in the world-leading European region in terms of bottled water consumption. Our aim is to reach break-even in net income at the soonest possible.

We expect significant contributions from real estate projects with the recovery in the economy.

In the real estate area, as Polisan Yapı, of the 126 offices and 28 shops we own at Z Office Project, so far we sold 52 shops and offices, and leased 11 shops. However, the uncertainty in the economy led to stagnation in sales and rental activities in 2016. The DAP Yapı-DOP Yapı Joint Venture, which we agreed for our 180,000 m² land in Kurtköy quite close to the shore, Sabiha Gökçen Airport and Ankara-İstanbul high speed train line, is continuing to work on the details of the project. Since Istanbul is an important financial and commercial center, we are fully convinced that these assets, which are in our property, will find their new owners at the right time and with the fair value. As the tender and construction works for the 3. airport progress, our project, which will be built in this area, also appreciates.

As Polisan Tarım, after walnuts and almonds, we decided carry out trials for olive production.

As Polisan Tarım, we are continuing our efforts to establish a plantation on a total of 10,000 acre land in Balıkesir. Our plantation studies are running on about 4.3 million square meters of agricultural land that we so far purchased in Balıkesir. In 2016, we started preparations to carry out olive production on our 2.4 million square meter land in Karacasu.

In 2017, revenue growth supported by profitability is to continue.

According to our targets we revized in the third quarter of the year, we targeted a 5% to 8% increase in our consolidated revenues in 2016 with port, paint operations as well as Polisan Hellas posting higher levels, and Polisan Kimya recording similar levels in revenues. As for EBITDA margin; we targeted a few points increase, with Poliport recording lower levels compared to last year, Polisan Hellas achieving break-even, and Polisan Kansai Boya and Polisan Kimya higher levels in margins. Additionally, we foresaw €15 million investment for the Polisan Kansai Boya's ongoing facility construction, ~$12 million for Poliport's capacity increase and $5 million for the regular replacement and maintenance in other operations. We achieved our targets in 2016 in general. Depending on the market conditions, in 2017, we plan to increase our consolidated revenues by approximately 25% compared to the last year, and maintain our EBITDA margin at similar levels, through higher revenues and profitability in our port operations, and higher revenues and similar profitability in our chemical operations.

Our sensitivity on sustainability and our social responsibility projects that will improve the life quality of our people will continue.

While we focused on our operational goals in 2016, on the social responsibility front, we continued our activities aimed at increasing the life quality of our people through contributing to the development of our children, ending the violence against women, a wound that bleeds in our society, and redesigning of our living habitats. The viral film of our "Every Voice One Breath" project was deemed worthy of the awards recognized both in Turkey and internationally. In 2016, we published the "GRI Version 4" compliant Sustainability Report for 2014 - 2015, approved by the Global Reporting Initiative (GRI).

While we look forward to 2017 with hope, we would like to thank our shareholders, employees, business partners and customers for their continued support enabling us to turn 2016 into a successful year despite all of its adversities.

Erol MİZRAHİ

Polisan Holding Executive Committee

Erol Mizrahi

Polisan Holding CEO

He was born on September 2, 1954 in Edirne. He was graduated from University of İstanbul, Faculty of Law in 1977. Having carried out several responsibilities since 1976 within Polisan Holding, he was assigned as the General Coordinator of the Holding and the General Manager of Polisan Kansai Boya at the second half of 1998. He has been serving as Polisan Holding's CEO since 2005. Erol Mizrahi is currently the Executive Committee member of Polisan Holding, Chairman of Polisan Kansai Boya BoD, and the Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Polisan Yapı Kimyasalları, Şark Mensucat, Poliport, Rohm and Haas, and Polisan Hellas. Additionally, he is the Board member of Association of Paint Industry (BOSAD).

Ali Fırat Yemeniciler

General Manager of Poliport

He was born in 1956 in İstanbul. He was graduated from Saint Joseph High School in 1975. After having graduated from University of İstanbul, Chemical Engineering (BSc) in 1981, he had a master's degree at University of Brussels on Petrochemicals (MSc). Between 1985 and 1995, Mr. Yemeniciler worked at Societe General de Surveillance as Petrochemicals Unit Manager and at Union Carbide as Turkey General Manager. He joined Polisan Holding in 1995. Ali Fırat Yemeniciler is currently the General Manager of Poliport, the Executive Committee Member of Polisan Holding and the Board member of Polisan Holding, Polisan Kansai Boya, Polisan Hellas, and Poliport. Additionally, he is the Council Member at Chamber of Shipping and Vice President of Port Operations Committee.

Ahmet Türkselçi

HR and Administrative Affairs Director

He was born in 1960 in Trabzon. He was graduated from Hacettepe University; Faculty of Economics & Administrative Sciences, Department of Economics in 1984. Then, he held various managerial positions in Banking and Manufacturing sectors for 30 years. Mr. Türkselçi is Human Resources and Administrative Affairs Director at Polisan Holding since July 2012. He is also a member of Peryön.

Necati Bülent Hakoğlu

General Manager of Polisan Kimya

He was born in 1952 in Adana. After having graduated from Istanbul Technical University, Chemical Engineering in 1974, he had a master degree (MBA) from University of Istanbul, Faculty of Economics. Necati Hakoğlu had a total work experience of 30 years at Henkel, and after its spin-off, at Cognis. In 2007, Mr. Hakoğlu joined Polisan Holding where he worked as the General Manager of Şark Mensucat. Mr. Hakoğlu has been assigned as the General Manager of Polisan Kimya A.Ş. and Polisan Hellas as of January 1, 2016. He is also a member of the Polisan Holding's Executive Committee and Polisan Kansai Boya BoD. Additionally, Mr. Hakoğlu is the Board Member of Kocaeli Chamber of Industry and the Turkish Chemical Manufacturers Association as well as Vice Chairman of KALDER.

The total amount of salaries and side benefits paid to the Senior Management is TRY2,965,792 as of December 31, 2016. Of this, TRY2,410,336 is salary and TRY555,456 is bonus (December 31, 2015: TRY2,670,470). Holding defines Board Members, General Managers and Deputy General Managers as Senior Management.

2016 Evaluation and 2017 Targets

Polisan Holding Achieved Both Revenue and Profitability Growth in a Challenging Year Like 2016.

Polisan Holding Consolidated Financial Results

TRY (mln)	2015	2016	2015-2016 (%)
Revenue	433.9	470.3	8.4%
EBITDA	62.9	82.8	31.7%
EBITDA margin	14.5%	17.6%	3.1 p.p.
Net Income	35.4	474.5	n.m.

Polisan Holding Combinet Financial Results

TRY (mln)	2015	2016	2015-2016 (%)
Revenue	1021.9	1092.3	6.9%
EBITDA	140.9	167.8	19.1%
EBITDA margin	13.8%	15.4%	1.6 p.p.
Net Income	56.4	498.5	n.m.

Consolidated Results

Despite the fact that 2016 has been a challenging year with terrorist attacks witnessed throughout the year, and the coup attempt in July, Polisan Holding's revenues increased by 8.4% compared to 2015, and reached TRY470.3 million with the contribution of its port facility, as well as chemical operations in Greece, and Turkey. In terms of operational efficiency, Polisan Holding increased its EBITDA margin stemming from its chemical operations through Polisan Hellas, which achieved EBITDA break-even in Greece, and increasing productivity in its facilities in Turkey. Despite the decrease in EBITDA margin of port operations compared to last year, due to one-off payments made to the Ministry and the Customs, as well as the slowdown in the cargo handled in the second half of the year, Polisan Holding's EBITDA margin increased by 3.1 p.p., and was realized at 17.6%. Net profit stood at TRY474.5 million in 2016, due to increased operational profitability compared to the previous year, as well as TRY457.9 million "Income from Investment Activities" recorded in the last quarter of the year subsequent to the sale of Polisan Boya shares.

Actual Results and Forward Looking Expectations

The terrorist attacks and coup attempt witnessed in 2016 had negative effects in the second half of 2016 on the sectors, which Polisan Holding is operating. Polisan Holding immediately took necessary measures to protect its profitability and revised its forecasts for 2016. While the Holding no longer consolidates Polisan Kansai Boya into its financials after the transfer of 50% shares of its paint operations to Japanese Kansai Paint, Polisan Holding reached its targets in general. According to the revised targets, Polisan Holding aimed for a 5% to 8% increase in its consolidated revenues, with port and paint operations as well as Polisan Hellas posting higher levels, and Polisan Kimya similar levels in revenues. As for EBITDA margin; the Holding targeted a few points increase, with Poliport recording lower levels, Polisan Hellas achieving break-even, and Polisan Boya and Polisan Kimya higher levels in margins. Additionally, in line with its needs, Polisan Holding's investments were realized somewhat above its targets with Polisan Kansai Boya's €8 million investment for the ongoing facility construction, ~$19 million for Poliport's capacity increase and $11 million for the regular replacement and maintenance in other operations. Depending on the market conditions, in 2017, Polisan Holding plans to increase its consolidated revenues by approximately 25% compared to the previous year, and maintain its EBITDA margin at similar levels, through higher revenues and profitability in its port operations, and higher revenues and similar profitability in its chemical operations.

Our Values

Honesty

Innovativeness

Reliability

Modestness Transparency Fidelity

Environmental Consciousness

Sensitivity to Loyalty

Human Health

Polisan HOLDİNG

Paint Industry

Polisan Boya stepped into the global markets, partnering with Kansai Paint.

Paint Industry in Turkey

Turkish Paint Industry is a ~$2.2 Billion Market, Ranking the 5. in Europe

Based on Paint Industry Association's ("BOSAD") data; global paint industry is approximately a $130 billion and 51 million ton market. Decorative paints capture 55% share in terms of volume produced and 43% by value in the world market. Turkey is the fifth largest paint producer in Europe following Germany, UK, France, and Italy.

Being a sub-product segment of chemicals industry, Paint Industry has two main production lines; namely, decorative paints and industrial paints. Decorative paints capture the largest share by 60% in the Turkish Paint Industry. Decorative paint is followed by wood paint (11%), printing ink (7%), automotive paint (6%), powder paint (5%), and general industrial paint (4%). Others (coil paints, maintenance paints, marine paints, and packaging paints) capture a ~7% in the market.

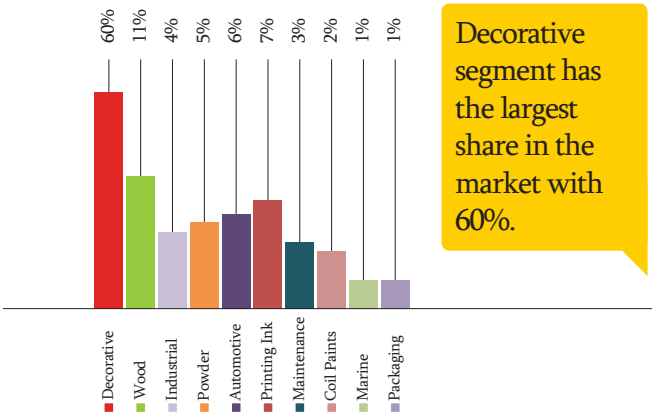
In 2015, total paint produced in Turkey was 915,000 tons while decorative paint production increased by ~4% compared to a year ago and was realized at 550,000 tons. The total value attained was $715 million.

Based on BOSAD's September 2016 data, with 357 million tons, the decorative paint market grew 2.6% compared to last year.

Demand in Turkish decorative paint segment continuously grows:

Approximately 85-90% of demand for decorative paint, which captures ~60% share from the paint industry, stems from the renovation related requirements. Thus; demand for decorative paint may still continue even in years when the construction sector contracts. The factors ensuring continuous growth of the Turkish Paint Industry are:

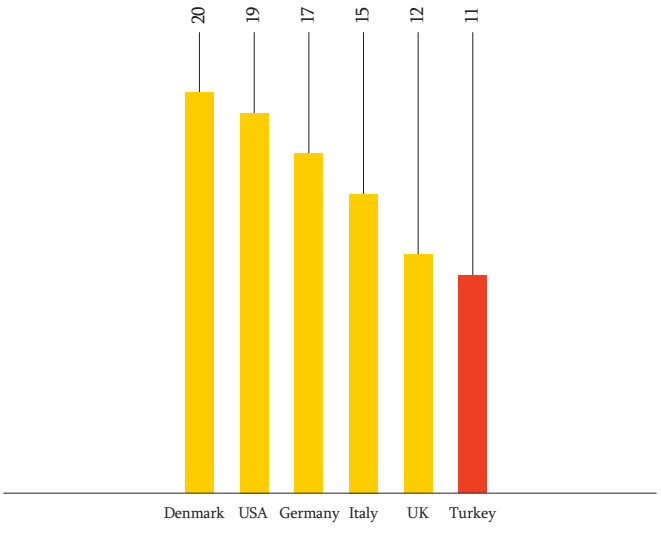
- Turkey's young and increasing population
- Decreasing population per household
- Increasing income level of the household
- Urban Transformation Project
- 18 million households available for renovation
- Strong demand for buildings, particularly for households, in the regions affected by the earthquake
- 100,000 new building permissions received annually
- Obligation for exterior insulation
- The increasing awareness of the consumer regarding paint



Decorative segment has the largest share in the market with 60%.

Source: *BOSAD, 2015 volume breakdown*

Per capita paint consumption is quite low in Turkey.



Source: *BOSAD, 2013 per capita consumption*

Turkish market is also going through consolidation like the global market: It is forecast that approximately 80% of the global paint production is carried out by 20 companies and 40% of the market is dominated by the 3 large companies. Based on BOSAD forecasts, in Turkey where there are 600 producers of differing scales from large to small, only 20 of the manufacturers have mid to large scale production capacity and technology. The market, 70% captured by the 4 largest producers, is going through a consolidation along with increased competition. So that, the share of black market/off-standard production, which was at 40% levels five years ago, has decreased to 25% levels.

Turkey targets to be the Europe's third largest paint producer along with support of exports: According to the analysis of ICIS and Strategic Consultancy Company Roland Berger; the economic and commercial value of the global paint market is expected to increase by 3.5% per annum between 2010 and 2030; and reach $200 billion. Asia, Europe, North America and Latin America are estimated to capture 54%, 16%, 12%, and 8%, respectively from the global market by 2030. In Turkey, paint exports account for approximately 8-10% of total production, and the leading export markets are Azerbaijan, Iran, Saudi Arabia, Israel, Turkmenistan, Algeria and Uzbekistan. In 2015, exports of paint, raw materials and auxiliary materials amounted to ~$700 million.

Construction Chemicals gain importance in the Turkish Paint Industry: In addition to the decorative paint, particularly construction chemicals, their raw material and semi-finished products have gained importance in Turkey's paint and raw material exports in recent years. The preparations, the essence of which is pigment and other alkyd resin and acrylic polymers are among the raw material exports. As per paint exports, varnishes, road marking paints, exterior paints, other synthetic paints, filling and other materials used in painting, glues and adhesives, cement and concrete additives and powder paints are the export products that gain importance.

High working capital requirement due to seasonality: April through September is the peak period for the Paint Industry in terms of demand. There is need for high working capital requirement due to seasonality and costs increase particularly at times when Turkish Lira depreciates against foreign currencies as 80-90% of the industry's main inputs and excipients are not manufactured in Turkey but imported, instead. Total imports of paint, raw materials and inputs have reached $1.8 billion as of 2015. In the upcoming period, investment opportunities for the main raw materials with a certain economic and commercial scale may be subject to evaluation under state's incentive system, particularly within the framework of foreign capital investments depending on the economies of scale.

~85% of the production is composed of water-based paints: It is possible to manufacture human and environment conscious products that have also long-lasting lives by means of new production techniques developed. Besides, there is increasing interest in paints, which are more durable, service-oriented, easily applied, high performance, rich in terms of color variation and have reduced environmental effects (such as the ones, which involve less Volatile Organic Compound (VOC) or do not involve heavy metal, etc.). There is a transition in the industry from solvent based paint to water-based paint.

Buy-It-Yourself trends gain importance: The clientele of the Turkish Paint Industry is composed of sales channel (wholesalers, retailers, and construction markets), household, and painters. In recent years, the painters and the end users are emphasizing the color preference and quality even more. Accordingly, instead of manufacturing every type of color and deliver them to the retailers; base colors are manufactured and products are provided to the customers at colors and shades of their preference, at the retail point of sales using machines.

There is a rapid growth in exterior insulation along with changing legislation: The Legislation on Energy Performance in Buildings has been published on December 5, 2008, making it mandatory to prepare an Energy ID Card for the buildings to be granted a new building license as of January 1, 2011. Within this context, it is mandatory for all buildings used by households to get Energy ID Card until 2017. Increasing demand for the insulation sector also increases the consumption of exterior paint while insulation adds to the value of the buildings. Per capita consumption in Turkey's insulation industry at 0.06 cubic meters coincide with 6% of the consumption level in the US and 10% of that in Europe. Accordingly, it still has a growth potential.

COLOR TO COLOR, STRENGTH TO STRENGTH

Polisan Kansai Boya Sanayi ve Ticaret A.Ş.

POLISAN BOYA PARTNERED WITH KANSAI PAINT, ONE OF THE TOP 10 PAINT PRODUCERS IN THE WORLD.

Upon the approval of the Competition Board on December 21, 2016, the process initiated in 2016 for the transfer of 50% shares of Polisan Boya, which is a 100% subsidiary of Polisan Holding, to Kansai Paint Co. Ltd. ("Kansai Paint"), the leading Japanese paint manufacturer; has been finalized. Consequently, the transfer of shares has been realized. With an amendment in the Articles of Association, the Company's title has been registered as "Polisan Kansai Boya Sanayi ve Ticaret Anonim Şirketi".

Highlights

- The transfer value for Polisan Boya's 50% share undertaken by Kansai Paint was $113.5 million.
- Kansai Paint paid $68.5 million to Polisan Holding for the transferred shares.
- The share transfer was followed by Polisan Boya's capital increase, in which Polisan Holding did not use its preemptive rights. Kansai Paint, on the other hand, transferred $45 million for the capital increase of Polisan Boya and consequently owned 50% of its shares.
- The parties are represented by equal number of members at the Board of the new entity.

Synergies

- GROWTH IN GLOBAL MARKETS
- SHARING TECHNICAL EXPERTISE
- STRENGTHENING CAPITAL STRUCTURE
- INCREASE IN OPERATIONAL AND FINANCIAL PROFITABILITY

Long Term Strategy

Reinforcing Polisan Kansai Boya's Undisputed Leadership

Strengthening Kansai Paint's Growth in East European Market

Polisan HOME COSMETICS

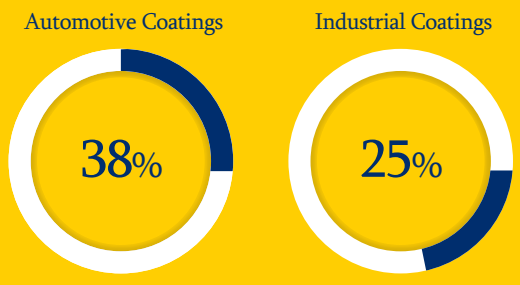
ALESCO KANSAI PAINT

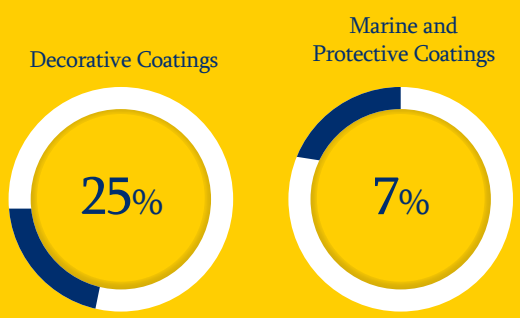
Kansai Paint Global

Founded in 1918; Kansai Paint Co. Ltd. is a chemical company whose main products are automotive, auto refinish, industrial, decorative and protective coatings. The Company has seven reporting segments, which are Japan, India, Asia, America, Europe, Middle East, and Africa. Based on Coating World 2015 global ranking, Kansai Paint is one of the top 10 paint manufacturers in the world. The Company uses ALESCO as its corporate brand, which it introduced in June 1987. Kansai Paint shares trade on Tokyo Stock Exchange.

Kansai Paint Turkish Operation – Kansai Altan

Akzo Kemipol has been founded in 1990 by Kemipol A.Ş., which develops and produces polymers for the paint industry in İzmir and Akzo, originated in Holland. Akzo Kemipol was 51% owned by Akzo and 49% by Altan family. Kansai Paint has stepped into the Turkish market in 1993 as Akzo Nobel's global partner. Back then, it has engaged in a powerful technological cooperation with Akzo Kemipol in the field of marine container. Kansai Paint has also signed a license agreement in the area of Automotive OEM paints in the same year. Having named as Akzo Nobel Kemipol (ANK) after 1994, Akzo Nobel was divided into two entities in 2007, and general industrial and automotive coatings operations have been transferred to Akzo Nobel Endüstri ve Otomobil Boyaları A.Ş. (ANEOB). In 2009, Kansai Paint has acquired 51% of ANK's shares in ANEOB, possessed the facility in İzmir, and took place in the Turkish market with automotive and industrial paints.





*Revenue Share

KANSAI PAINT

Sales: $3.2 bln*

EBITDA: $588 mln

EBITDA Margin: 18.2%

Of Employees: 12,491

Business Lines: Automotive, Auto Refinish, Industrial, Decorative and Protective Paints

Operational Areas: 43 Countries including UK and Turkey Europe

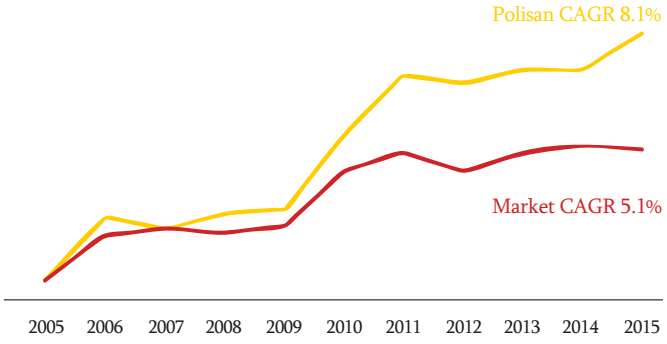
Source: Coating World 2015

Polisan Kansai Boya Operating Areas

Polisan Kansai Boya has 4,500 products in its portfolio with packaging and color options. The products manufactured and sold by Polisan Kansai Boya can be classified as construction (interior, exterior decorative paints, glue, thinner), insulation systems (thermal and water), and auxiliaries (roller group, paint brush, etc.).

Polisan Kansai Boya is Among the Leaders of the Decorative Paint Segment With the Widest Product Portfolio.

Polisan Kansai Boya has the widest range of products on all price segments in the decorative paint market with more than 250 Polisan branded products excluding packaging and color options. Evolving business segments are furniture, marine, and industrial groups. Polisan Kansai Boya's decorative paint sales volume grows faster than the market. In the Turkish Decorative Paint segment, the sales grew at a CAGR of 5.1% between 2005 and 2015. At the same period, Polisan Kansai Boya's decorative paint sales CAGR stood at 8.1%. 2016 was a challenging year due to developments in the global money markets as well as terrorist attacks against our country. But still, according to BOSAD data, decorative paint sales grew 2.6% compared to last year as of September 2016. In the same period, Polisan Kansai Boya prioritized the sale of the inventory in the channel by heavily relying on the distribution through logistic centers. Accordingly, the volume of the product placed in the market in the nine months remained at previous year's level.

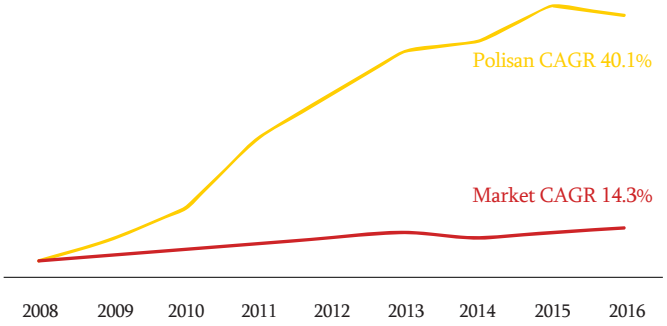


Source: *Polisan Kansai Boya, BOSAD*

Polisan Kansai Boya Exelans Products are Among the Leaders of the Insulation Market in Package Sales.

Polisan Kansai Boya has been operating in the growing Turkish Insulation Industry since 2007. Polisan Kansai Boya Exelans Energy Package Systems contain all types of thermal insulation materials in Turkey for thermal gain and to prevent heat loss; such as panels used for walls, roofs, and bases; coatings, air channels, and pipes used for windows and doors; foams used for installations; as well as paint. Exelans Energy Thermal Insulation System, which can be bought from authorized Polisan Kansai Boya dealers, is composed of 4 different packages (EPS, XPS, Rock wool, Carbon EPS).

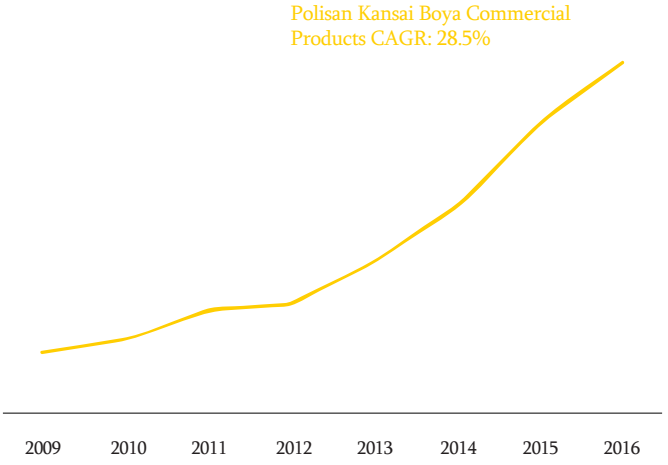
In 2016, Polisan Kansai Boya has integrated the continuity of its service quality by granting free of charge Energy ID Cards to approximately 19,860 households (993 buildings). Since 2008, it introduced approximately 499,860 households (20,993 buildings) with the Exelans Energy product and service quality. Exelans Energy Turbo Heat Insulation Package, which ensures an energy saving close to 10% with its high grade heat insulation ratio, was offered in 2016, and soon after appealed the likes of the consumers. Between 2008 and 2016, Exelans Energy Package System grew faster than the market with a CAGR of 40.1% on square meter basis whereas the Turkish Insulation Market's CAGR stood at 14.3%. In 2016, insulation revenues grew by 2.4% compared to a year ago despite the square meter sales, which declined, yet at a slower pace, than that of the contracting insulation market. Having insulation revenue CAGR of 46% between 2008 and 2016, Polisan Kansai Boya's Exelans products share in the Turkish market is increasingly growing since 2008 when the legislation was put into effect.



Source: *Polisan Kansai Boya, BOSAD*

Polisan Kansai Boya Branded, High Quality, Commercial Products Are Offered Through Sales Channel.

Commercial Products, which have a small share in Polisan Kansai Boya revenues, are the high-quality, auxiliary products, manufactured by the third parties. These products are offered to the painters and to the people in need, directly through Polisan Kansai Boya sales channel, with the Polisan brand. So that, the painters and the customers can easily obtain auxiliary products such as paint brush, roller group, effect fixture helping to process different patterns on walls, as well as silicon, foam, mastic, satin coat, masking band, and spatula to be required for painting at Polisan Kansai Boya quality standards while Polisan Kansai Boya increases its revenues.



Source: *Polisan Kansai Boya*

Polisan Kansai Boya Differentiaton Strategy:

Excellence in Product, Sales Channel, Service and Quality

The Widest Product Portfolio, Pioneering The Innovation

Products Featured with “Home Cosmetics” Concept, Which has been Registered and Introduced to the World for the First Time by Polisan Kansai Boya

Polisan Kansai Boya emphasizes “Polisan does not produce paint, it produces Home Cosmetics” approach, claiming that paint is not all about colors and in addition to its functional benefits of maintenance and protection, paint provides esthetics for the environment. Within this context, it has registered “Home Cosmetics” concept in 2008 and became the first company introducing “Home Cosmetics” approach to the world. Polisan Kansai Boya succeeds to be the first preference of women by differentiating itself from the competition through innovative products (such as paint perfume and wall patterns) as well as shop and package design.

Continuously Evolving Product Portfolio with Firsts Introduced to the Sector

One of Polisan Kansai Boya’s competitive edges its R&D strategy, which focuses on meeting consumer's present and future needs and ensuring their comfort by producing environmentally-conscious, high-quality, value for money products that comply with the standards and differentiate it from the competition. These unique products offered to the market have a significant contribution for Polisan Kansai Boya to capture market share.

- Oil-paint equivalent, water-based, top coat gloss paint X1
- 7 feature interior paint ELEGANS
- 9 feature exterior paint EXELANS
- Water-based road marking paint POLİROAD
- Paint perfume
- Wood protector spray varnish, WOOD & WOOD
- Plastic spray paint
- Water-based, metal paint POLİMETAL
- Water-based, silicon, semi-gloss interior paint ROYAL

Turkey’s First Private Label and Hybrid Brands

Polisan Kansai Boya offers its products to its customers in 3 market chains in Turkey through “Corner Shop” and “Polisan Shop” concept. In these market chains, Polisan Kansai Boya sells Polisan labeled products. Besides, it manufactures private label products on demand for the market chains; being either their own brand or a hybrid brand produced specifically for the chain by Polisan Kansai Boya. Polisan Kansai Boya is the producer of Turkey’s first hybrid paint brand Polibau for Bauhaus. Additionally, it produces market chains’ own brands; namely, Swing Color for Bauhaus, Quartz for B&Q/Koçtaş, and Bolero for Tekzen.

Most Extensive Sales Channel with Distributors, Which Turned Into Production Center

Turkey's Most Extensive Sales Channel

7,000 SALES POINTS

Polisan Kansai Boya has established an extensive sales channel throughout Turkey in order to offer its quality product portfolio to painters and end users in the fastest way possible. Polisan Kansai Boya has the widest sales channel in Turkey with 26 distributors, 6,200 dealers, and 1,655 direct sellers, including 1,000 exclusive dealers. Polisan Kansai Boya products are being sold in 165 shops at 3 chain stores.

Turkey's First Water Based New Generation Mix System

2,700 NUMBER OF WATER BASED NEW GENERATION MIX SYSTEM

Polisan Kansai Boya has introduced the Water-based Mix System in 2000 and then developed it into Turkey's most improved and the first water based New Generation Mix System in 2008 through its R&D's technological infrastructure and innovative approach. Polisan Kansai Boya sales points become "Production Center" through the New Generation Mix system coloring machines and Modula System, which are deployed at sales points and worth of an integrated facility investment. Through Mix System, which has 402 color Colorium Interior, 200 color Colorium Exterior, 2000 color Colorium Universal, and RAL Cartel color collections; sales points offer thousands of colors to the likes of the customers without having to maintain inventory for all cartel colors and provides them instantly, so that minimizing the inventory cost while saving time. The Modula System, which has higher capacity than mix machines, is used by 26 distributors and ensures that each distributor is positioned like a factory, dealers receive instant delivery upon demand, extensive product portfolio is penetrated, and 5,000 SKU are effectively managed.

The First Logistic Center in the Paint Industry

30,000 m² OF LOGISTIC CENTER AREA

Polisan Kansai Boya is aware of the fact that developing products with high functional benefits and marketing them is not enough for the modern day competitive environment. Accordingly, it executes practices in sales, distribution, and service areas, which are followed in the market. Nowadays, consumers can rapidly decide to switch to substitute products and timely distribution is mandatory for that matter. Having pioneered another innovation in the area of distribution, Polisan Kansai Boya established logistic centers in Dilovası, İzmir, Afyon, Muğla, Bursa and Samsun in 2016, and in Adana, Diyarbakır, and Trabzon in 2017. Polisan Kansai Boya targets to reach out directly and indirectly to 8,000 sales points in total through centers spreading on a total area of ~30,000 square meters in nine provinces. İzmir and Samsun Logistic Centers incorporate 2, while Diyarbakır and Adana Logistic Centers incorporate 4 distributors' warehouses within Polisan Kansai Boya. Logistic centers are expected to increase the service quality of the sales channel while positively reflecting on the costs due to the effective inventory and working capital management. Polisan Kansai Boya continued its actions that strengthen channel communication in 2016.

Logistic Centers

City	Capacity (ton)	Area (m²)	Distribution (ton/year)	Number of Points
Dilovası	2,100	Paint: 4,500; Other: 2,200	Paint: 120,000; Other: 50,000	Direct: 600; Total: 3,500
İzmir	1,200	3,000	9,000	600
Afyon	1,000	2,500	7,000	350
Muğla	500	2,500	5,000	350
Bursa	250	700	3,500	500
Samsun	1,000	3,500	7,000	700
Adana	1,200	4,500	8,000	600
Diyarbakır	1,200	4,500	8,000	600
Trabzon	700	3,000	4,000	400

Polisan Kansai Boya Shops Designed for Women are Uniqe in "Concept Merchandizing"

Having positioned paint as the "Home Cosmetics", Polisan Kansai Boya foresaw that the number of women visiting merchandizers to buy paint was in an increasing trend. Accordingly, in 2008, Polisan Kansai Boya initiated Polisan Shop investments, which became Turkey's only "Concept Merchandizing" example that extensive at a standard context. Since 2008, more than 1,000 dealers in Turkey have provided with the criteria of being transformed to "Polisan Shops" and "Polisan Shop Improvement Points", they were recreated by the Corporate Channel Application teams composed of merchandizing experts, and they multiplied their revenues. Polisan Kansai Boya continues its investments to help organize hardware and paint retailer's or contractor's stores according to the set standards, enabling these sales points to offer more comfortable and joyful shopping experience for their customers. Polisan Kansai Boya's creative idea to apply Polisan Shop standards at its merchandizing corners in the Do-It-Yourself shopping centers such as Bauhouse, Koçtaş, and Tekzen has been an exemplary in the sector.

Best Quality Service for the Loyal Customers and Business Partners

Polisan Insulation Insurance is a First in the World's Paint and Insurance Industry

Polisan Kansai Boya broke a new ground not just in the paint and insulation industry, but also in the World Insurance Sector by launching "Polisan Insulation Insurance" in 2013. The initial cost of investment on thermal insulation system is quite high at 1-3% of the total cost of the building although the pay-back period is just 3-5 years due to the savings gained from insulation. In an attempt to ease the lives of the decision makers, Polisan Kansai Boya has combined its product quality with the service quality for this system, which has a high initial cost and launched the "Polisan Insulation Insurance". Polisan Insulation Insurance covers all the work related to the insulation and paint in Turkey with the condition that Polisan Kansai Boya's thermal insulation brand, Exelans Energy products are being used and the labor is carried out by Exelans Energy Implementation Contractors who have Polisan Expert Implementation Certificate. Polisan Insulation Insurance guarantees to compensate for any damage, harm or loss that may occur for 24 months starting from the implementation of the insulation.

Loyalty Programs and Payment System

Being aware of the fact that the best quality and service can be attained by ensuring painters' loyalty, Polisan Kansai Boya has differentiated its loyalty programs and payment systems for the sales channel from its competitors. Polisan Kansai Boya used for the first time in Turkey 1,250 cash register POS devices, which embed both loyalty program and collection features. Within this context, Polisan Kansai Boya provides an installation advantage of up to 9 months for its sales channel and painters while making 38,000 (as of 2016) painters recorded on its database feel privileged with Policlub loyalty program for preferring Polisan Kansai Boya. The points earned resulting from the transactions of painters are loaded on Policlub loyalty cards. People using the system are being rewarded in different ways and that their loyalty increases.

Ekokredi Yalıtım (Insulation Loan) with 0% Interest on 18 - Month Maturity

In 2016, consumers were offered the possibility of financing thermal insulation expenses with EKOKredi Yalıtım, which was initiated in cooperation with Polisan Kansai Boya and Şekerbank. Within this scope, the apartment/apartment complex superintendents and individuals who want to insulate their buildings can utilize EKOKredi Yalıtım, which is offered at no cost, at zero interest rate up to 18 months provided that the insulation of the buildings is done by Polisan experts. Consumers can benefit from EKOKredi Yalıtım, which offers up to 60 months of maturity options and advantageous interest rates by applying to 300 Şekerbank branches in 71 provinces and 100 districts or Polisan dealers serving throughout Turkey. EKOkredi Yalıtım can also grant loans to apartment or apartment complex managements, instead of having each flat owner to pay through separate loans or payment instruments.

Customer, Vendor, Business Partner Satisfaction

As much as pre-sales services, Polisan Kansai Boya also targets the perfection at after-sales services within ISO10002 standards. Polisan Kansai Boya concludes the complaints coming from customers, vendors, and business partners or Polisan Customer Services' lines (0 800 211 3737 or 0 532 755 0737) within 24 hours. Additionally, in an attempt to ensure business partners' satisfaction and loyalty, Polisan Kansai Boya began to provide free of charge "Professional Qualification Certificate" to the implementation teams of the dealers within its network in 2016. Polisan Kansai Boya, which signed a protocol with TEBAR, the authorized institution of the sector in this area, aims to certify 400 painters. Having undersigned innovations that emphasize the superior service quality in brand communication, Polisan Kansai Boya reflected its service vision to its target dealer, painter, and consumer groups during PaintİstanbuI & TurkCoat 2016 Fair, where it participated with the color library theme and new generation water-based "Infinite Color Center" Mix Center®. In 2016, with Instakartela, Polisan Kansai Boya offered the opportunity to virtually apply the most admired colors on its cartela on Instagram. Besides, through Polipalette application, Polisan Kansai Boya enabled its consumers to choose the most ideal color for their venues, color them, and decide depending on the result by utilizing thousands of color options and color combination suggestions offered to them via their smartphones and tablets.

Strong Brand Perception on Global Markets With High Quality Standards

Global Brand Awareness with Quality Certificates

Having introduced "Home Cosmetics" concept in 2008 globally, Polisan Kansai Boya has ISO 9001, ISO 14001, OHSAS 18001, ISO 10002, and ISO 50001 certificates and that it realizes production at global standards. As of June 19, 2014, Polisan Kansai Boya has been included in the TURQUALITY® Support Program ("TURQUALITY®"), which was initiated by the Ministry of Economy for the Turkish products to become trademarks internationally and the image of the products made in Turkey to be strengthened. Polisan Kansai Boya's being a part of TURQUALITY® under "POLİSAN" trademark also acts like a guarantor and is a sign defining its quality and care from the design of the product to the sales on the shelves. In 2015, Polisan Kansai Boya has been the first in Turkey and the third manufacturer in Europe receiving Environmental Product Declaration («EPD») Certificate with its Exelans Macro, Elegans Extra Semi Matt, Natura Ambians, and Natura A1 Silicon products developed by its R&D.

Turkey's 159. R&D Center

Polisan Kansai Boya R&D has been granted the R&D Center Certificate and title by the Ministry of Science, Industry and Technology as of June 4, 2014, and became Turkey's 159. R&D Center, which has been entitled to benefit from the incentives and exemptions. Due to the use of predominantly chemical content in the paint industry and in line with its sensitivity to the environment, Polisan Kansai Boya constantly monitors the way of doing business with regard to its products and its contents. Polisan Kansai Boya R&D department allocates more than 90% of its budget to develop new water-based products and water-based equivalents, which perform better and are substitutes for solvent-based paints. Since 2002, Polisan Kansai Boya R&D has earned 17 projects, 3 of which are incentivized by the government, to the sector with "first in Turkey" slogan. The R&D Center is currently continuing to work to bring in 10 technological products to the sector with the same slogan. In October 2016, Polisan Kansai Boya's Main Research Laboratories, which have been conducting chemical tests and quality measurements for 30 years, obtained International Validity Accreditation Certificate from TURKAK. TURKAK has Mutual Recognition Agreement with International Laboratory Accreditation Association (ILAC).

New Production and Warehouse Facility at Global Standards

In 2016, Polisan Kansai Boya started to build the paint production and warehouse facility on the 142,000 square meter land it owns in Gebze Chemical Specialization Organized Industrial Zone ("GEBKIM"). With this full-automated facility to be established at global standards, it is targeted to increase profitability through production by utilizing economies of scale and overcoming production bottleneck experienced at high seasons. With this investment, which is planned to amount approximately €35 million (excluding land) and be finalized until the end of 2017, the existing annual production capacity of 180,000 tons, can go up to 540,000 tons with the flexibility of making three shifts a day and without having to bear extra investment. 540,000 ton equals to Turkey's current total decorative paint production. The investment is being financed through long term loan.

Becoming a Global Brand Through Opening to the New Markets and Partnerships with the World's Giants

Polisan Kansai Boya added ROYAL, which is a water-based, silicone, semi-polished and erasable interior wall paint, produced with Evoque technology specially developed for Polisan Kansai Boya by DOW Chemical (Polisan Holding's partner and the second largest chemical company of the world) to its product portfolio in 2016. Polisan Kansai Boya aims to be a global brand in the long run by primarily emphasizing exports through its partnership with another global leader, Kansai Paint. Kansai Paint, on the other hand, prioritizes the products in geographical expansion based on regional needs and prefers to manage the control of its operations locally. Kansai Paint expects to create high added value in its strategy to grow in the Eastern European market through Polisan Kansai Boya's strong management, extensive sales network, innovative products and services, and the new plant to be built.

Polisan Kansai Boya Maintained its Profitable Revenue Growth in a Challenging Year for the Sector.

TRY (million)	2015	2016	2015-2016 (%)	4Q15	3Q16	4Q16	4Q15-4Q16 (%)	3Q16-4Q16 (%)
Revenue	472.5	478.4	1.2%	99.6	105.4	79.2	-20.5%	-24.9%
EBITDA	65.4	74.0	13.1%	10.4	12.0	5.6	-46.5%	-53.6%
EBITDA margin	13.8%	15.5%	1.7 p.p.	10.4%	11.4%	7.0%	-3.4 p.p.	-4.3 p.p.
Net Income	12.5	11.0	-12.1%	14.6	-1.6	-20.0	n.m.	n.m.

The Paint Industry has also been affected by the vulnerability in Turkey, which has been witnessing violent terrorist attacks throughout 2016, particularly after the bombing incident at Ataturk Airport on June 30, and the subsequent coup attempt on July 15. Having foreseen that the uneasiness in the market could lead to a potential collection problem in the days to come, in 2016,

Polisan Kansai Boya further accelerated the restructuring in logistic centers, mix, and distribution systems, which has been initiated in 2015 with a focus on operational efficiency. Particularly in the second half of the year, instead of placing new products to the market, and then face a potential cost for holding inventory, and a bad debt problem in the future; Polisan Kansai Boya prioritized to utilize the inventory in the channel by heavily using logistic centers. Accordingly; Polisan Kansai Boya targeted to decrease the cost of holding inventory by bearing the risk of short term revenue loss without having to sacrifice from profitability; and then, place new products to the market after the clean-up of the inventory; thereby sustain healthier revenue growth in 2017.

Despite the challenges experienced in 2016, sales revenues increased by 1.2% compared to last year, and amounted TRY478.4 million. Based on operational areas, in 2016, paint, insulation, and auxiliary revenues increased 0.9%, 2.4%, and 19.9%, respectively. EBITDA margin rose 1.7 p.p. to 15.5%, which is a quite high level both for Turkey and the global markets, due to the ongoing studies to optimize the expenses, and decreasing raw material costs per ton along with petroleum prices.

Net income decreased 12.1% to TRY11.0 million on the back of increasing financial expenses, particularly in the second half of the year.

In 4Q 2016, which is already a seasonally low period, sales revenues declined by 20.5% compared to 4Q 2015, and was realized at TRY79.2 million, as a result of not placing new products in the market in order to avoid excess inventory, as mentioned above. Due to the sharp decline in sales revenue, and increased sales and marketing expenses related to the logistic centers during the reporting period, the EBITDA margin decreased 3.4 p.p. to 7.0%. TRY20.0 million net loss was recorded along with the effect of f/x rates on the financial expenses.

In 2016, Polisan Kansai Boya spent about €8 million for the new production and storage facility, which it planned to invest €35 million in total. The remainder is expected to be invested in 2017, and the facility to be completed by the end of the year.

Having finalized 2016 in line with its targets, Polisan Kansai Boya expects to increase its revenues by more than 25% in 2017, thanks to the synergies that will be created after the partnership, and foresees that the EBITDA margin can be maintained at 2016 levels, depending on the challenges in the market.

mix center
INFINITE COLORS

YOUR COLOR
IS POLİSAN

Port Operations

Poliport is the leader of Kocaeli Port with its close proximity to strategic gateways.

Seaborne Transport is the Most Preferred Way of Transportation in the World by 80%

Seaborne transport is the most preferred way of transportation in the world as it enables the massive amounts of cargo, which particularly constitutes industrial raw material, to be transported from one place to another at once, it is reliable, there is no over limit, the loss of property is at minimum level, it pollutes the environment the least, the energy consumed per passenger-km, ton-kilometer is the least, there is almost no other forfeit, and it is cheaper 14 times than the airway, 7 times than the highway, 3.5 times than the railway.

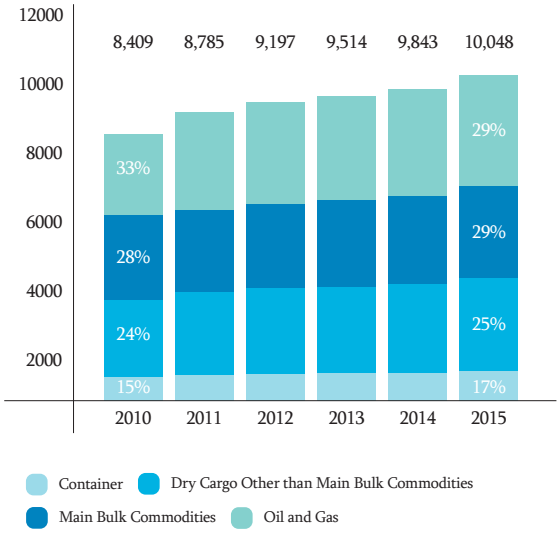
Seaborne transportation goes parallel with the increase and decrease in the country's import and export. In recent years, seaborne transportation has an increasing trend in the total trade volume. In the last 65 years, seaborne transportation has grown 18 times and in monetary terms captured a 60% share from the world trade, thereby positioned Maritime Industry as the most strategic industry.

According to UNCTAD (United Nations Conference on Trade and Development)'s Review of Maritime Transport 2016 Report, the world Gross Domestic Product (GDP) grew by 2.5% in 2015, remaining flat at 2014 levels. This was realized on the shade of the limited growth in China's manufacturing sector due to the capacity surplus; recession in Brazil; decreasing commodity, energy prices and real wages as well as capital outflows and geopolitical tensions in many countries. In line with the shift in global manufacturing processes since the 1970s, emerging economies have captured a 70% share from the world's GDP growth in exports as a raw material supplier and in imports as a buyer of processed goods. World merchandizing trade growth slowed down from 2.3% in 2014 to 1.4% in 2015, at variable rates depending on the regions. While the World GDP growth rate is expected to be 2.3% in 2016, the World Trade Organization predicts the merchandizing trade volume growth in 2016 to realize at 2015 levels.

2015 has been a challenging year for the world seaborne trade, with the impact of falling oil prices on oil-exporting economies, political uncertainties, developments in Greece and the EU, and stabilization process in the Chinese economy. According to UNCTAD estimates, world seaborne trade captured about 80% share in world merchandizing trade volume and grew by 2.1%, exceeding 10 billion ton levels in 2015. In 2016, world seaborne trade is expected to marginally grow, at a comparatively slower pace, due to the political and geopolitical balances, the slowdown in the economies of emerging large countries, and the impact of decelerating growth of Chinese economy on the world's economy, trade and seaborne sector.

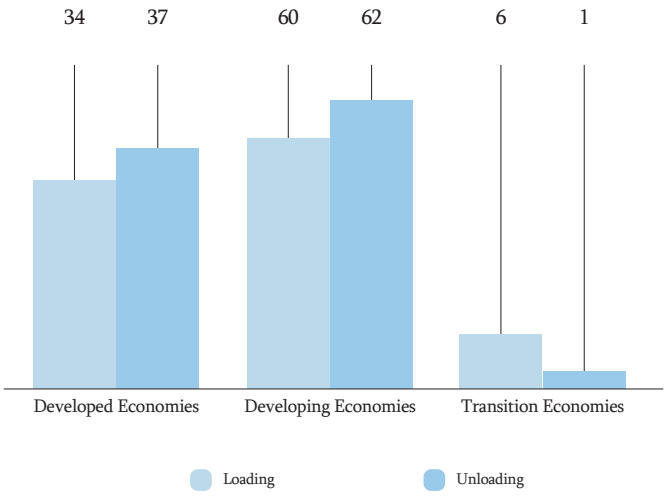
2015 World Seaborne Trade

The Growth in the Cargo Handled in 2015 was Driven by Petroleum and Gasoline



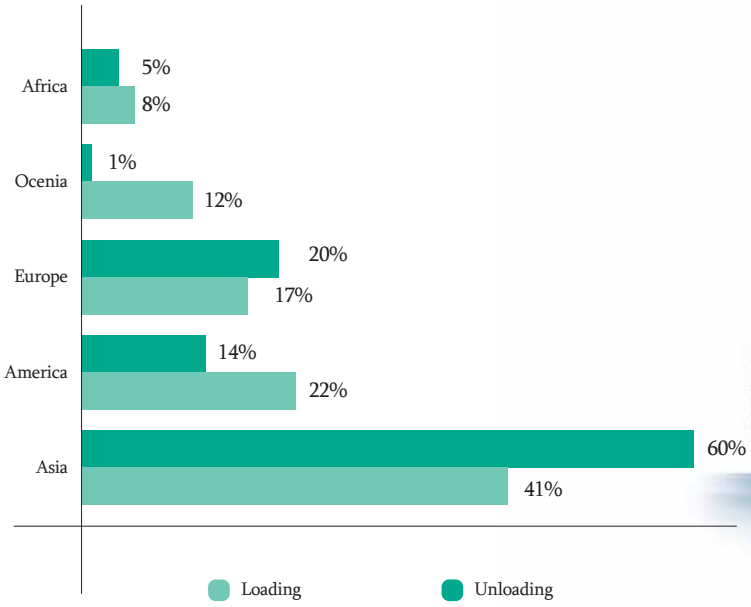
Source: UNCTAD; Review of Seaborne Transport 2016

Emerging Countries had the Largest Share in the World Seaborne Trade



Source: *UNCTAD; Review of Seaborne Transport 2016*

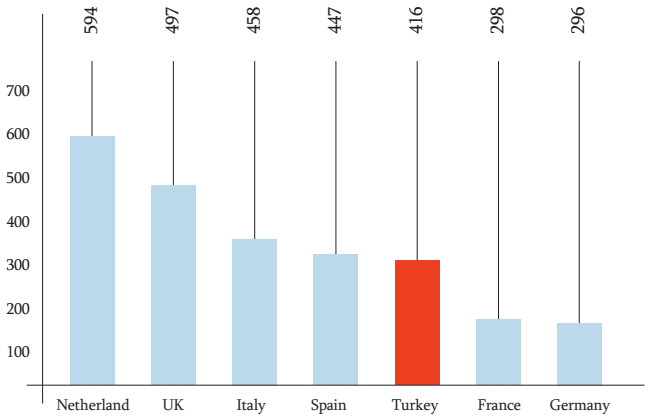
Europe's Share in World Seaborne Trade Stood At ~20%.



Source: *UNCTAD; Review of Seaborne Transport 2016*

Turkey is Europe's 5. Largest Market in Seaborne Trade

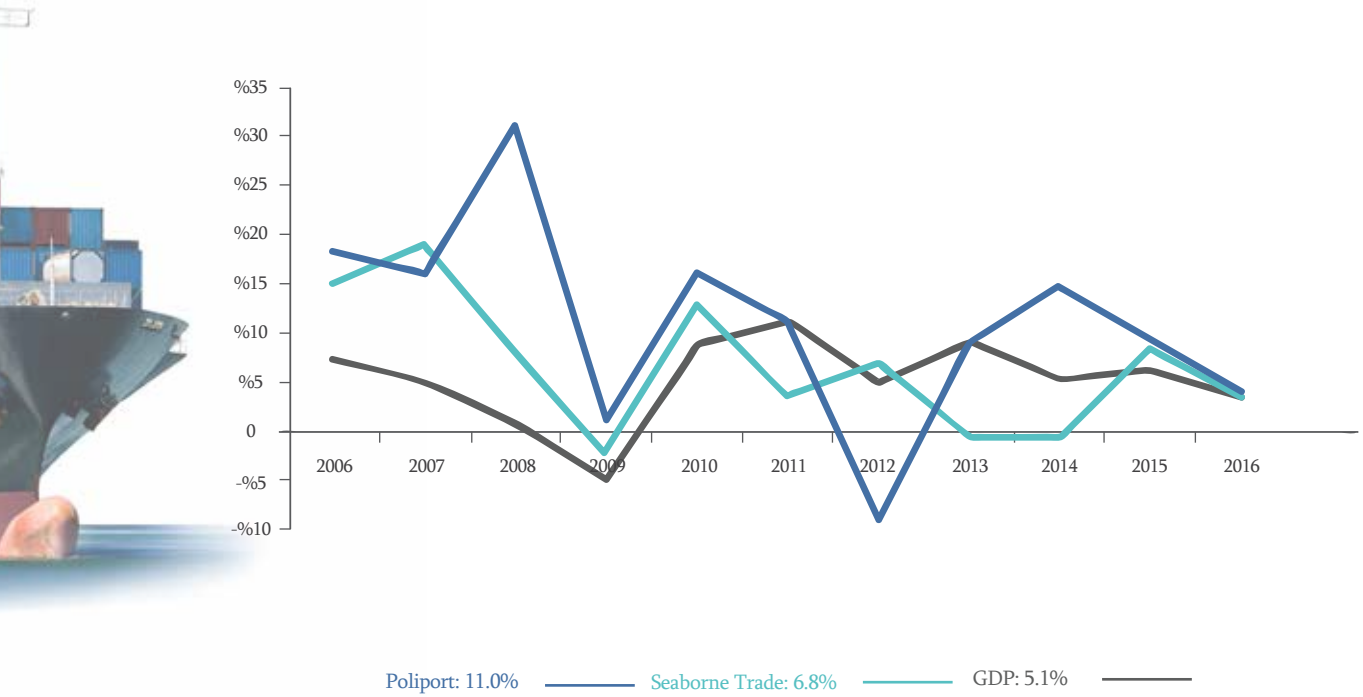
The transportation starts and ends at the ports where the cargo is handled and the ships contribute to the country's economy to a great extent through domestic, international, and transit transportation. Turkey's coast line is 8,333 kilometers and based on property rights, there are 160 port facilities; of which 25 are belonged to public, 27 to municipalities, and 108 to private sector. As is the rest of the world, the merchandise trade in Turkey, surrounded by sea on three fronts, is basically realized via seaway. Comparing seaborne trade based on the cargo handled in countries where the Europe's most important ports are located, Turkey was ranked the fifth in 2015 after Netherlands, UK, Italy, and Spain. And, Turkey is the only country, which almost doubled the cargo handled, with an average growth rate of 6.9% between 2005 and 2015.



	Netherland	UK	Italy	Spain	Turkey	France	Germany
Cargo Handled (2005-2015)	29%	-15%	-10%	12%	95%	-13%	4%
CAGR (2005-2015)	2.6%	-1.6%	-1.0%	1.1%	6.9%	-1.4%	0.4%

Source: *Poliport, Eurostat*

Turkey Seaborne Trade has Grown 6,8% Between 2006 and 2016



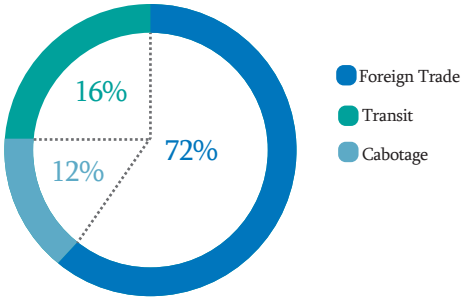
Source: *Poliport, TurkStat, Ministry of Transport, Maritime Affairs and Communications*

In 2016, Cargo Handled at Turkey Ports Increased by 3.4%

Cargo handled in Turkey increased by 3.4% compared to a year ago and was realized at 430.2 million tons as of 2016 mainly due to the increase in cargo handled in foreign trade.

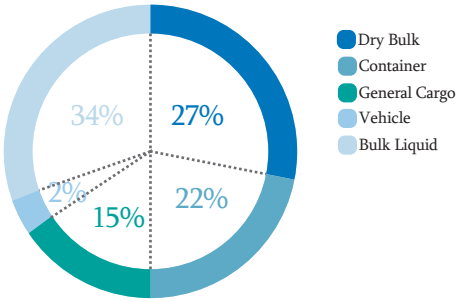
Based on Regimes, Foreign Trade Had the Largest Share with 72%

According to the regimes, the largest share in Turkey's seaborne trade was captured by foreign trade with 72%, followed by transit cargo with 16% and cabotage with 12%.



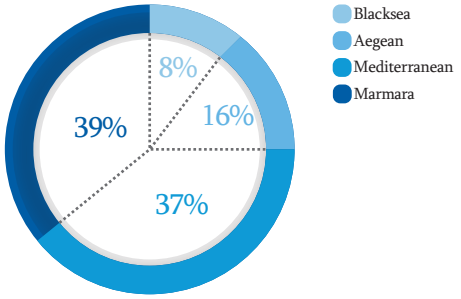
Bulk Liquid is the Cargo Type Handled the Most with 34%

Based on cargo types handled, bulk liquid was ranked the first with 34% in 2016. Bulk liquid was followed by dry bulk with 27%, container with 22%, general cargo with 15%, and vehicles with 2%.



With 39%, Marmara Region is the Leader in Handling Cargo

In 2016, 39% of the total cargo handled in Turkish ports, was handled by the ports in Marmara Region, which play an important role in extending the Trans-Europe and Pan-Europe transportation corridors formed by EU to East.



Source: *Republic of Turkey, Ministry of Transport, Maritime Affairs and Communications DG of Merchant Marine, TURKLIM*

Kocaeli Port, which is Turkey's Largest Natural Port, Ranks the 8. in Europe.

In addition to being one of Turkey's leading trade and industrial centers, Kocaeli has also a significant potential in terms of the logistics sector due to its geographic location. It has the strategic advantage of being positioned both on Black Sea's and Marmara Sea's coastal line, around the bay and at the center of major transportation networks. Kocaeli has 404 km of provincial and state road, 91 km of motorway, 158 km of railway and 103 km of coastline, which is easy to berth. It is in Marmara Region where the traffic density is the highest in Turkey's land route network. The flow of intensive raw materials and finished products between İstanbul and Anatolia pass over TEM motorway and D100 highway through Kocaeli. Besides, the railway network starting from Haydarpaşa, passes through the city center, then reach Ankara. Kocaeli benefits from Ataturk Airport on the İstanbul's European side and Sabiha Gökçen Airport on the Anatolian side. Maritime Industry in Kocaeli is to evolve over the years. Kocaeli ports are the most important gateways, ensuring the rapidly developing industrial products in the region to enter in and exit from the country through sea way. Ports in the Gulf of İzmit; particularly, Kocaeli, Adapazarı and İstanbul have a vast hinterland. Kocaeli provides with any type of freight services through 34 terminals in its borders.

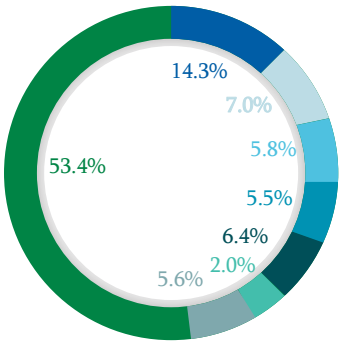
Kocaeli Port, addressing a large hinterland with its close proximity to the industrial zone where ~45% of Turkey's GDP is generated, and to the strategic gateways, is among the top 10 ports of the EU.

2015	Port	Cargo (mln tons)
1	Rotterdam (NL)	436.9
2	Anvers (BE)	190.1
3	Hamburg (DE)	120.2
4	Amsterdam (NL)	98.8
5	Algeciras (ES)	79.4
6	Botaş (TR)	78.1
7	Marseilles (FR)	77.5
8	KOCAELİ (TR)	64.2
9	Le Havre (FR)	62.9
10	Immingham (UK)	59.1

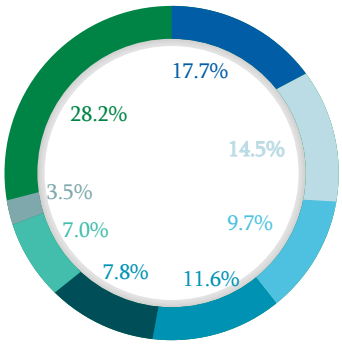
Source: *Eurostat*

In 2016, 66.4 Million Tons of Cargo was Handled at the Kocaeli Port.

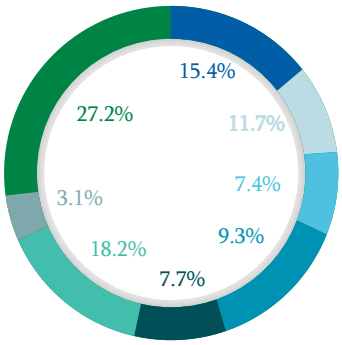
SHIPS CALLING TURKISH PORTS: 1.



FOREIGN TRADE: 1.



CARGO HANDLED: 2.



Kocaeli Aliağa Mersin İskenderun Ambarlı Botaş Gemlik Other

Source: *Republic of Turkey, Ministry of Transport, Maritime Affairs and Communications Directorate General of Merchant Marine*

Poliport Kimya Sanayi ve Ticaret A.Ş.

Poliport was founded in 1971 in Dilovası, where Polisan Holding facilities are located, in an attempt to provide bulk liquid services. With its jetty, pier, embarkment, and warehousing facilities, Poliport is one of the largest ports, closest to İstanbul on the Anatolian side.

Poliport is an independent liquid and chemical storage terminal, which does not carry out merchandising, but gives storage and handling services for the products of the third parties. Out of 34, only 9 port facilities in Kocaeli Port (Poliport, Solventas, Limas, Efesan, Evyap, Yilport, Rota, Safi, Autoport) serve for the third parties.

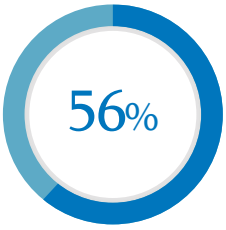
POLİPORT IS AMONG THE LEADING INDEPENDENT CHEMICAL STORAGE TERMINALS IN KOCAELİ PORT.

Important Features	
Leased Area with Concession Agreement	142,565 m²
Land Owned by Polisan Kimya at the Background	135,000 m²
Total Ship Capacity	1,500
Total Cargo Handled (2016)	4.8 mln ton
Concession Term	49 year
Concession Expiration (Same status with the other ports, marinas and hotels behind the shoreline):	2033

Poliport has 3 Main Operational Activities

Revenue Share

BULK LIQUID SERVICES



The jetty at the bulk liquid storage terminal has a 250 meter length, 12 meter width, and 10.5 to 13.5 meter draft, which can accommodate 4 vessels up to 40,000 DWT at the same time. Terminal has 165 storage tanks made up of carbon steel or stainless steel with capacities ranging from 100 cubic meters to 6,200 cubic meters. According to the properties of stored chemicals, tanks have specific features such as heating, epoxy cracking, nitrogen sheet, and gas return circuit. Product transfers are carried out with 35 product transfer lines running from the tanks of different sizes in the plant to the four jetty manifolds. There are gas return circuits and scrubber systems for loading and unloading operations of special products.

In 2016, total cargo handled stood at 1.5 million tons, 60% composed of chemicals and 40% petroleum products.

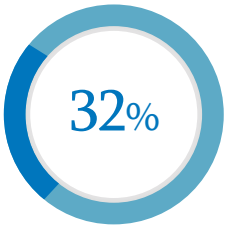
It is the most profitable business line with revenue per ton standing at ~20 $.

Since 1990s, Poliport has been serving for the world's largest manufacturers such as Dow, BASF, Bayer, and Shell.

2016 terminal fill rate: 89%

Annual handling capacity of the terminal: 2.5 million tons
Bulk Liquid storage capacity: 237,000 m³

DRY BULK AND GENERAL CARGO SERVICES



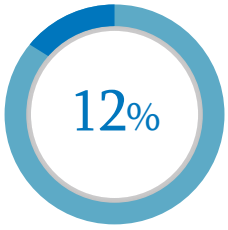
At the dry bulk pier, the piers and ports are 730 meters long and 40 meters wide. For loading and unloading processes, the port is equipped with 8 electric cranes with lifting capacities ranging from 6 tons to 124 tons, loaders and forklifts of various capacities, and lifting attachments for various loads. Poliport has the capacity to provide with services to 6 ships at the same time with water depths ranging from 12 to 24 meters. Poliport has the capacity to serve 1,500 ships per year.

The total cargo handled in 2016 was 3.3 mln tons, 59% composed of coal, 8% steel roll, 7% petroleum coke, 5% aluminum, 5% pig iron, 4% steel bars and 12% other products.

It is the second profitable business line with revenue per ton standing at ~3.7 $.

Dry Bulk handling capacity: 5 million tons

WAREHOUSE SERVICES



In addition to flammable products, a wide variety of products, including general cargo such as all kind of packed, non-packed, ferrous, non-ferrous, hazardous material, and metal and mine products are stored at the warehouses.

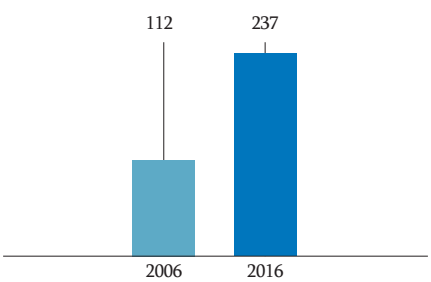
Terminal area has a customs and is eligible for import and every kind of transit trade practices.

The opportunity to track the inventory and delivery of the products stored in A Type General Warehouses is provided through the website.

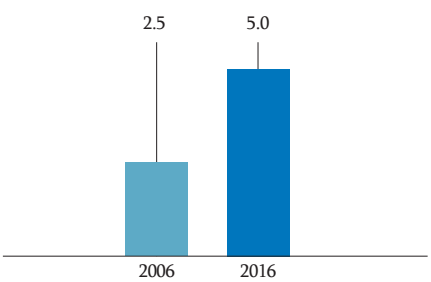
In 2016, cargo stored in A type warehouses is 582,200 tons and revenue per ton is ~$8.2.

Warehouse services are being carried out on an open and closed area of 44,500 square meters.

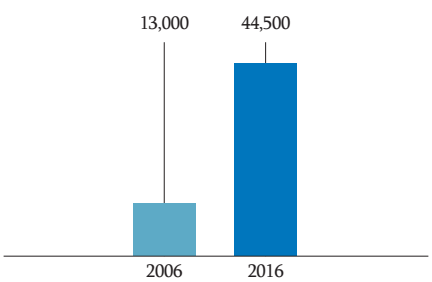
Bulk Liquid Services (000 m²)



Dry Bulk and General Cargo Services (000 m³)



Warehouse Services (m²)



POLİPORT HAS BEEN AWARDED AS "THE BEST STORAGE SERVICE PROVIDER IN 2015-2016 "IN EUROPE BY SHELL CHEMICALS.

Investments and Forward Looking Expectations

Having invested over $250 million to date, Poliport increased its bulk liquid storage capacity from 200,000 cubic meters in 2015 to 237,000 cubic meters in 2016. Additionally, the warehouse area has been increased to 44,500 square meters from 29,000 square meters. Having invested ~$19 million in 2016, Poliport plans to invest ~$15 million in 2017.

Poliport's Long Term Strategy is to Take the Lion's Share in Growing Seaborn Trade.

Kocaeli Port, which has grown at a CAGR of 3.7% between 2005 and 2015, is expected to require capacity increase in the coming years. However, Administration does not issue permits for building new terminals and as some companies, which handle their own dry bulk cargo approach to work at full capacity usage rates, the supply-demand balance is expected to deteriorate in favor of Poliport, which, by then would have completed its capacity increase investments. Increasing price levels and capacity as well as 8 electric cranes operating in the port will provide cost advantages to Poliport, enabling it to maintain its EBITDA margin.

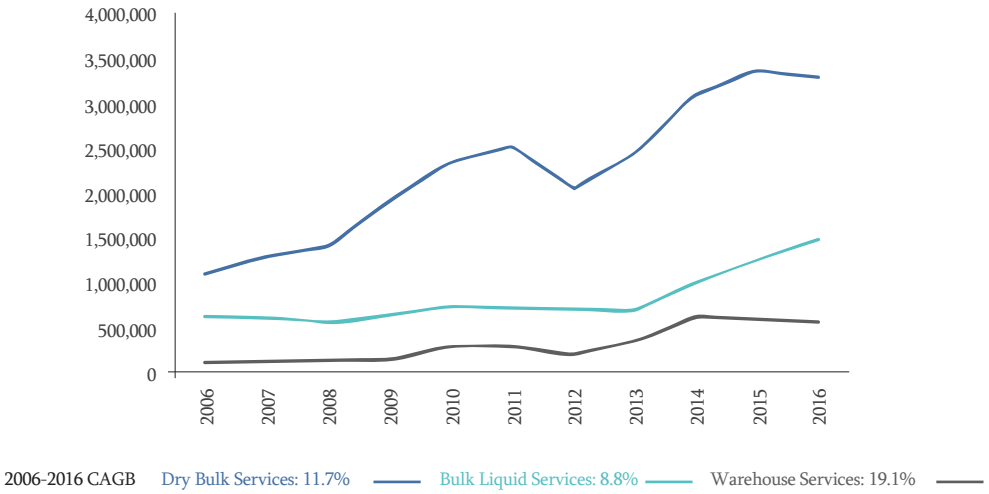
As an important export item for Turkey; the chemicals are ranked the third in Turkey's export activity with $16.5 billion. The majority of the input of the exported chemicals is being imported. While Poliport increases its share of exports in Saudi Arabia, which has abundant raw material sources and petrochemical complexes, it will continue to increase its share in products from Gulf Region such as Kuwait, Qatar, Israel, and Egypt.

Poliport's strategic importance is to further increase along with the ongoing Gulf Transition Bridge. Also, a competitive advantage will be gained by providing huge discounts on transportation prices for the services delivered to the existing and the Organized Industrial Zone in construction as well as to the industrial corporations adjacent to the railway connection that is planned to be engineered.

Poliport Supports its Strong Revenue Growth with High Profitability Rates.

TL (milyon)	2015	2016	2015-2016 (%)	4Q15	3Q16	4Q16	4Q15-4Q16 (%)	3Q16-4Q16 (%)
Revenue	97.6	119.0	22.0%	29,0	31.0	31.4	8.4%	1.3%
EBITDA	54.5	57.4	%5,4	16.3	15.7	15.0	-7.6%	-4.1%
EBITDA margin	55.8%	48.2%	-7.6 p.p.	56.2%	50.6%	47.9%	-8.3 p.p.	-2.7 p.p.
Net Income	34.8	28.1	-19.1%	17.8	8.9	5.9	-67.1%	-33.8%

In 2016, Poliport handled 4.8 million tons of cargo.



In 2016, 3,293,784 tons (2015: 3,356,903 tons) handled at the dry bulk pier, and 1,474,791 tons (2015: 1,254,095 tons) handled at the terminal totaled 4,768,575 tons (2015: 4,610,998 tons), representing a 3.4% rise compared to the cargo that Poliport handled last year. During the same period, 532,652 tons (2015: 582,162 tons) of cargo were stored in A type warehouses.

In 2016, sales revenues rose 22.0% to TRY119.0 million on the back of the increase in cargo handled as well as depreciating TRY rates against USD compared to last year. Poliport's EBITDA margin was realized at 48.2%, despite the pressure on the margin caused by the TRY2.7 million (excluding tax) one-time payments made for the zoning plan and the Customs (Should there be no payment, EBITDA margin would have been 50.5%), and the slowdown in the cargo handled in the second half of the year. Net income decreased 19.1% toTRY28.1 million, due to the slowdown in operational profitability and financial income compared to last year.

In 4Q16, due to the decrease in the dry bulk cargo handled, Poliport's revenues increased in a comparatively slower pace compared to the same period of last year, by 8.4% to TRY31.4 million. EBITDA margin decreased 8.3 p.p., due to the fixed operational expenses, but still was realized at a high level of 47.9%. Net income declined 67.1% to TRY5.9 million.

Based on operational areas, bulk liquid storage, dry bulk and general cargo, and warehouse services increased by 23%, 6%, and 7%, respectively, compared to last year.

In 2016, Poliport achieved its targets revized in 3Q16. In 2017, Poliport predicts that it can increase its revenues by ~20%, and EBITDA margin by a few percentage points.

Chemical Activities

Polisan, which is the first producer of Formaldehyde and Resins in Turkey, expands its chemical activities with new products and its international investment.

Polisan Kimya Sanayi A.Ş.

Chemical Industry is Important for Turkey With its 11% Share in Turkey's Exports.

Chemical industry is an essential industry for it brings together a wide range of products from medicine to paint, from plastics to cosmetics with the end user; provides inputs to information and communication technologies, construction, automotive, machinery, investment, and the entire consumer goods industry; supplies organic, inorganic chemicals, dyes, laboratory chemicals, thermoplastics that the manufacturing industry needs; and it is an important branch of industry that has a significant share in global trade. 30% of the Chemical Industry products are used by end users while 70% are used as inputs by other sectors.

The chemical industry has been localized mostly in the coastal regions of the country in terms of logistics importance. Most of the chemical companies manufacturing petroleum and petroleum products, detergents, soaps, pharmaceutical chemicals, paint are located in Istanbul, Kocaeli and Sakarya in the Marmara Region; in Izmir in the Aegean Region; while most of the fertilizer and petroleum products companies are concentrated in the Mediterranean Region.

As for foreign trade, Chemical Industry export in 2015 was realized at $16.5 billion and had a 11% share in Turkey's export. Due to the dependence on imported raw materials, its share in Turkey's import was 21% with $43.0 billion.

Per capita sales of the Chemical Industry in EU countries, is approximately €1,860 on average and that Turkey is well behind the EU countries with €196.

Polisan Kimya is one of the Leading Manufacturers of Turkish Chemical Industry.

Bitlis Family brought in the technology to produce chip board, MDF, plywood, Formica resins, fiber glass and rock wool resins, melamine, urea, and phenol formaldehyde resins for the first time in Turkey. Polisan Kimya's first facility has been established in Kağıthane in 1968. In 1977, Polisan Kimya has moved its facilities operating in Kağıthane to Dilovası where it is still carrying out its activities, due to the need for increasing capacity and easy access to raw material sources.

Polisan Kimya, which moved to Dilovası facilities with a brand new technology, has become the market leader by simultaneously following up the developments in resin production with the world since its inception. Having established in the Dilovası Organized Industrial Zone, Polisan Kimya has a competitive edge due to its logistic advantage with close proximity to the chemicals material port, highway, and railways, and continues its investments to grow both vertically and horizontally.

The products and their annual capacities manufactured by Polisan Kimya, which widens its product portfolio with its professional work force and R&D investments, are as follows:

Production Capacity	Ton/Year
Formaldehyde and Resins	150,000
Construction Chemicals	50,000
Adblue©/AUS 32	40,000
Anti Freeze	10,000

Formaldehyde and Resins

Polisan Kimya is Turkey's First Formaldehyde Resin Manufacturer.

Polisan Kimya is Turkey's first producer of formaldehyde, urea formaldehyde resins, melamine formaldehyde resins, and phenol formaldehyde resins, used as intermediate material for particle board industry.

The areas of use for resin are production of paper impregnation, chip board, MDF, and plywood; wood paving, parquet – parquet laminate, sanding industry, casting industry, insulation – isolation industry, flower foam resin, and waterproof chipboard, MDF and plywood. The areas of use for urea formaldehyde concentrate (UFC) are urea formaldehyde resins, melamine urea formaldehyde resins, and the urea industry. The areas of use for formaldehyde are the production of synthetic resin, synthesis of chemical substances, agriculture and stockbreeding, sugar factories, production of cleaning materials, and cosmetic industry.

Formaldehyde and resins constitute 65% of Polisan Kimya's revenues and Polisan Kimya is ranked the first with a 40% share in the Turkish Formaldehyde and resins market.

Turkey is the 5. Largest Consumer in the World's Board Industry, in Which Formaldehyde Resin is Used.

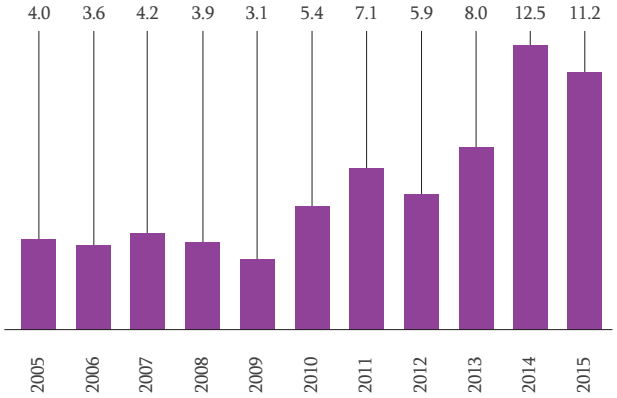
Particle boards and MDF are the boards, which are engineered by gluing and shaping the dried chips, obtained from wood or lignified other lignocellulosic raw materials, with synthetic resin binders under heat and pressure.

The board industry have a significant place in the economy as it is related to a wide range of occupation, product and industry group such as the furniture, forest management, glue and chemical manufacturing industry, sawmills and carpenters, paper industry (prefabricated houses), furnishings, wood traders, petroleum product dealers, automotive industry, energy sector, profile producers, forest-village cooperatives, cement sector and metal industries.

According to the 2015 data released by the US Food and Agriculture Organization (FAO), global production of wood-based panels has increased to 399 million m³; while Turkey was ranked the fifth in consumption following China, USA, Russia, and Germany. Having grown its average sales volume between 2005 and 2015 above that of Turkey; the board market realizes approximately 50% of the production in the Marmara Region.

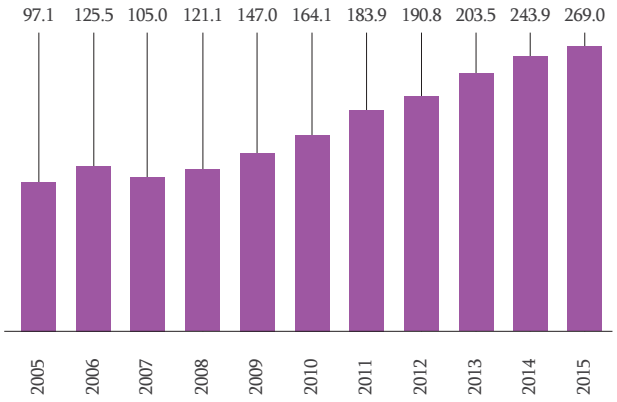
Polisan Kimya estimates that Particle Board sales in Turkey in 2016 were realized at 12 million m³ while Fiber Board sales were at 275 million m³.

Particle Board Sales (mln m³)



Source: *TurkStat*

Fiber Board Sales (mln m³)



Source: *TurkStat*

Construction Chemicals

Polisan Yapı Kimyasalları A.Ş.

Polisan Holding has invested to establish Polisan Yapı Kimyasalları A.Ş. in 2011 and improved its product portfolio with cement chemicals. Having certified the quality of its products with a CE Certificate, Polisan Kimya sells its products to Polisan Yapı Kimyasalları. Additionally, Polisan Yapı Kimyasalları carries out sales and marketing activities in the area of concrete and cement chemicals for ready-mixed concrete manufacturers, construction projects (dam, highway, port, airway, etc.), prefabricated manufacturers, and cement manufacturers.

POLİSAN YAPI KİMYASALLARI IS ONE OF THE LEADERS OF THE CONCRETE AND CEMENT ADDITIVES MARKET.

The products of Polisan Yapı Kimyasalları are classified under 4 categories; namely, concrete additives, cement additives, epoxy ground coating systems, and repair and maintenance mortars. Polisan Yapı Kimyasalları targets to have a 10% share in the market, which has 7 foreign and 12 domestic companies. Polisan Yapı Kimyasalları, which supplies various products in the construction chemicals market, has a 17% share in Polisan Kimya revenues.

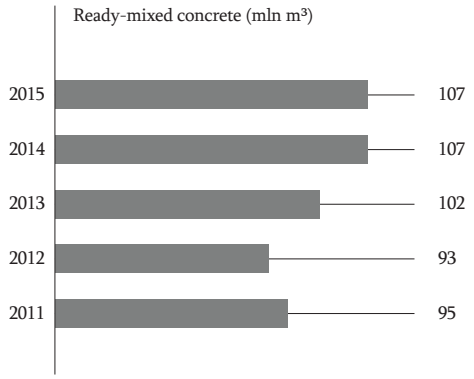
In 2015, Polisan Holding has acquired 49% Polisan Yapı Kimyasalları shares owned by And Beton ve Çimento Kimyasalları Sanayi Ticaret Ltd. Şti.; and increased its share in the Company to 100%.

As the world's population rises, people's need for shelter, health, education, and urban infrastructure increases. In order to meet this increasing need, high quality houses, offices, schools, hospitals, highways, dams, and etc. are needed to be constructed continuously. In this process, the most sought construction material is the concrete. Particularly in Turkey, almost all of the land and majority of the big cities are in the earthquake zone. In an attempt to prevent big loss of lives and property during the disasters that frequently take place, some measures were taken to ensure construction safety. The new earthquake legislation that was put into practice as of January 1, 1998 has defined the lowest concrete strength class to be used in earthquake zones as C 20 to increase the construction quality and erect buildings, which are really earthquake resistant. So, a step was taken towards reducing the possible loss of life and property to the minimum during an earthquake.

TURKEY IS EUROPE'S 1. AND THE WORLD'S 3. READY-MIXED CONCRETE PRODUCER.

Ready-mixed concrete and iron are important materials that make up the carrier system in the reinforced concrete structures. 95% of the constructions in Turkey are being built in reinforced concrete structures and ready-mixed concrete is used in these structures. Based on the European Ready-Mixed Concrete Association (ERMCO) data, in terms of the strength class of the concrete used; with 72%, Turkey is among the North and South European countries at C25/30-C35/45 strength class and above the European average of 58.6%.

With 107 million cubic meters of ready-mixed concrete production in 2015, Turkey has been ranked the first in Europe and the third globally. Evaluating within the context of the European Ready-Mixed Concrete Association's member countries, Turkey was the first in Europe with 1.3 cubic meter per capita ready-mixed concrete production. In Turkey, approximately 290 kg cement was used per cubic meter of ready-mixed concrete and the ratio of cement to ready-mixed concrete was realized at 58.0%. The additive used per cubic meter was approximately 4 kg.



***Source:** TRMCA*

The ready-mixed concrete consumption is estimated to grow by 5% (Source: Chairman of TRMCA, Yavuz Işık) in 2016 on the back of continuing Urban Transformation Projects. There are constructions built with low quality ready-mixed concrete in the areas, which are planned to be renewed within the Urban Transformation Projects. Within this context, 8 million houses need to be renovated. Additionally; the requirement, particularly for the new buildings, to use ready-mixed concrete with a Quality Assurance Standard Certificate, the need for 1.5 million cubic meters for the third bridge, over 1 million cubic meters for the third airport and its transit ways, as well as fast train and dam projects are expected to sustain the growth in the Ready-Mixed Concrete Sector.

Smart Solution Product Group

Polisan Kimya is Turkey's First ADBLUE©/AUS Producer and Among The Market Leaders.

EU has defined "Euro-1" emission standards for the first time in 1993 in an attempt to protect environment and prevent global warming. These standards foresee that all brands willing to sell vehicles in the EU are to reach a determined emission value until the specified years. Euro-6 standards are started to be applied in 2014.

Euro norms are not directly related to the fuel consumption but rather they aim to reduce gas and particles, which are released through the exhaust and harmful to the environment such as nitrogen oxide, hydro carbons, and carbon monoxide. In an attempt to reduce these emissions, manufacturers initially started to work on more efficient engines. In cases where the engines consuming less fuel were not enough, the manufacturers found ways to reduce emissions with side technologies.

Adblue©/AUS 32, which can be used with German Automotive Foundation's (Verband der Automobilindustrien) VdA license, is a chemical mixture, not toxic for the human health. AdBlue©, decreasing NOx exhaust gas emission by 80%, saves up to 4% in diesel consumption and contribute to a cleaner environment. Europe's all leading truck and bus manufacturers have models that require Adblue©. Adblue© is conserved in a specific, separate tank and cannot be mixed with diesel or any other fuels. Adblue© is used with Selective Catalytic Reduction (SCR) System. Adblue© is compliant with ISO and CEFIC legislations.

In Turkey, except for MAN and SCANIA, all vehicle manufacturers and domestic and foreign OEMs (Original Equipment Manufacturers) with diesel engines having an emission ratio of 3.5 gr/kwh based on Euro 4 norms applied as of 2005, and with diesel engines having an emission ratio of 2.0 gr/kwh based on Euro 5 norms applied as of 2009, has chosen SCR technology to reduce exhaust and gas emission.

Having adopted the environment protection and health criteria prioritized by EU, Polisan Kimya perceived the obligation of all OEM vehicle manufacturers to comply with Euro norms as an opportunity. In 2010, Polisan Kimya received the Adblue©/AUS 32 license certified by VdA and became one of the most important manufacturers and sellers in the sector. Polisan Kimya undersigned a first and became the first AdBlue© manufacturer in Turkey for the global giants such as Lukoil, BP, Petrol Ofisi, and Total. Polisan Kimya estimates that the Turkish AdBlue© Market grew 32% in 2016 compared to a year ago and reached 120,000 tons and it is the market leader with a 16% share.

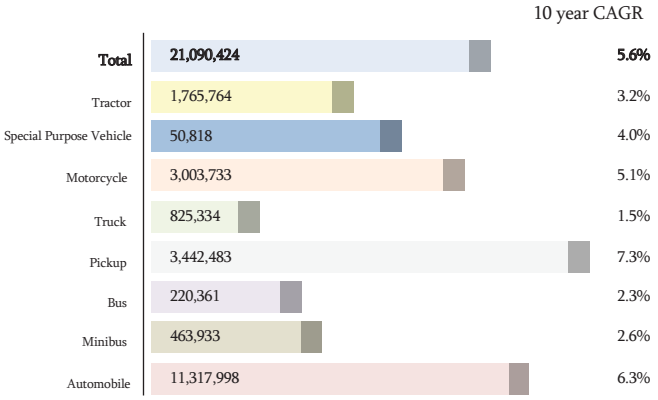
In 2015, Polisan Kimya added Organic and Inorganic Anti Freeze to its "Smart Solution" product line, which it initiated with Adblue. The products were offered to the market through AdBlue distribution channel. Potential users of the products of this group are logistics companies; the buses and metro buses used in the transportation sector; duty vehicles used in the construction industry; concrete mixers; motor farm vehicles and fuel companies. Polisan Kimya aims to increase Smart Solution product revenues, which has a 10% share in total revenues along with the use of high technology vehicles and by manufacturing other products that can be sold through the same sales channel.

Polisan Kimya targets to maintain its leadership in the market by expanding its product range with new products tailored for the needs of consumers, to be the sole contract manufacturer of the corporate structures, to be positioned as an important exporter in the region.

21 Million Vehicles Increasing ~6% Annually Points to the Growth Potential for the Adblue Market.

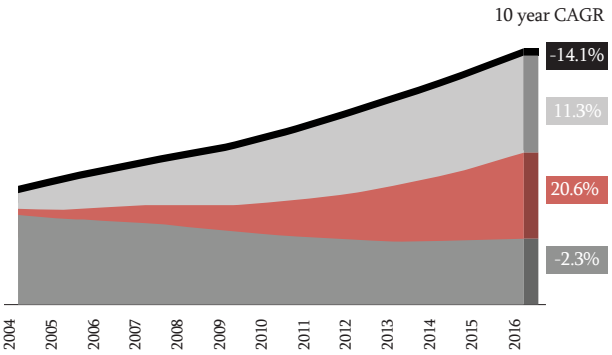
According to TUIK data, the number of registered motor vehicles in traffic between 2006 and 2016 grew by a CAGR of 5.6% while the number of vehicles increased by 5.5% compared to a year ago and was realized at 21,090,424. In EU countries, no vehicles other than, which comply with Euro 6 norms can be sold since 2014. In Turkey, Adblue is to be used in all vehicles to be manufactured as of September 2016, comprising Euro 6 diesel engine. The growing number of vehicles and the obligation to comply with Euro norms point to a growth potential for the Adblue market.

Registered Motor Vehicles in Turkey in 2016



Source: *TurkStat*

Breakdown of Registered Automobiles as of 2016



	Gasoline	Diesel	LPG	Other
Registered Automobiles in 2016	3,031,744	3,803,772	4,439,631	42,851
Share based on Fuel	26.8%	33.6%	39.2%	0.4%

Source: *TurkStat*

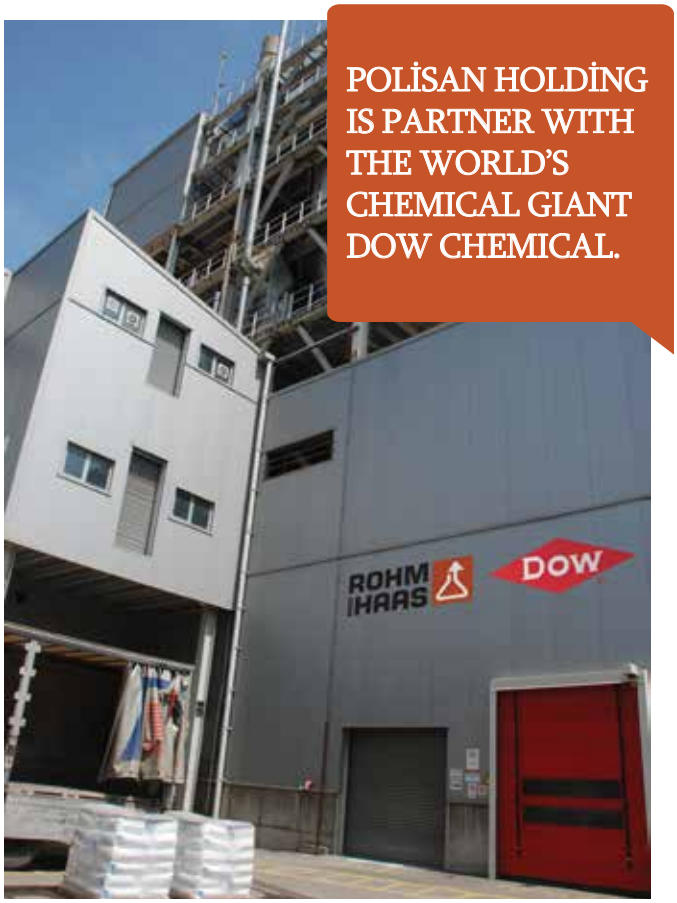
Polymers

Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş.

Polisan Holding has initiated the production of emulsion polymers used as input of various industries such as paint, wood, textiles, carpeting and glue with Polisan Kimya for the first time in Turkey in 2001, and in 2004, the Holding has established a JV with Rohm and Haas; one of the world's leading companies in this area.

The primary activities of Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş. ('Rohm and Haas') are to purchase, sell, market and trade emulsion polymers and their raw materials.

This partnership has continued with Dow Chemical, which is one of the world's largest chemical companies, after it has acquired Rohm and Haas in 2009.



POLİSAN HOLDİNG IS PARTNER WITH THE WORLD'S CHEMICAL GIANT DOW CHEMICAL.

Polisan Kimya's Productivity Growth was Supported by Falling Oil Prices.

TRY (million)	2015	2016	2015-2016 (%)	4Q15	3Q16	4Q16	4Q15-4Q16 (%)	3Q16-4Q16 (%)
Revenue	158.5	165.9	4.7%	41.7	41.6	49.5	18.7%	19.1%
EBITDA	15.9	22.0	38.2%	6.0	4.6	8.3	39.2%	81.8%
EBITDA margin	10.1%	13.3%	3.2 p.p.	14.3%	11.0%	16.8%	2.5 p.p.	5.8 p.p.
Net Income	-8.6	-4.1	n.m.	8.0	-3.2	-0.2	n.m.	n.m.

In 2016, Polisan Kimya's sales totaled 121,610,468 kg (2015: 129,350,365 kg); consisting of 19,807,353 kg (2015: 25,644,706 kg) construction chemicals, 20,649,586 kg (2015: 15,698,772 kg) smart solution products and 81,153,529 kg (2015: 88,006,887 kg) formaldehyde and resins. The production volume of PCE, recently added to the product portfolio, and just used as input in the manufacturing for the time being, was 1,350,000 kg.

Polisan Kimya Products Sales Volumes and Share in Revenues

	Revenue Share 2015	Sales Kg 2015	Revenue Share 2016	Sales Kg 2016	Sales Kg 2015-2016 (%)
Formaldehyde and Resins	68.8%	88,006,887	65.3%	81,153,529	-7.8%
Construction Chemicals	17.6%	25,644,706	17.1%	19,807,353	-22.8%
Smart Solution Products	6.6%	15,698,772	10.4%	20,649,586	31.5%
Other	7.0%		7.1%		
TOTAL		129,350,365		121,610,468	-6.0%

In 2016, Polisan Kimya's revenues increased by 4.7% compared to the last year, and was realized at TRY165.9 million supported by f/x indexed sales prices. In terms of sales volume, Formaldehyde and Resins sales declined especially during the last quarter of the year, due to the effect of the conjuncture, and a slowdown was observed during the restructuring of the construction chemicals sales group, while smart solution products sales rose after the restructuring in its sales channel. Based on operational areas, the share of formaldehyde and resins, smart solution products, construction chemicals, and other products in revenues were 65.3%, 10.4%, 17.1%, and 7.1%, respectively.

EBITDA margin increased 3.2 p.p. to 13.3%, due to the positive impact of the improvement at facilities in 2015, and declining raw material costs.

On the back of positive contribution of operational efficiency, net loss decreased to TRY4.1 million.

In 4Q16, revenues rose by 18.7%, due to the currency effect, and increased sales volume in the construction chemicals. Increasing efficiency in the facilities contributed to a 2.5 p.p. rise in EBITDA margin, which was realized at a high level of 16.8%. However, due to financial expenses, a net loss of TRY0.2 million was recorded.

Having achieved its targets in 2016, Polisan Kimya estimates that it can increase its revenues by ~30% and record EBITDA margin at similar levels in 2017 with the completion of the structuring of construction chemicals sales channel, product diversity and regional expansion.

PET (Polyethylene Terephthalate)

Polisan Hellas S.A

Polisan Hellas is Polisan Holding's First International Investment.

Polisan Holding has realized its first investment abroad, in Greece's port town Volos through Polisan Hellas, which operates in the plastic products segment of the chemical industry.

Polisan Hellas SA, which is 100% owned by Polisan Holding, was established with a capital of €24,000 in August 2013 to carry out operations in Greece. In September 2013, Polisan Hellas has purchased 100% of the assets owned by Spanish Artenius Hellas, the sole Polyethylene Terephthalate (PET) resin producer in Greece and Balkan region. The capital of the Company has been increased to €1,400,000 as suggested by the official authorities within the framework of the purchasing transaction and has been fully paid out by Polisan Holding. The total amount of investment for Polisan Hellas SA including taxes, all fees and other expenses is €8,675,000. Located on a 15 hectare closed area and 75 hectare land in total, Polisan Hellas' facility is approximately worth of €50 million.

Polisan Hellas has all the certificates such as ISO 9001, ISO 14001, OHSAS 18001, and ISO 22000 required by the major beverage companies. The Company completed all the periodic maintenance of the integrated facility processed with advanced technology manufacturing modules right after the transaction. The facility with an annual production capacity of 80,000 tons has been rapidly integrated with Polisan Holding for the production of Polyethylene Terephthalate (PET) granule and preform, which has a wide range of usage area such as soft drink, water, food and beverage bottles, and synthetic fiber. After the completion of the necessary certification processes, the client portfolio has been set up and the Company started to record meaningful revenues by April 2014.

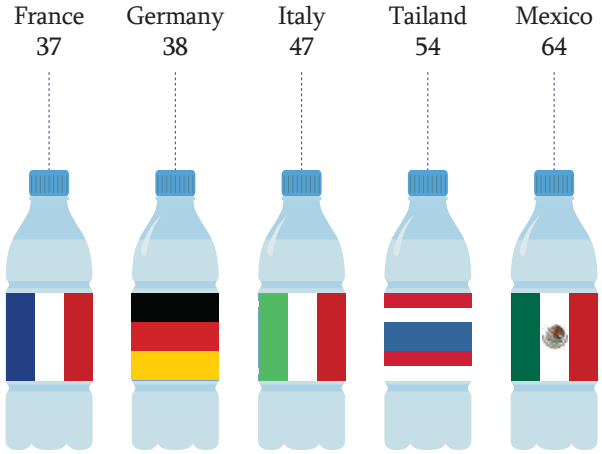
Polisan Hellas' land is eligible to use for different investment purposes and the Company is to provide synergies for Polisan Holding Companies by using Polisan Kimya's technologic know-how and marketing capabilities in the area of polymerization, Polisan Kansai Boya's sales network in the future, and Poliport's logistic and storage advantages in raw material procurement.

The PET resin manufactured is marketed to carbonated and non-carbonated beverage manufacturers engaged in production on a global scale; drinking water sector; preform producers; entire Balkans including Greece and Italy. In the medium term, it is targeted to reach full capacity in production and sell the entire product manufactured. Polisan Holding has started to consolidate Polisan Hellas into its financials by the end of 2013.

WORLD PET MARKET IS EXPECTED TO POST A 4.6% GROWTH IN 2016.

Due to its lightness; PET began to be preferred to the conventional packaging materials such as glass, aluminum paper, and metal. According to the Plastic Insight report, the world PET resin market was 20.6 million tons in 2015. Of the 27.8 million tons production, China, which captured a 27% share was followed by Europe (17%), North America (17%), Asia (16% excluding India and China), MENA (9%), South America (7%), and India (7%), respectively. According to a study conducted by Tecnon OrbiChem, global PET consumption is expected to grow by around 4.6% in 2016, with regional differences. It is estimated that, PET resin consumption in 2015 grew over ~2% in the Western Europe, in which the countries having the highest bottled water consumption in the world, are located, and growth in 2016 to be at similar levels.

Countries With The Highest Bottled Water Consumption In 2015 (Per Capita / Galon)



Source: *Plastic Insight*

Polisan Hellas Supports its Revenues with Exports, and its Profitability through Cost Measures.

TRY (million)	2015	2016	2015-2016 (%)	4Q15	3Q16	4Q16	4Q15-4Q16 (%)	3Q16-4Q16 (%)
Revenue	154.2	186.9	21.2%	33.7	46.5	49.5	46.8%	6.6%
EBITDA	-3.8	2.8	n.m.	-3.4	1.0	-0.5	n.m.	n.m.
EBITDA margin	-2.5%	1.5%	4.0 p.p.	-10.1%	2.2%	-1.0%	9.1 p.p.	-3.2 p.p.
Net Income	-8.7	-5.3	n.m.	-4.6	-0.2	-4.1	n.m.	n.m.

In 2016, Polisan Hellas' revenues increased 21.2% compared to a year ago and realized as TRY186.9 million with increasing sales volume and positive impact of the f/x rates. Through its marketing strategy focusing on exports, Polisan Hellas successfully managed the pressure on sales due to the economic environment in Greece, and protection on the product, which restricts its sale in the Turkish market. Revenue growth stemmed from the domestic demand for the PET resin, gradually increasing during the year, as well as the sales to Europe and Balkan countries; thereby exports, which constitute ~30% of total sales. Operational efficiency improved by 4.0 p.p. compared to a year ago, and EBITDA margin was realized as 1.5%, as a result of the process improvements, effective inventory management, and reduction in the number machine shut downs. Accordingly, net loss decreased to TRY5.3 million.

In 4Q16, sales revenues increased by 46.8% compared to the previous year due to the weighting of exports in an attempt to eliminate inventories at the end of the year, while EBITDA margin rose 9.1 p.p. to -1.0%. However, due to financial expenses, net loss recorded stood at TRY 4.1 million.

Having achieved its targets in 2016, Polisan Hellas foresees that it can increase its revenues by ~30% by expanding its customer portfolio, and maintain its EBITDA margin at similar levels, by taking the export-domestic sales balances into consideration, depending on market conditions.

Investments and Forward Looking Expectations

Polisan Kimya commissioned a new Silver Catalyst plant in 2016 in order to increase its productivity and provide better and value added services to its customers, and as a result of the increasing productivity, the annual production capacity of the Formaldehyde and Resin increased from 120,000 tons to 150,000 tons. For 2017 and beyond, Polisan Kimya considers to engage an oxide plant through a small investment amount of several million dollars, depending on the market needs and export capabilities.

In 2016, Polisan Kimya has completed the set-up of the Customer Relations Management (CRM) system initiated in an attempt to recognize its existing and potential customers in and abroad, reach them more easily, provide them with special offers, and carry out the order process in a healthy and automated manner. In 2017, it is working on separating R&D activities from the Holding, and setting up its own R&D Center. Having focused on growth by expanding its products into new markets, areas of use, and exports in an attempt to provide with higher value added and better services; Polisan Kimya continues its studies initiated for the expansion of its sales and production network of Construction Chemicals into various regions of Turkey in addition to Marmara, in an accelerated pace. Accordingly, the Company commissioned production in its Adana facility, while Samsun facility is expected to be engaged by mid 2017. Additionally, Polisan Kimya intensively works for the sales and production network of Construction Chemicals to be effective abroad. The production centers can be established at such a low cost as much as TRY3 million. It is targeted to produce specific concrete admixtures, which is developed by R&D and can be used in tunnels and mines. The Company plans to manufacture and sell these products in North Africa, Asia and Europe markets with the goal of becoming a global player in the long term.

In February 2016, Polisan Kimya started to produce Poly Carboxylate Emulsion ("PCE"), which is the main input of hyper fluid manufactured in construction chemicals. Polisan Kimya initially targeted to decrease its cost by producing the PCE, which is an important raw material for construction chemicals. Besides, in 2017, the Company plans to sell the product to domestic companies engaged in the production of construction chemicals. Currently, the estimated size of the Turkish market is 50,000 tons and it is expected to double in size in five years. In the years to come, the product is aimed to be sold not only in domestic market but also in abroad using Polisan Holding subsidiaries' sales network.

Within the framework of use of AdBlue for all vehicles comprising Euro 6 diesel engine in Turkey, the market is expected to grow, and demand, which is currently outside the city, to begin to shift towards the city centers in the near future. In addition, parallel to the development of environmental legislation and environmental awareness, Turkish market is expected to reach 200,000 tons by 2020. In the long run, use of AUS40 is predicted to be mandatory for sea vessels and that demand for Adblue is projected to further increase.

Polisan Hellas evaluates different projects with an aim to increase revenue and profitability through insignificant investments in the area of PET recycling and preform production. Additionally, the protection on PET resin in the Turkish market is to be lifted gradually as of 2020-2021 period and that the product will be able to be sold in Turkey. This will be a factor that will further increase efficiency of Polisan Hellas.

While Polisan Kimya invests in new technologies to achieve cost-efficiency advantage, it also differentiates its product base and revenue portfolio by entering into industries, which are sustainable for the future.

Real Estate

Polisan Yapı has two real estate projects in İstanbul, which is one of the most attractive cities in the World.

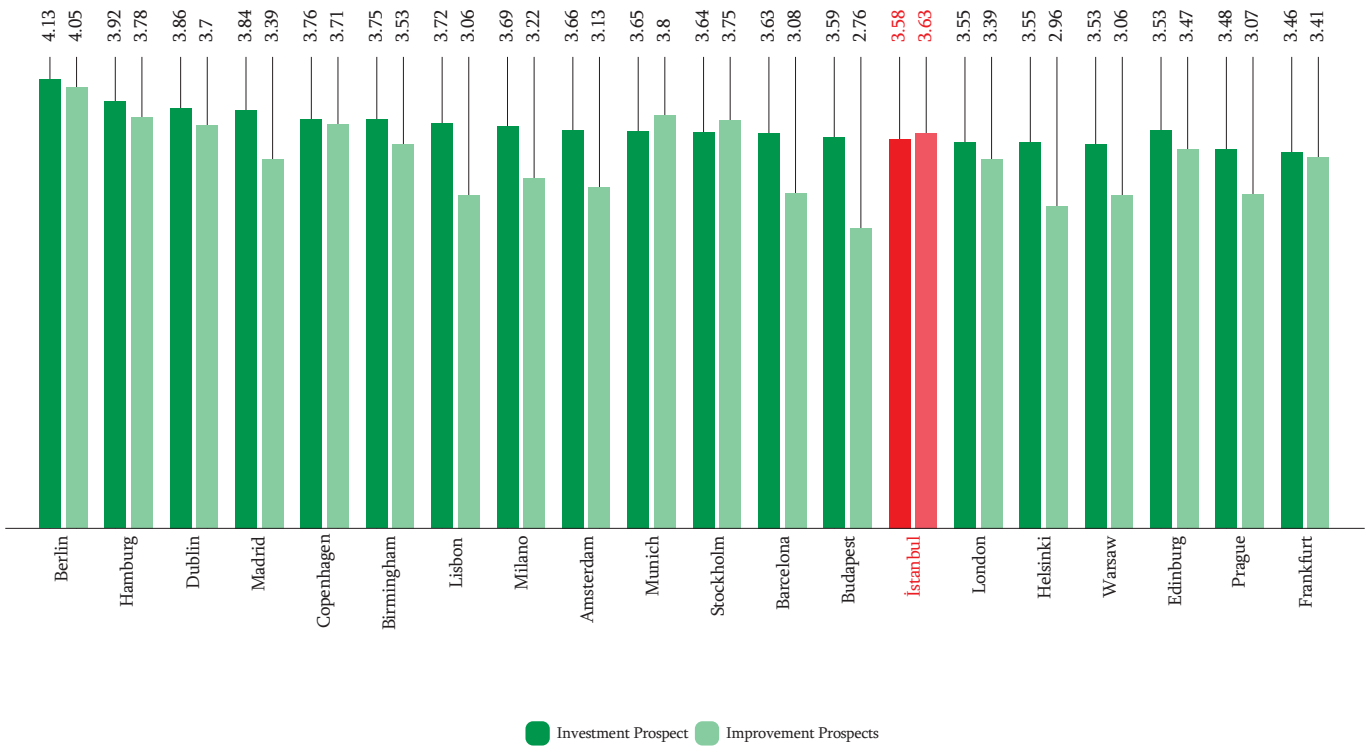
Real Estate Industry in Turkey

As much as economic development, which has a major influence in improvement of real estate market; the demand for real estate increases steadily due to the rapid population growth in our country, decreasing number of people per household along with the cultural changes, urbanization, increasing income levels and living standards.

İstanbul is One of the World's Most Attractive Cities in the Real Estate Sector.

The regulations regarding to the Land Registry and Cadaster Law, Mortgage Law, and Tax Laws to preserve and improve the competitive nature of the real estate industry, updates that reduce the investment process to a few simple steps, and the Housing Financing Regulation, which came into force to protect consumer rights have facilitated the entry of investors into the real estate industry in Turkey. According to the Emerging Trends in Real Estate Europe 2016 Report; Istanbul ranks 14th among the attractive investment centers in Europe.

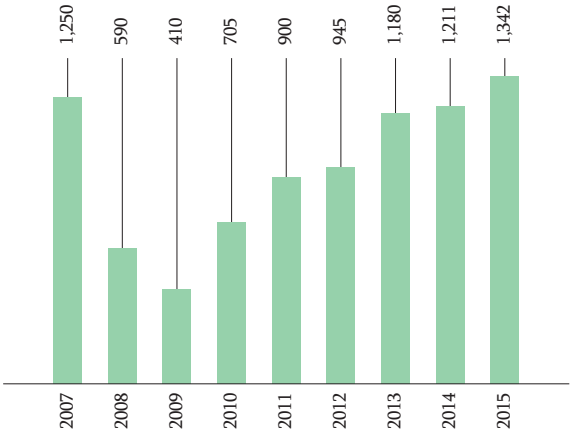
	2014			2015		
İstanbul	Outlook	Degree	Ranking	Outlook	Degree	Ranking
Current Investment Performance	Good	3.27	20	Good	3.58	14
Improvement Prospects	Good	3.33	9	Good	3.63	7



Source: *Emerging Trends in Real Estate Europe 2016*

Office, Residence and Industrial Investments are Preferred in the Global Real Estate Sector.

Global Real Estate Purchases



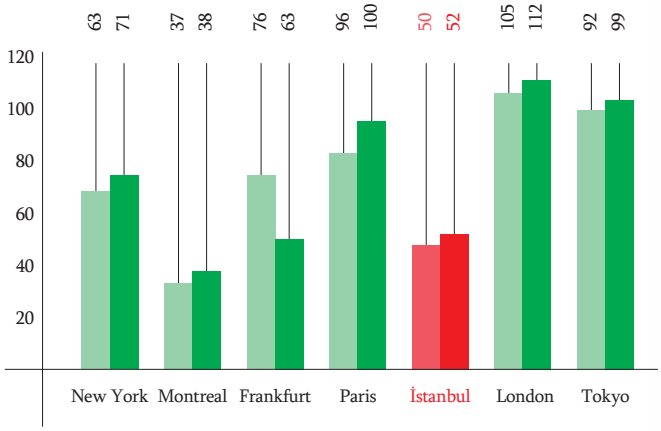
Preffered Real Estate*

Real Estate Share %	Office	Hotel	Land	Retail	Residence	Mall	Industrial
Asia	62	28	21	21	31	21	38
Europe	71	25	12	36	26	41	32
UK	59	25	22	33	37	29	49
Latin America	52	19	27	13	19	37	60
USA	55	17	15	26	42	45	64
Middle East	64	21	14	29	36	21	50

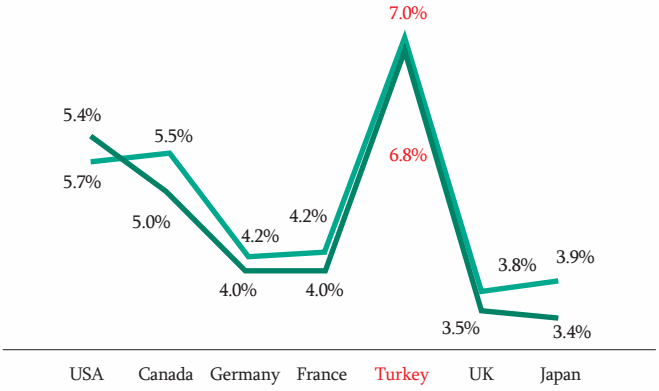
Source: *Cushman Wakefield International Investment Atlas 2015, Colliers Global Investor Outlook 2016*
**The total exceeds 100% due to the investment in more than one property.*

The Acceleration of Economic Growth Leads to a Rapid Improvement in the Office Market.

Monthly Office Rental Rates Per Square meter ($)



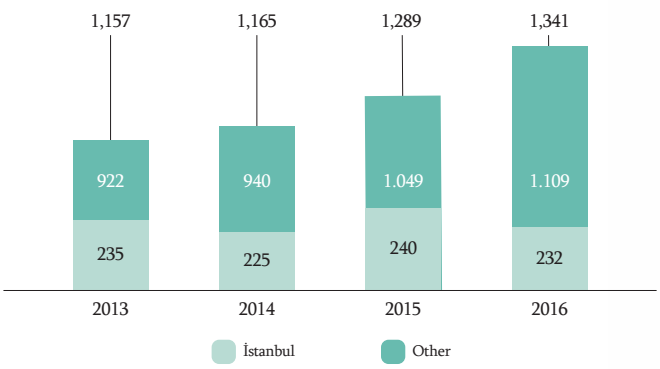
Annual Rate Of Return On Office Investment (%)



Source: *Cushman Wakefield International Investment Atlas 2015, Global Office Forecast*

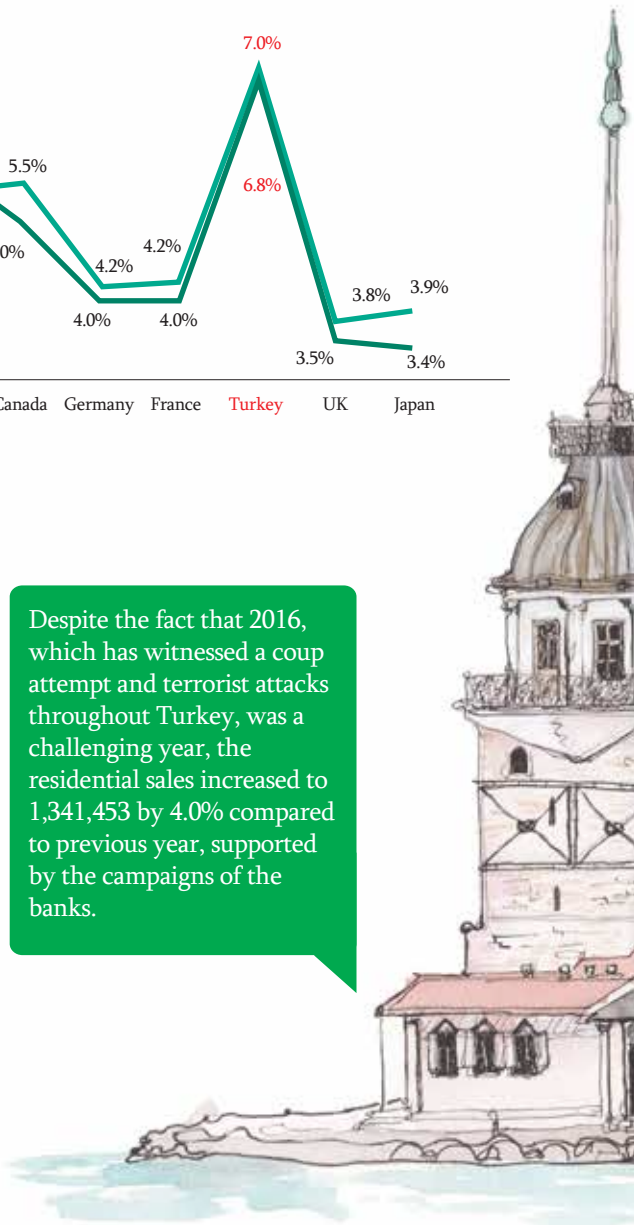
In Turkey, Residential Sales Continued to Increase Led by Istanbul.

Sales Residential (000)

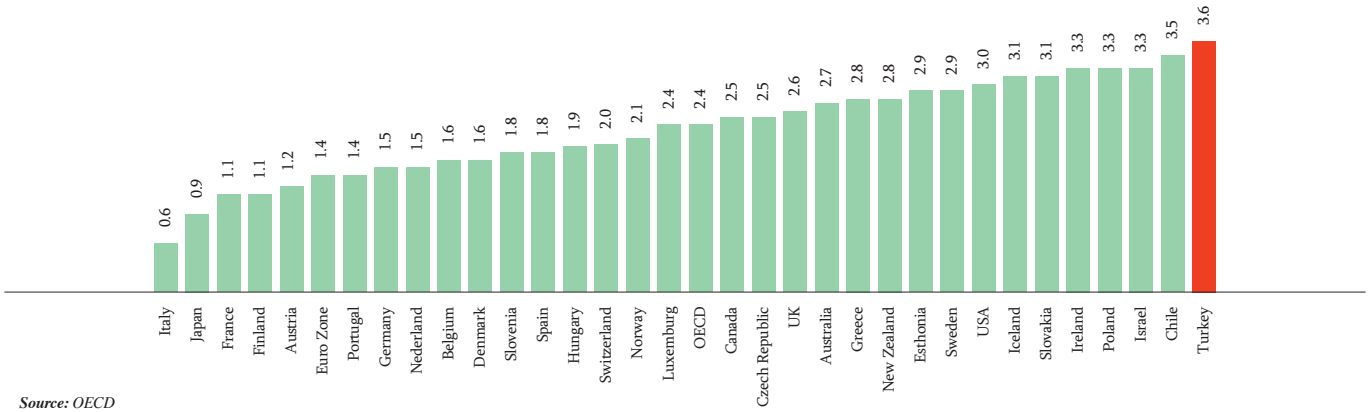


Source: *TurkStat*

Despite the fact that 2016, which has witnessed a coup attempt and terrorist attacks throughout Turkey, was a challenging year, the residential sales increased to 1,341,453 by 4.0% compared to previous year, supported by the campaigns of the banks.



Turkish Economy Continues to Grow Despite Challenges.

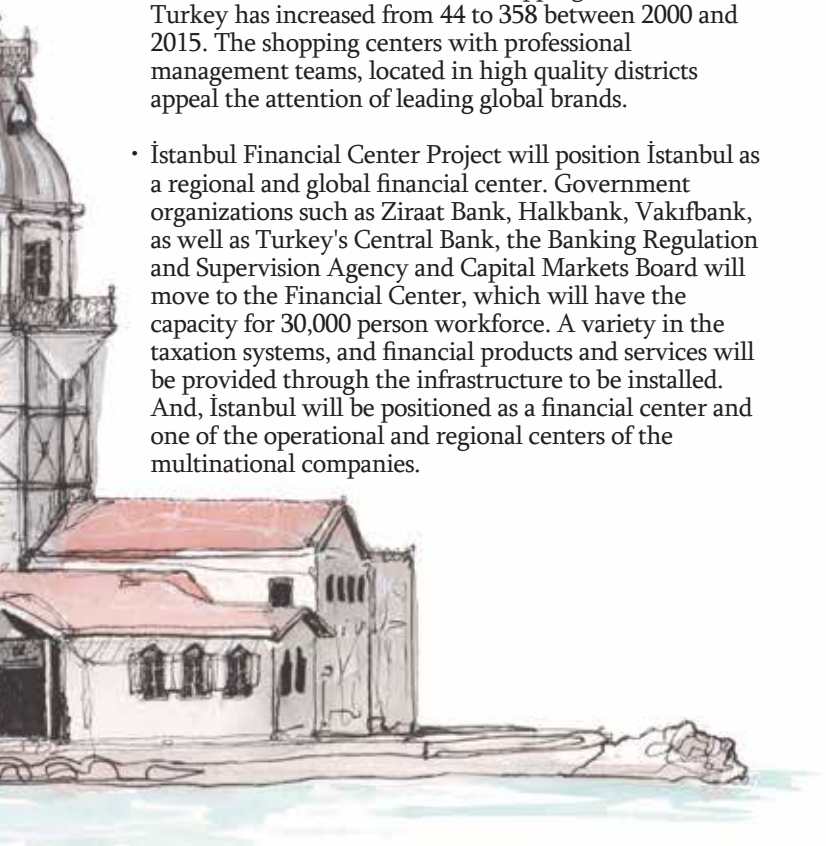


***Source:** OECD*

By means of the structural reforms, which have been initiated following 2001 crisis, and continuing since 2002 to harmonize the macro economy with the global economy, the focus has been particularly on the liberalization of the Turkish economy, increasing role of the private sector, enhancing the efficiency/resiliency of the financial sector, and building the social security system on a solid ground. Looking at 2015 and beyond, the fact that the monetary tightening policies of the Federal Reserve (FED) are an important milestone in the global markets, growth problems in the world economy, developments in commodity prices, expansionary or tightening policies of large central banks, and geopolitical risk factors were determinant for the economy and the real estate sector in Turkey. According to OECD estimates, with real GDP growth at an average ~6% between 2003 and 2014, Turkey is one of the fastest growing economies among OECD member countries with an annual average growth rate of 3.6% in 2014-2016.

İstanbul is an important financial, industrial, and logistics center corresponding to approximately 27% of Turkey's total GDP, by itself.

- The population of İstanbul, which reached 14.8 million with an average growth rate of 1.8% between 2000 and 2016, is growing faster than the population of Turkey, which increased by 1.3% on average to 79.8 million in the same period.
- The multinational companies particularly addressing Middle East, North Africa (MENA) and Commonwealth of Independent States (CIS) regions establish operation offices to İstanbul, which became Turkey's financial center. The number of modern shopping centers in Turkey has increased from 44 to 358 between 2000 and 2015. The shopping centers with professional management teams, located in high quality districts appeal the attention of leading global brands.
- İstanbul Financial Center Project will position İstanbul as a regional and global financial center. Government organizations such as Ziraat Bank, Halkbank, Vakıfbank, as well as Turkey's Central Bank, the Banking Regulation and Supervision Agency and Capital Markets Board will move to the Financial Center, which will have the capacity for 30,000 person workforce. A variety in the taxation systems, and financial products and services will be provided through the infrastructure to be installed. And, İstanbul will be positioned as a financial center and one of the operational and regional centers of the multinational companies.
- The Urban Transformation Projects in İstanbul are expected to reduce the traffic and population density; positively reflecting on the household and office prices. Some of the completed, ongoing and planned projects are as follows:
  - The renewal of 2 million households,
  - "Canal İstanbul Project": Building a canal between Black Sea and Marmara Sea,
  - "Two Cities Project": Establishing two cities for a population of 1,000,000; one in the İstanbul's European Side at Kemerburgaz, the other in Asian Side at Tuzla,
  - 3. Bridge named Yavuz Sultan Selim,
  - A new airport intersecting with North Marmara Motorway, 3. bridge, and the high-speed railway,
  - "Eurasia Tunnel" that will reduce the distance between Kazlıçeşme and Göztepe to 15 minutes,
  - "Galata Port", which is to serve 3 million passengers and compete with the global leader; Barcelona,
  - "İstanbul-İzmir Motorway Project", which will reduce the travelling time to 3 hours,
  - Other railway, motorway, logistics, and infrastructure projects.



Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.

The primary activities of Polisan Yapı İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Polisan Yapı") are to engineer buildings and plants; to construct water channels, roads, bridges, dams, sewers and infrastructure facilities; to produce, market and trade construction and installation materials; and to organize all kinds of domestic and international trips for touristic, professional, and training purposes; and arrange professional meetings

THERE ARE REAL ESTATES IN POLİSAN HOLDİNG'S PORTFOLIO TO BE UTILIZED FOR DIFFERENT PURPOSES.

	Location	m²	Appraisal Value (TRY - Excl. VAT)	Current Status/ Development Plan	Registered Company
Lands used for operations	Kocaeli Dilovası İskelesi* Kocaeli Dilovası Kocaeli Gebze – Aysan** Aydın Karacasu*** Balıkesir İvrindi***	146,051 90,142 31,810 2,381,975 4,340,000 Total	300,000,000 121,500,000 33,389,100 4,637,492 4,499,906 464,026,498	Poliport Facilities Poliport Facilities Poliport Facilities Agricultural area Agricultural area	Poliport Polisan Kimya Polisan Kimya Polisan Kimya Polisan Kimya
Properties for building residents or offices	İstanbul Pendik**** İstanbul Kağıthane****	178,720 26 shops, 76 offices Total	202,462,110 54,218,000 256,680,110	Land for Resident & Commercial Offices Shops and Offices	Polisan Yapı & Polisan Holding Polisan Yapı
Properties that May Be Partially Used for Investment	Kocaeli Gebze -GebKim**** Kocaeli Dilovası-DOSB Kocaeli Gebze - Farm*****	142,147 30,152 191,369	105,000,000 25,600,000 13,500,000	2/3 is Paint Facility, 1/3 is Investment Land Health Tourism/SPA center	Polisan Kansai Boya Polisan Kimya Polisan Kimya
	Other		6,609,500		
		Total	150,709,500		
		Total	871,416,108		

Source: Polisan Holding, appraisal reports
** Poliport land is not owned by Polisan Holding, but leased for 49 years, instead.*
*** The land in Kocaeli, Aysan is purchased for €9 million in 2013 and that its value is calculated based on the Turkish Central Bank's € Buying Rate (3.7099) as of December 31, 2016.*
**** The value of the agricultural land in Aydın Karacasu and Balıkesir İvrindi is the total of the appraisal values of the related lands as of the 2014 year end and the additional purchase cost in 2015.*
***** All appraisal values are as of 2015 year end except for GEBKİM, the land in Pendik and the unsold real estates of Kağıthane Z Office Project, whose appraisal values are as of 2016 year end.*
****** There is 1,500 decare forestry, taken care by Polisan Kimya, around the 190 decare farm in Kocaeli, Gebze.*

Polisan Yapı Signed an Agreement for a Project to be Built on Its Land in Pendik, Kurtköy

Polisan Yapı signed an agreement for a project to be built on the land in Pendik, Kurtköy. The land spreads on an approximately 180,000 square meter area and it is very close to the TEM Motorway, E-5 Highway, Sabiha Gökçen Airport, and Ankara-İstanbul high-speed railway route. On March 5, 2015, Polisan Yapı has signed an agreement for the project to be built on this land with Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ("DAP Yapı") and Dop Yapı Mimarlık İnşaat Gıda Turizm Hizmetleri Sanayi ve Ticaret Ltd. Şti. ("DOP Yapı") Joint Venture ("JV"). Based on the agreement, DAP Yapı – DOP Yapı JV will own 66% of the land however will not pay any cash. But instead, it will build on a turnkey basis and deliver 34% of the independent units to Polisan Yapı. DAP Yapı continues to work on the details of the project. The growth resulting from the increase in Sabiha Gökçen Airport's traffic and easy access to be provided by the planned Kartal–Pendik–Kurtköy metro route is expected to increase the demand for the houses and the commercial estates in the region. Besides, other business and tourism focused projects are expected to be on the agenda such as a fair, congress center, and techno-park.

Sales and Rental Process of Kağıthane "Z Office" Business Center Project has Started.

Polisan Yapı had an agreement with DAP Yapı for a Joint commercial real estate project to be built on a 9,773 square meter (net) land in Kağıthane, which is İstanbul's the 6. most densely populated district, going through a rapid urbanization process. Polisan Yapı received the deeds with construction servitudes for 126 offices and 28 shops that it owns in June 2014 for the Z Office Project, which is 42% owned by Polisan Yapı and 58% by DAP Yapı. Caasa Gayrimenkul Yönetim ve Danışmanlık A.Ş., AVM MFI Ortakları Proje Yönetimi A.Ş., and Kentsel Hizmetler Yapı ve İşletme Sanayi Ticaret A.Ş. continue activities to sell and lease these offices and shops. As of February 2017, 52 offices and shops were sold and 11 shops were leased within the Z Office Project.

Other Real Estates and Areas of Use

Kocaeli, Gebze (GEBKİM)
In 2016, Polisan Kansai Boya started to build the new paint production and warehouse facility on the 142,000 square meter land it owns in Gebze Chemical Specialization Organized Industrial Zone ("GEBKIM"). 2/3 of the land is planned to be used for the Paint Facility while 1/3 is for investment purposes.

Kocaeli, Dilovası (DOSB)
30,150 square meter land is an industrial land, which can be used for sale or a commercial investment.

Kocaeli, Gebze (Farm)
There is a 1,500 decare forestry, which is taken care by Polisan Kimya and Poliport, around the 190 decare farm in Kocaeli, Gebze. It is planned to build a SPA center focusing on the health tourism on this land and that the discussions continue with construction companies for that purpose.

Aydın, Karacasu
The 2,381,975 square meter land is to be evaluated as agricultural area.

Kocaeli, Gebze (Aysan)
The 31,180 square meter land, which is right next to the Polisan Facilities, is integrated to Poliport facilities.

Balıkesir, İvrindi
The 4,340,000 square meter land is being evaluated as the agricultural area. The planting of the walnut seedlings has already started.

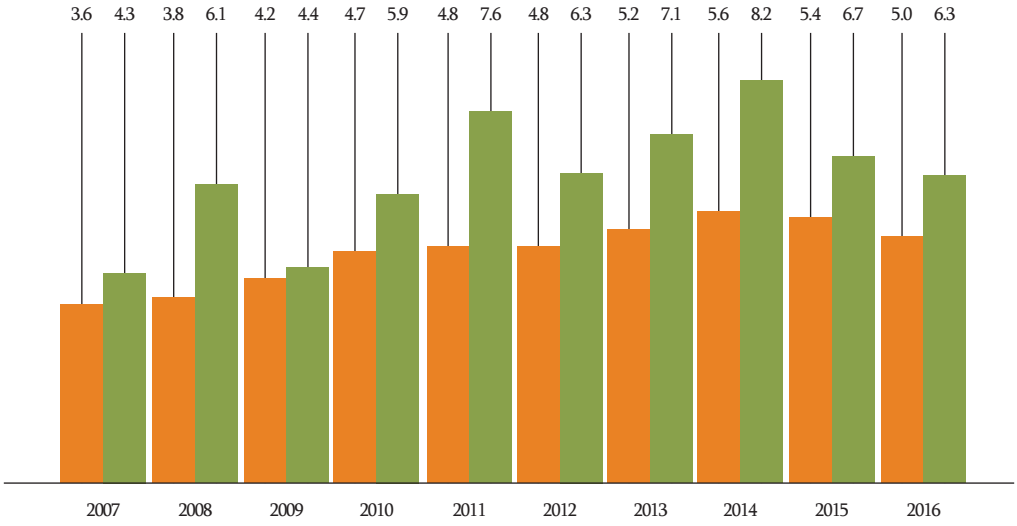
Agriculture Industry in Turkey

Polisan Tarım targets to lay out Turkey's largest walnut gardens and grow olive.

Although Turkey is an Agriculture Country, It Occasionally Becomes Net Importer of Agricultural Products.

Agriculture in Turkey is generally carried out by the family run businesses, far away from modernization. The land is usually fragmentized due to the heritage. Products cannot meet the desired standards since operations continue on small pieces of land with a low efficiency. Thereby, small businesses cannot turn into a commercial structure. Although Turkey is an agriculture country, in some years it becomes a net importer of plants. In 2016, Turkey's exports stood at $142.6 billion while it recorded $198.6 billion in imports. The exports of plants were realized at $5.0 billion and imports at $6.3 billion.

Exports of Plants Cannot Compensate for Their Imports.



Source: *TurkStat*

Looking at the products in particular, customs that Turkey imposed on some agricultural products are quite low or at zero levels. However, decisions of the World Trade Organization and Custom Union agreement limit the growth of some products in Turkey, thereby positioning it as a net importer of agricultural products.

Within this context, Ministry of Forestry and Water Affairs took action in an attempt to decrease Turkey's imports on agricultural products and prioritized genus such as walnut and almond whose fruit, leaf, seed, shell and flower can also be utilized. Accordingly, these measures will both lessen the dependency on imports and contribute to the Turkish economy by increasing the economic benefit of the local community.

Ministry of Forestry and Water Affairs has Taken Measures to Diminish the Imports of Walnut and Almond Through Action Plans.

In Turkey, 73,230 tons of almonds were produced in 2014/5 period, and according to the 2016 figures, almond exports amounted $66.4 million and imports amounted $107.1 million. In the same period, 180,107 tons of walnuts were produced; walnut exports amounted to $21.4 million and imports amounted $172.8 million.

Walnut Action Plan

Ministry of Forestry and Water Affairs has prepared "Walnut Action Plan for the Period of 2013-2016" for walnut, which is used by many sectors and thereby is a major economic source of income. For that purpose, it started studies for 5,000,000 walnut seedlings to be planted. Based on the Ministry's declarations, the global market, where total walnut production reached 2.3 million tons, is led by China and the US. However, in Turkey, consumption per person is at 2-3 kg and approximately 60% of the annual consumption is met through imports. So, Turkey lacks very behind in the global market in terms of production volume. In addition to increasing the fruit production, Walnut Action Plan also aims to establish walnut forests for the first time in order to grow walnuts suitable for timber.

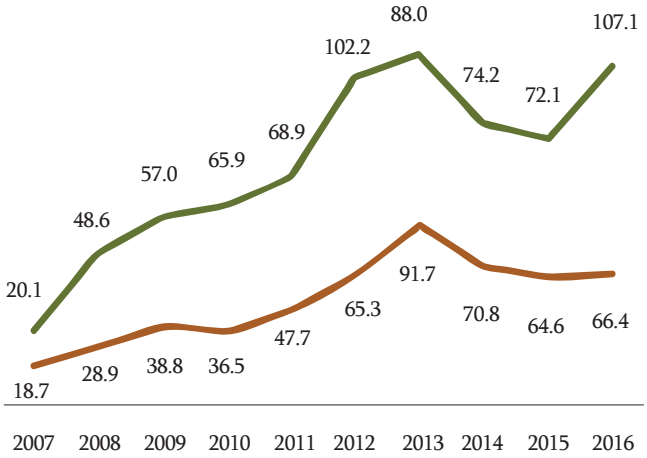
Walnut Foreign Trade (Mln $)

Source: TurkStat

Almond Action Plan

Ministry of Forestry and Water Affairs has carried out the "Almond Action Plan for the Period of 2013-2017" for almond, which is widely used in food and cosmetics industry, also to contribute to the rural development. Within the plan, 8,000,000 almond seedlings will be planted on a total of 18,912 hectare land, of which 3,803 hectare will be planted in 2013, 3,860 hectare in 2014, 3,821 hectare in 2015, 3,743 hectare in 2016, and 3,685 hectare in 2017. The Ministry expressed that, with the Almond Action Plan, they target to reverse the almond's balance of trade, which is in favor of imports.

Almond Foreign Trade (Mln $)



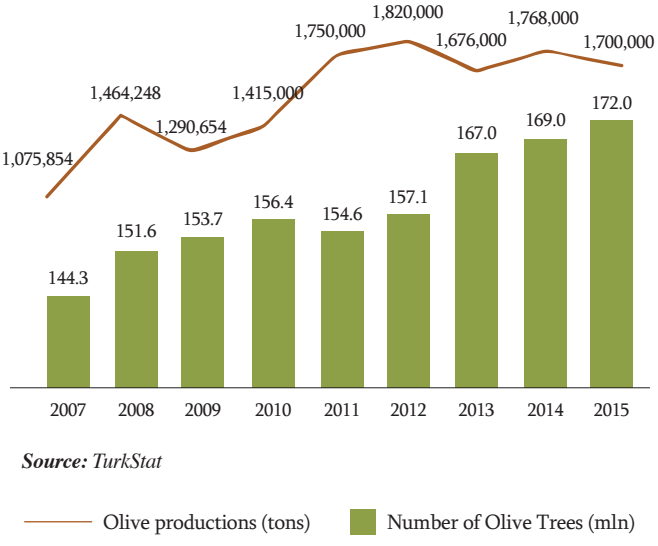
Source: TurkStat

Along With the New Regulation, Olive is Also Within the Scope of Incentive.

The "Regulation on Afforestation and Erosion Control Services", which was prepared in order to increase the forest area, develop biodiversity, and recreate the degraded forest ecosystem, was published on the Official Gazete and became valid as of January 11, 2017. According to the Regulation, based on the approved applicable project of natural or legal persons, an incentive will be provided for the special plantation and nursery work to be carried out with the trees and shrub species, including walnut, almond, and olive trees located on the bad forest areas, treasury property, and lands owned by the state. The amount of the incentive may be up to 25% of the total cost of environing, trimming, land preparation, sowing or planting, seed, slip, bud eye and graft, sapling, drip irrigation facility as well as the three year maintenance and project construction.

Number of Olive Trees (mln) and Olive Production (tons)

As of 2015, there are approximately 172 million olive trees in Turkey, with a total production of approximately 1.7 million tons, of which 400,000 tons is edible and 1.3 million tons is for olive oil. Approximately 20,000 tons of olive oil is exported to an average of 90 countries including primarily the USA, Japan, Saudi Arabia, Iraq, and United Arab Emirates, while ~72,000 tons of edible olive is imported to an average of 65 countries including primarily Romania, Bulgaria, USA, Germany, and Iraq.



***Source:** TurkStat*

Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş.

Polisan Tarım Targets to Lay out Turkey's Largest Walnut Gardens on a 10,000 Decare Land.

In recent years, significant investments are being realized on agriculture and stockbreeding sectors in Turkey. However, Polisan Holding found out that there is still a major amount of agricultural product on Turkey's portfolio of imported items despite its eligible landscape and decided to invest in agriculture industry. Founded in 2010, the business activity of Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. ("Polisan Tarım") is to plant, produce, buy, and sell all kinds of organic and natural products; to obtain fresh and dry foods from all kinds of agricultural products; to grow all kinds of animals; and to provide technology and consulting services on all kinds of agricultural issues; to audit projects and investments. Polisan Tarım targets to implement the best agricultural practices by initially finalizing the purchase, integration, and the preparation of the land.

Among the products incentivized, within the scope of trial, Polisan Tarım primarily targeted to grow walnut and almond, which are forest trees with lives ranging from 50 to 100 years. The economic life of walnut and almond species is longer compared to the other plant types and the government provides with seedling, cultivation, irrigation, and fuel incentives to grow these trees. After having granted Seedling Producer Certification from the Kocaeli Directorate of Agriculture in 2011, Polisan Tarım grew walnut and almond seedlings on its plantations.

Polisan Tarım continues its studies to buy land for establishing a plantation on a total of 10,000 decare land in Balıkesir. The walnut plantation studies continue on the 4.3 million square meter agricultural land, which was bought in Balıkesir so far. Additionally, Polisan Tarım aims to do olive cultivation on the 2.4 million square meter land in Karacasu, which was bought in previous years, and carries out land preparation studies for this purpose.

ALMOND

Many territories in Turkey have the ecology feasible to grow almond. Almond is a species with the highest toleration in terms of endurance to lime soil. But still, Turkey is an importer of almonds. Polisan Tarım carried out trials to grow almonds, which can easily grow on proper soil and climate conditions, in an attempt to lessen its dependence on imports.

Almond can grow on rocky, gritty, and nutrient weak soil. It is resistant to lack of water, lime, high temperature, and humidity. Almond is a frugal plant, giving fruit in a short time. It can also be evaluated in the market place as unripe almond. Almond can grow easily in all regions of Turkey except for Black Sea's coast line. Revenues of the producers increase seriously, particularly if, closed modern gardens are laid out by using the types blooming slower. Protein and carbohydrate rich almond also includes plenty of phosphor and calcium minerals.

WALNUT

Walnut is one of Turkey's natural plants and Turkey is among one of the major producers globally with an annual production of approximately 200,000 tons per year. But still, Turkey is an importer of walnut. With roughly 12,000,000 million trees, walnut has a rich genetic variability. Walnut is highly demanded as a fruit for its nutritive value and by the furniture industry for its lumber value. Having several consumption areas, the interest for walnut increasingly rises as it has a long life, it does not require disinfection frequently against disease and vermin, and its fruit has a high market value.

In 2016, Polisan Tarım continued to buy land from feasible ecologies in an attempt to lay out the biggest closed walnut gardens in Turkey. Polisan Tarım aims to establish representative gardens with drip irrigation system where modern agricultural technologies are implemented (such as machine harvest, desiccation, and etc.); lead the agricultural sector with closed walnut gardens; and contribute to the Turkish economy by realizing production at industrial scale.

OLIVE

Turkey is ranked the 4th among the world olive producer countries in terms of existence of trees, and the 6th in terms of area. Turkey, which contributes 8% to world olive oil production, ranks second in the world after Spain in edible olive production, in top five in olive oil production and first in olive consumption. In terms of existence of trees, it is intensively found in Ayvalık, Mudanya, Edremit Gulf, Orhangazi, İznik, Gemlik and Yalova, while Marmara Region has a 10% share in Turkey. Akhisar in the Aegean Region is Turkey's largest olive and olive oil producer with 12 million olive trees.

Olive is a very nutritious food. There is abundant amount of vegetable protein, fat, vitamins A, C, E vitamins and calcium, phosphorus, sulfur, chlorine, magnesium minerals in olive. Olive, which is very useful for heart and vascular health, also reduces the effects of aging. When used for derma-cosmetic purposes, it gives skin a beauty. Olive prevents hair loss and dandruff, strengthens hair, eliminates wrinkles, and reduces the negative effects that make-up chemicals can create while helping prevent the formation of skin diseases.

Awards

2016

Poliport Won Shell Chemicals Europe B.V.'s Europe Award.

Poliport won Shell Chemicals Europe B.V.'s "Europe's Best Storage Service Provider in 2015-2016" prize, leaving behind its world giant peers such as Vopak or Oiltanking in Germany, England, France, Belgium, Holland and Italy.

"Woman With No Voice" Viral Film Receives the Bronze MIXX Reward During MIXX Awards Europe.

Polisan Kansai Boya received the Bronze MIXX reward in the Digital & Mobile Division, Social Media Category with its viral film named "Woman With No Voice", which has been prepared in 2015 for the publicity of its social responsibility project "Every Voice One Breath" through Facebook and Twitter. The award was presented at the MIXX (Marketing and Interactive Excellence) Awards Europe organized by the IAB Europe, which is a branch of the IAB, operating in 43 countries of the world in the field of digital advertising.

Polisan Kansai Boya has been Granted an Award at the Crescent and Stars of Packaging Contest.

Polisan Kansai Boya was awarded with the Competence Award in the category of Industrial and Transportation Packages with its 1 lt and 3 lt plastic bottle packages during the Crescent and the Stars of the Packaging Contest. This packaging contest, which has been held for the seventh time by the Packaging Industry Association, is the only one organized in Turkey and having competence and validity in the international arena as it is accredited by the World Packaging Organization and Asia Packaging Federation.

Polisan Kansai Boya Received the Environment Award.

Polisan Kansai Boya was awarded at the EPD (Environmental Product Declaration) Turkey Panel, for being the first company to receive the EPD Certificate in Turkey, during the Sustainable Built Environment (SBE) 2016 Istanbul Conference, which has been organized for the first time, by the Turkish Construction Material Industry Association.

2015

"Every Voice One Breath" Social Responsibility Project has been Granted 3 Awards at the Crystal Apple Contest.

The viral film named "Woman With No Voice", prepared for the publicity of "Every Voice One Breath" Project has been granted three awards (1 Crystal Apple in the "Media/Product and Other Services" Category; 1 Silver Apple in the "Digital Advertising/Use of Medium that Break Taboos in Digital Advertising" Category; and 1 Bronze Apple in the "Most Creative Social Responsibility Campaign" Category) in the digital category during the Crystal Apple Award Contest; which is regarded as one of the most prestigious in the advertising industry.

"Every Voice One Breath" Project has Received the Gold Award at the International MIXX Awards.

"Every Voice One Breath" Project has been granted the Gold MIXX Award during the MIXX Awards, which is the "Marketing and Interactive Excellence Awards" that crown the best digital and mobile campaigns from all around Europe.

2014

Polisan Kansai Boya has been Granted the Supply Chain Transformation (SAP SCM) of the Year Award.

Polisan Kansai Boya has been the first paint company, which was deemed worthy of the SCM (Supply Chain Transformation) award organized for the first time in 2014 by SAP.

2013

Polisan Kansai Boya has been Awarded 2 Rewards at the Crescent and Stars of Packaging Contest.

Polisan Kansai Boya has been granted the Gold Plaque with Wood & Wood Package and the Bronze Plaque with Elegans Package at the "Crescent and Stars of Packaging Awards".

Polisan Holding Serves with a Conscious Approach to Its Society, Employees and the Environment.

Policies

Investing in human, information, and the technology with a sustainable growth principle, environmentally sensitive approach, and quality understanding for the society, stakeholders, and employees as an exemplary and pioneer in the paint, chemical products, terminal and port management sectors, the Holding applies the Energy and Information Security Policies throughout its companies. Additionally, Polisan Kansai Boya, Polisan Kimya and Poliport carry out their operations through the Quality, Health, Safety, Environment and Customer Satisfaction Policies they determined while Polisan Kimya and Poliport Kimya also have Prevention Policies of Large Industrial Accidents.

Management Systems

Holding companies carry out their operations within the framework of the following Management Systems to offer superior quality products and services in accordance with international standards, to leave behind a healthy environment for future generations, to keep business health and safety at the highest level, to ensure customer satisfaction, and to guide energy policy effectively:

- ISO 9001 Quality Management System
- ISO 14001 Environment Management System
- OHSAS 18001 Work Health and Safety Management System
- ISO 10002 Customer Relations Management System
- ISO 50001 Energy Management System
- ISO 27001 Information Security Management System
- ISO 17025 Polisan Kansai Boya Laboratory Accreditation

Certificates

Polisan Holding Companies Carry out Their Health, Safety, and Enviroment Activities in Line with the Responsible Care Commitment Principles.

Being a member of the Turkish Chemical Manufacturers Association connected to the European Chemical Manufacturers Council (CEFIC); Polisan Kansai Boya, Polisan Kimya, and Poliport have the Responsible Care® commitment and that they carry out their activities on health, safety, and environmental matters in line with these principles.

Polisan Kansai Boya Certificates

Polisan Kansai Boya has ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Work Health and Safety, ISO 10002 Customer Relations, ISO 50001 Energy, ISO 27001 Information Security Management System, ISO 17025 Laboratory Accreditation that are documented by TÜV Rheinland as well as Environmental Product Declaration Certificate.

Poliport Kimya Certificates

Poliport has ISO 9001 Quality Management System, ISO 14001 Environmental Management System, BS OHSAS 18001 Work Health and Safety System, ISO 10002 Customer Relations Management, ISO 50001 Energy and ISO 27001 Information Security Management System Certificates documented by TÜV Rheinland. Poliport is a member of the Federation of European Tank Storage Association (FETSA). Poliport is also a terminal audited and documented by the Chemical Distribution Institute – Terminals (CDI-T). In addition to its Responsible Care Commitment, Poliport has also ISPS License granted by International Ship Port Security, Waste Reception License, as well as EPDK Warehousing License granted by the Energy Market Regulatory Authority.

Polisan Kimya Certificates

Polisan Kimya, with a history of 40 years of chemical production and sales, has ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Work Health and Safety, ISO 50001 Energy and ISO 27001 Information Security Management System certificates that are documented by TÜV Rheinland. At the same time, the Company has been audited in 2010 by the German Company; VDA for the AUS 32 product under the ADBLUE brand. Polisan Kimya has been granted the VDA license and short after it became one of the limited numbers of producers in the sector. On the other hand, Polisan Yapı Kimyasalları, which improved its product mix with cement chemicals, documented the quality of the products that it manufactured by the CE Certificate.

Testimonials

Polisan Holding Companies have been the First to Calculate the Carbon Footprint in Their Industries.

Polisan Holding Companies; Polisan Kansai Boya, Polisan Kimya, and Poliport had their Carbon Foot Print calculated to see their effect on and make a reduction in their carbon emission since 2012. A report was prepared in compliance with the ISO 14064-1 Standard in April 2016. Holding subsidiaries have their greenhouse gas emissions calculated regularly every year, develop emission reduction measures, and carry out improvement studies that further reduce emission's impact on the climate change each year. Polisan Kansai Boya already decreased the Volatile Organic Carbon (VOC) in its all water-based paints to the rates defined by the EU directives and continues R&D studies to further decrease the VOC values by carrying out improvement studies in its binding compounds.

Polisan Kansai Boya is the First Paint Manufacturer in Turkey and the Third in Europe, Receiving Environmental Product Declaration Certificate.

Life Cycle Assessment ("LCA") initiated in 2013 by Polisan Kansai Boya, which emphasizes human health, environment, and innovation, has been finalized in 2015. Consequently, Polisan Kansai Boya has been granted the Environmental Product Declaration ("EPD") Certificate for its 4 products (Elegans Extra Semi Matt and Natura Ambians interior paints; Exelans Macro and Natura A1 Silicon exterior paints). Accordingly, Polisan Kansai Boya became the first paint manufacturer in Turkey and the third in Europe to have registered to the ECO Platform, which is formed by the Construction Products Europe and publishes EN 15804 norm compliant construction products with EPD certificate in Europe. With ISO 14040/44 LCA studies and ISO 14025 EPD Certification in place, Polisan Kansai Boya products are to contribute to the sustainable buildings in the Green Building Certification System.

Polisan Holding Published its Sustainability Report Compatible with the GRI Version 4.

In October 2016, the Holding published its GRI-Approved Sustainability Report prepared by taking Global Reporting Initiative (GRI) Sustainability Version 4 Reporting Principles, which is the internationally accepted sustainability reporting standard, as a guideline. With the Sustainability Report, through which Holding presented its sustainability practices and performance in a transparent manner for the operating period between January 1, 2014 and December 31, 2015, the Holding was entitled to have its name added on the "GRI" logo and became the 65th company that published the "GRI Version 4" compatible sustainability report in Turkey.

Polisan Holding is on its Way to Becoming a Global Brand with TURQUALITY® Support Program.

Polisan Holding subsidiaries; Polisan Kansai Boya, Polisan Kimya, Polisan Yapı Kimyasalları, and Greece-originated Polisan Hellas have been included, as of June 19, 2014, in the TURQUALITY® Support Program ("TURQUALITY®") under the "POLISAN" brand name. TURQUALITY® was initiated by the Ministry of Economy for the Turkish products to become trademarks internationally and for the image of products made in Turkey to be strengthened. TURQUALITY® is the one and only government-supported "brand-building program" for the companies with the product portfolio that Turkey has a competitive edge and with the potential of becoming a solid brand. TURQUALITY® has been formed to ensure that these companies are provided with managerial know-how; they become institutionalized; they improve to become a global player in the international markets with their own brands; so that their brands strengthen the image of the products made in Turkey. Within the scope of TURQUALITY®, 50% of the expenses, which are determined on sectoral base, are supported for 5 years. At the end of the first-five year period, the brands within TURQUALITY® have a performance

audit. For those brands with performance above desired level, another five year support is to be provided.

Research and Development Activities

Polisan Holding's R&D department has two main functions. These are Research and Development and Quality Control. There are 62 employees working on the 1,000 square meter highly advanced R&D facilities. In the foundations of Polisan Holding's development and the competitive edge over the competition lay the importance adhered to the R&D. Additionally, the experienced technical staff is composed of knowledgeable people who worked in this sector for years; each specialized in their area of expertise. R&D Department carries out its studies with an innovative structure and differentiates the product mix day by day by bringing the modernity together with the experience. And, it also embraces the new sectors with new products developed in line with the customer expectations and market foresight. R&D Department embraces all projects coming from the customers with an equal seriousness and a professional point of view; identifies customers' needs in a correct manner, and offers the most appropriate products to meet their expectations in the shortest period. By solving the customers' all kinds of technical problems, it also provides solution partnership.

The R&D Center of Polisan Kansai Boya has been granted International Accreditation Certificate.

Polisan Holding's subsidiary Polisan Kansai Boya, which has been introducing firsts in terms of the products and services to the Chemicals and Paint Industries in Turkey and globally, has been granted the R&D Center Certificate and title as of June 4, 2014. The Certificate has been granted by the Ministry of Science, Industry and Technology as a result of the inspections, which concluded that the R&D Department met the necessary qualifications, ability and criteria. As Turkey's 159. R&D Center, the incentives and the exemptions utilized by Polisan Kansai Boya totaled TRY5.4 million in 2016. Polisan Kansai Boya's main research laboratories, which have been conducting chemical test and quality measurements for 30 years, obtained the "International Validity" accreditation certificate in October 2016 from TURKAK, which has a Mutual Recognition Agreement with the International Laboratory Accreditation Cooperation (ILAC).

Incentives:

The incentive certificates received for the ongoing renovation work within the Holding are as follows:

Polisan Kansai Boya: January 28, 2016
Polisan Kimya: July 21, 2016
Poliport: August 31, 2016

Employee and Worker Flow

Polisan Holding's and its Companies' total number of employees, including Polisan Hellas has increased to 1,422 as of December 31, 2016 from 1,337 as of December 31, 2015.

The Holding pays 12 month salary, private health insurance, personal accident insurance, bus service, lunch to the permanent staff and subcontractor personnel. Additionally, in line with the regulations, personnel of particular titles (General Manager, Director, and Manager) are allocated vehicles and the vehicles' gas and maintenance expenses are paid.

Donations Realized During the Period

Polisan Holding realized TRY22,886 donations and aids, in total, as of December 31, 2016. The aforementioned amount is mainly composed of the donations given to the educational institutions and the institutions carrying out educational support activities.

The relationship among the Parent Company and the Subsidiaries as per the Article 199 of the Turkish Commercial Code:

The Parent Company of Polisan Holding A.Ş. is Bitlis Family. There is no commercial activity between Bitlis Family and the Holding.

Corporate Profile

Kurumsal Künye	
Company Name:	Polisan Holding A.Ş.
Address (Headquarters):	Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Caddesi No: 7 Dilovası – KOCAELİ
Address (Branch):	İçerenköy Mahallesi, Ali Nihat Tarlan Cad. No : 86 Ataşehir - ISTANBUL
Trade Registry:	Gebze Chamber of Commerce – 5769 / İstanbul Chamber of Commerce – 615757
Subjected Legal Regulations:	Laws of Republic of Turkey
Telephone and Fax Number :	Tel. 0216 578 56 00 - Fax. 0216 573 77 92
Internet Address:	www.polisanholding.com.tr
Capital:	TRY370,000,000
Registered Capital Ceiling:	TRY500,000,000
The Bourse where shares are traded:	Bourse İstanbul - Star Market
Date of Quotation on the Bourse:	24 May 2012
Ticker Symbol:	POLHO
Independent Auditor:	Güney Bağımsız Denetim ve SMMM A.Ş
Independent Auditor's Address:	Eski Büyükdere Cad. Orjin Maslak No: 27 Maslak/Sarıyer 34398 İSTANBUL

Contact Offices

Holding's Headquarter and production facilities are located at Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7 Dilovası-KOCAELİ.

The other offices and their addresses are as follows:

	Contact Offices	Address
Polisan Holding A.Ş.	Branch	İçerenköy Mah. Ataşehir / İSTANBUL
Polisan Kansai Boya San. ve Tic.A.Ş.	Branch	İçerenköy Mah. Ataşehir / İSTANBUL
Polisan Kansai Boya	Contact Office	Rüzgarlı Celal Atik Sok. Ulus /ANKARA
Polisan Kansai Boya	Contact Office	Cumhuriyet Mah. Atakum / SAMSUN
Polisan Kansai Boya	Contact Office	2 Nolu Beşirli Mah. Devlet Sahil Cad. / TRABZON
Polisan Kansai Boya	Contact Office	Peyas Mahallesi Kayapınar / DİYARBAKIR
Polisan Kansai Boya	Contact Office	Hacı Saki Mah. Kocasinan / KAYSERİ
Polisan Kansai Boya	Contact Office	Mahfessığmaz Mah. Çukurova / ADANA
Polisan Kansai Boya	Contact Office	İçerenköy Mah. Değirmen Yolu Cad. / İSTANBUL
Polisan Kansai Boya	Contact Office	İncilipınar Mah. Şehit Kamil / GAZİANTEP
Polisan Kansai Boya	Contact Office	Millet Mah. Yıldırım / BURSA
Polisan Kansai Boya	Contact Office	Çınarlı Mah. Süleymanpaşa/TEKİRDAĞ
Polisan Kansai Boya	Contact Office	Sahibi Ata Mah. Meram / KONYA
Polisan Kansai Boya	Contact Office	Cumhuriyet Mah. Menemen / İZMİR
Polisan Kansai Boya	Contact Office	Dr.Burhanettin Onat Cad. ANTALYA
Polisan Kansai Boya	Contact Office	İlbadiye Mah. DENİZLİ

Polisan Holding Compliance Report

Section I – Statement of Compliance with Corporate Governance Principles

Acting upon the belief that good corporate governance is fundamental to the sustainability of companies, Polisan Holding A.Ş. ("Holding") has offered its shares to the public on May 2012 as an important step to become a corporate company. Parallel to that, the Holding has adopted transparency, fairness, responsibility, and accountability principles of corporate governance. In 2016, the Holding continued its studies, which were initiated along with its IPO, for the compliance of Corporate Governance Principles in line with the Capital Markets Board ("CMB")'s regulations. Holding complies in general terms with the principles, which take place in the CMB's Corporate Governance Communiqué II-17.1 ("Communiqué") dated January 3, 2014 and are mandatory to comply.

There are not three independent Board Members in the Holding's Board of Directors ("BoD") suggested by the article 4.3.4 of the Communiqué. As per this obligation, the Holding exercises the exemption in the Clause 1 of Article 6 of the same Communiqué and has two independent members in its BoD.

Additionally, the obligations in regards to the "Candidate Nomination Committee" and "Compensation Committee" mentioned in the article 4.5.1 of the Communiqué are being carried out by the Corporate Governance Committee. As per the advice in the article 4.5.5 of the Communiqué stating that one board member cannot be in more than one committee, Holding applies the obligations in the article 4.5.3 of the Communiqué.

Holding monitors the developments in the regulations so as to comply with the Corporate Governance Principles and continue its studies for the necessary improvements on practice.

Section II – Shareholders

2.1 Investor Relations Department

Holding facilitates the exercising of shareholder rights and ensures communication between the BoD and shareholders; provides necessary information to establish a communication bridge between existing and potential shareholders based on a mutual trust; realizes all activities to raise Holding's recognition; and improves relations with the investors, analysts, and shareholders through Investor Relations in coordination with the Finance Directorate.

The responsibilities of Investor Relations are as follows:

- Coordinating all transactions with the Central Registry Agency to ensure all records related to shareholders are being kept in a healthy, safe and updated manner,
- Coordinating Holding management, related people or departments within the Holding to clearly and directly reply shareholders' information requests, face to face or through communication channels, in line with the Disclosure Policy,
- Ensuring General Assembly meetings are being held in line with the CMB regulations, Articles of Association and other intra-group regulations,
- Providing all necessities to enable shareholders to have the fastest, most correct and complete access to the information in line with the CMB regulations and the Holding's Disclosure Policy.

As per CMB's Communiqué, Holding's Investor Relations Manager reports to the Accounting Manager Varol Ürel who directly reports to the CEO. The Investor Relations Manager Burhan Kurt is also a member of the Corporate Governance Committee. Varol Ürel is authorized as the other person in charge of Investor Relations. Burhan Kurt has the Corporate Governance Rating and Capital Market Activities Advanced Level 3 Licenses.

The contact information of the Holding Investor Relations is as follows:

Varol Ürel
Accounting Manager
Tel: 00 90 216 578 56 11
Fax: 00 90 216 573 77 92
E-mail: yatirimciiliskileri@polisanholding.com.tr
investorrelations@polisanholding.com.tr

Burhan Kurt
Investor Relations Manager
Tel: 00 90 216 578 56 19
Fax: 00 90 216 573 77 92
E-mail: yatirimciiliskileri@polisanholding.com.tr
investorrelations@polisanholding.com.tr

In 2016, compliance studies continued as per the Communiqué in order to regulate relations between the shareholders and Holding, in line with the Capital Markets Law, CMB regulations, and Holding's Articles of Association. Holding has realized the 2015 Ordinary General Assembly Meeting in line with the CMB regulations; and complied with the public disclosure requirements by announcing related General Assembly documents, 2015 year end and 3 quarterly financial reports, and 26 material disclosures in regards to developments, which may impact investors' decisions. The Holding's website was also updated subsequent to the announcements. Within the scope of improving the website to meet the requirements of the foreign investors, the English translation of all disclosures made, is also available on the website starting from 2015. Website is continuously being organized and updated in line with the Investor Relations Best Practices.

In 2016, the Holding held meetings and teleconferences at the Holding's headquarters, responded to the requests of the CMB, Central Registry Agency, and Bourse İstanbul, while Electronic General Assembly System was made available for active use. Additionally, the Holding has been included in the valuation process of the Sustainability Index of the Bourse Istanbul with a commitment letter signed on February 6, 2017. Besides, investor and analyst inquiries have also been answered via e-mail and telephone.

2016 Investor Relations Annual Activity Report was prepared to inform the Holding BoD and was presented to the BoD on February 20, 2017.

2.2 Use of Shareholders Rights to Obtain Information

Holding has disclosed its financial results and the developments, which may have an impact on the use of shareholders' rights, on the Public Disclosure Platform ("KAP") during the period, in line with the CMB regulations. The Investor Relations pages of the Holding's website (www.polisanholding.com.tr) are being updated with the information that is disclosed to the public latest by 24 hours and also include other information, which may have an impact on shareholders' decisions. The studies continue for the majority of this information to take place on the English website as well.

Throughout 2016, the meeting and information requests on several subjects that were delivered by shareholders and beneficiaries have been clearly and directly replied on a timely manner in line with the Holding's Disclosure Policy. The information used was except for those confidential and commercial secret; namely, already public. To the best of Holding's knowledge, there were no written/oral complaints or administrative/legal proceedings regarding to the exercising of the shareholders' rights in 2016.

The appointment of a special auditor has not been included in Holding's Articles of Association as an individual right. No requests for the appointment of a special auditor were submitted during the concerned period.

2.3 Ordinary General Meeting

The setting relating to the Holding's General Assembly meetings is in the "Internal Directive in regards to the Polisan Holding Inc. General Assembly's Working Procedures and Principles", which takes place under the heading of "General Assembly" on the Investor Relations pages of the website. Under the same heading, information in regards to the General Assembly, Agenda of the General Assembly, invitation letters and proxy forms were also published.

Holding's 2015 Ordinary General Assembly Meeting was held at the Headquarters, addressed Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7, Dilovası-Kocaeli on April 14, 2016, at 14:00. The meeting invitation, containing the date and agenda as stipulated in the law and the Articles of Association, was published on the Turkish Trade Registry Gazette dated March 21, 2016, No: 9036 and Çağdaş Kocaeli Gazette dated March 21, 2016. Holding sent the invitation to the bearer shareholders, who declared their addresses by submitting ordinary shares in advance, with a registered letter having a return receipt, within the timeframe set forth by the announcement of the meeting date and agenda. Additionally, the invitation was disclosed on the KAP, Holding's website at www.polisanholding.com.tr, as well as on the e-General Assembly (Electronic General Assembly System) of the Central Registry Agency.

Holding's Annual Report prepared for the General Assembly, the financial tables, and all kinds of information including annotation pertaining to the General Assembly were physically made available at the Holding's Headquarters as well as on the Holding's website for the shareholders' review.

The General Assembly was attended by the members of the BoD, Holding's auditor, Holding's CEO, Executive Committee, and the officers who are in charge of the General Assembly preparations. There was no participation by the media and stakeholders other than shareholders.

Of the 370,000,000 shares representing Holding's TRY370,000,000.00 total capital; total number of shares represented at the meeting was 360,144,190.12; 70,582,118.12 being represented by proxy and 289,562,072 being present in person. The Ordinary Assembly was held with a participation ratio of 97.34%.

The main agenda items of the meeting were informing shareholders regarding: 2015 Annual Report, Independent Audit Report and the Financial Tables; donations and aids provided and determining an upper limit for the donations to be provided in 2016; release of the members of the Board of Directors and Independent Auditor; the dividend Policy, and use of 2015 profit; appointment of the members of the Board of Directors and the Independent Board Members and determination of the duration of their duties; approval of the Independent External Audit Company; the remuneration policy and the determination of the wages for the members of the Board of Directors and the senior management; pledges, collaterals, and mortgages in favor of the 3. Parties; Related Party Transactions realized in 2015; the grant of permission to the Chairman and the Members of the Board on the fulfillment of the written transactions pursuant to Article 395 and 396 of the Turkish Commercial Code; as well as discussing and the approving the Board of Directors' decision in regards to the "Amendment Proposal of Articles of Association" to amend Article 7 and 20 of the Company's Articles of Association.

During the General Assembly, the shareholders were informed that the donations in-kind and in cash were provided to the organizations, foundations, and educational institutions considered to be beneficial to the public and totaled TRY4,331,000 in 2015. The upper limit for the donations to be provided in 2016 was unanimously decided to be TRY7,000,000.

The shareholders did not execute their right to ask questions during the General Assembly, no suggestions were submitted except for the agenda items and there was no participation to the electronic voting.

The minutes of the General Assembly were made available for the shareholders' review at the Holding Headquarters and disclosed to the public through KAP. Additionally, all types of invitations, letters and documents relating to the General Assembly were presented to the shareholders and all beneficiaries on the Holding's website.

The Ordinary Assembly meeting was held, at the least cost for the shareholders and with the easiest way possible, in a manner not to cause any inequalities among the shareholders.

2.4 Voting Rights and Minority Rights

The minority rights shall be used in accordance with the relevant provisions in the Turkish Commercial Code and Capital Markets Law as stated on the Article 20 (a) of the Holding's Articles of Association.

There is no representative of minority shareholders and beneficiaries on the BoD. However, there are two independent board members serving on the BoD to represent all shareholders, particularly minorities, and beneficiaries, on an equal basis.

Holding has 6 subsidiaries as of December 31, 2016. Additionally, there are 2 joint-ventures (Rohm and Haas, and Polisan Kansai Boya), which are managed jointly. However, there is no cross ownership and that a situation, which requires the freeze of the votes during the General Assembly due to this relationship.

There is no privilege on the voting right as per the Holding's Articles of Association.

2.5 Dividend Right

Holding realizes dividend distribution in the context of the provisions of the Turkish Commercial Code, Capital Markets Law, Tax Law, other related legislations, and the related article of the Holding's Articles of Association. Holding's Dividend Policy is subject to the conditions in the national, global economy, and capital markets; and long term strategies, capital requirements, investment and financing policies as well as cash and profitability expectations of the Holding's subsidiaries and affiliates in regards to their operations. The BoD takes a decision for dividend distribution each year to submit for the approval of the General Assembly.

Holding may distribute cash dividend and/or bonus shares while evaluating share buy-back under the above conditions and within the context of the related regulations to create more value for its shareholders. The determination and distribution of the dividend is arranged at the Holding's Articles of Associations.

There is no privilege on the dividend distribution as per the Holding's Articles of Association.

Dividend Policy and the dividend distribution proposal, which takes place on the Annual Report, is presented to the shareholders' at the General Assembly and disclosed to the public on the Holding website.

In 2016, the Holding paid out 3.6486486% (TRY0.0364865) per share and TRY13,500,000 gross cash dividend in total, and 3.1013514% (TRY0.0310135) per share and TRY11,475,000 net cash dividends in total.

2.6 Transfer of Shares

The transfer and disposition of bearer shares are subject to the Turkish Commercial Code, Capital Markets Law, and the provisions of other related legislations.

Section III – Public Disclosure and Transparency

3.1 Corporate Website and Content

Holding's website (www.polisanholding.com.tr) is prepared under the responsibility of the Marketing Division so as to include different types of information to be utilized by all stakeholders. The "Investor Relations" pages of the website, arranged to inform shareholders and investors, are being updated by the Investor Relations Department.

Investor Relations pages of the Holding's website enable the access to the information and the documentation that need to be on the website as set forth by the Communiqué as well as to the announcements disclosed to the public within the framework of the Disclosure Policy. Under the "About" and "Investor Relations" headings of the Holding website, information in regards to the Holding's history, vision, mission and strategic priorities, the sectors that the Holding is operational, subsidiaries, BoD, Executive Committee, shareholder structure, Trade Registry Information, IPO documents, Corporate Governance documents (the Holding's committees, policies, compliance report, General Assembly announcements), material disclosures, financial reports, annual reports, investor presentations, stock information, frequently asked questions, Information Society Services Platform and the contact details of the Investor Relations takes place in the website in Turkish. Besides, Social Responsibility, Sponsorship, and Sustainability topics take place under a separate heading. The studies, initiated to provide with the majority of the Turkish content on the website also in English, continue.

3.2 Annual Report

2016 Annual Report is prepared based on the Corporate Governance Principles. The wages and all other benefits provided to the BoD and Senior Executives within the report is not disclosed per person, but is on cumulative basis instead.

Section IV – Stakeholders

4.1 Informing Stakeholders

As per public disclosure, Holding informs the investors based on the Disclosure Policy published on the website.

Holding informs its stakeholders (employees, vendors, business partners, shareholders etc.) on the matters that concern them via appropriate communication medium such as meeting invitations, QDMS – Integrated Management System, e-mail, and telecommunication tools.

In this context, Holding companies can exchange ideas by arranging meetings for their dealers, business partners, and vendors while they can also come together through regional visits and travels. Group employees are generally being informed via QDMS System and e-mail, and shareholders through General Assembly meetings, annual report, and the website, which are open for all stakeholders.

Stakeholders can communicate with the Executive Committee members for unethical transactions and the practices against the laws and regulations. Where deemed necessary, Executive Committee members share the complaints with the BoD.

Customers, vendors, and business partners can communicate their written or oral complaints via Polisan Call Center (00 90 800 211 3737 or 00 90 532 755 0737) or through legal institutions and organizations. After being evaluated by related people or departments, complaints are being concluded by the Executive Committee.

4.2 Stakeholders' Participation in Management

There is no particular arrangement for the participation of the Holding's stakeholders to the management. However, Holding improves its processes based on the feedback provided by the employees during the communication meetings, by the customers at the sales points and customer service lines; by the vendors and business partners during purchasing processes or meetings. The representation of the shareholders and other stakeholders at the management is being carried out by the independent members of the BoD.

4.3 Human Resources Policy

The principal of the Holding's Human Resources Policy is to ensure that competent and result oriented human resource is being employed in line with the Holding's targets and strategies; contribute to the productivity of the Holding by rewarding high performance; strengthen the corporate culture by preparing the employees who become experts on their career for managerial positions within the organization; support employees' personal development by continuous training and increase the value-add to the Holding by improving their profession; and form an effective and a motivated organization by ensuring employee satisfaction by proactive human resources practices.

Accordingly, strategic Human Resources management includes factors that will carry the Holding to its strategic targets. These factors are planning work force, employees' development, remuneration, and performance evaluation; keeping employees within the organization; and succession through promotion.

Human Resources processes at the Holding are being managed by the Human Resources and Administrative Affairs Director Ahmet Türkselçi, who is also a member of the Holding's Executive Committee.

Human Resources and Administrative Affairs Directorate ensures that Human Resources Policy and Rules of Business Ethics are adopted throughout the Holding and employees improve as potential leaders, internalizing their responsibilities for the society, sector, and for one another. Practices, which are adopted in line with the Holding's priorities, increase efficiency while contributing to the increase in the society's quality of life in general.

Holding has procedures relating to Human Resources processes on recruitment; training; performance evaluation; domestic and international travel; appointment and promotion; discipline; personal loans, benefit policy practices. Written procedures, regulations, and job definitions are available on the QDMS System. Each time a new document is submitted to this system or revisions are done, the employees are automatically notified by the system.

During the recruitment process, Holding evaluates candidates who are reliable, sensitive to others, devoted to ethical values, open to changes, market oriented, capable of envisioning long term, innovative, and open to cooperation. As for interviews, after the initial evaluation of the Human Resources Department, the manager of the department where the candidate will be employed certainly interviews with the applicant.

Trainee programs and policies are set in order to improve the information, skill and manners of the Holding employees. Within this context, the training sessions provided to 6,149 employees on SEÇ (SEÇ stands for Health, Security, and Environment in Turkish), quality, sales, and management totaled 28,031 hours in 2016. The average number of employees in 2016 is 1,350 and the average number of training hours per person is 20.8.
Each year performance evaluation is done and the results are both shared with the employees and taken into consideration in defining the salaries and the career planning. Holding takes all the legal measures and continuously improves working conditions in order to prevent occupational risks; protect health and security; and eliminate the risk and accidental factors, in line with the Labor Health and Security Directive. Holding treats all employees equally on training and development, performance evaluation, career management, remuneration, and other human resources processes without making any ethnicity, language, religion, racial, and gender discrimination. No complaints were filed by the employees in 2016 relating to the discrimination.

4.4 Ethical Rules and Social Responsibility

Ethical Rules

The ethical rules set forth in line with the Holding's procedures and principles are arranged by the Polisan Holding Ethical Principles Book and the guidelines were published on the Investor Relations section of the Holding website under the Corporate Governance heading.

Holding contributes to the increase in our country's quality of life with its health and environment protection practices at global standards while focusing on strategic targets with its employees to further gain strength.

The values that shape Polisan Holding's ethical rules are as follows:

- Prudence
- Responsibility and Honesty
- Positive, Constructive, and Ethical Human Relations
- Health, Security, and Environmental Protection
- Equality for Opportunity and Collaboration

Staying bound to its values in every aspect of its operations Polisan Holding aims to

- Ensure sustainable development, which is dynamic, efficient, competitive, and respectful to the natural and cultural environment,
- Contribute to establish, build up, and develop relations based on ethical rules and mutual trust at work and in private life,
- Prevent attitudes and behaviors, violating the ethical rules,
- Contribute to the development and expansion of consciousness required for the efficient and effective use of Holding's and its companies' all sources (financial and non-financial).

All managers and officers are informed regarding to the ethical rules and their responsibilities concerning these rules. Holding management carries out all kind of study or gets it done in order for the ethical culture and ethical principles to set in and become widespread. The management leads, contributes, and track the results of all types of studies undertaken in this regard.

All Holding employees are supposed to comply with the ethical rules and immediately inform the management in case of detection of any factors against them. In case of breach, first Executive Committee, then, in cases necessary, the BoD evaluates the reported violations within the bounds of possibility and ensures that the ethical rules are complied. If the breach is permanent, necessary disciplinary punishment is inflicted in line with the provisions of the Polisan Holding Discipline Procedures.

Social Responsibility and Sponsorships

Holding carries out Corporate Social Responsibility on a voluntary basis and perceives it as a notion, which unifies social and environmental concerns at its operations and interaction with the stakeholders. All the processes at the Holding level are managed based on the economic responsibilities, legal responsibilities, ethical responsibilities, and voluntary responsibilities.

Since 1997, Holding participates to the Responsible Care Commitment Program, which is applied by the Chemical Industry globally in the area of occupational health and security, environmental protection, and technical safety. Accordingly, it commits to improve the society's and its customers' lives by offering quality, environmentalist, and healthy products and services; and be compliant with the quality, health, safety, and environment conditions while choosing technology and the input. The Holding companies have many certificates such as ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Security, ISO 10002 Customer Relations Management, ISO 50001 Energy, and ISO 27001 Information Security Management System certificates; and continuously improve all of their processes on a voluntary basis. Additionally, with four of its products, Polisan Kansai Boya was the first manufacturer in Turkey and the third in Europe, in the paint industry, to have been granted Environmental Product Declaration Certificate in 2015.

All Holding companies prevent the loss of gas, vapor, heat, and electricity used in operations for energy efficiency; reduce demand for energy through advanced technologies; and try to reduce the use of natural resources to the least by searching more efficient energy sources. Besides, Holding prioritizes to diminish the natural resources used and the resulting waste, emissions and discharges during the production and service stages; keep them under control; and reuse and recycle the resources as much as possible. The efficiency studies carried out by the Holding companies are of great importance to the economy of Turkey, which imports about 70% of energy sources used.

In the last three years, the Holding's investments directly on the environment amounted TRY8.8 million and fire safety investments amounted TRY6.8 million. The average operating costs for the year 2016 within the scope of environmental activities such as domestic and industrial wastewater treatment, waste management, and emission treatment to prevent air pollution are approximately TRY3.2 million.

The amount of hazardous waste has been reduced in the Holding companies through improvement studies by reduction at resource and separate collection principles. A significant amount of hazardous waste such as 75% at Polisan Kansai Boya, and 50% at Poliport is included in the recycling process. Materials that are easy to recycle are selected in the primary and secondary product transport packages. The secondary packages on the market are collected in cooperation with Çevko, and earned to the economy. Additionally, the energy savings obtained from the 20,993 buildings, which Polisan Kansai Boya provided the heat insulation, is about TRY600 million.

Polisan Holding had its subsidiaries' (Polisan Kansai Boya, Polisan Kimya, and Poliport) Carbon Foot Print calculated to see their effect on and make a reduction in their carbon emission since 2012. A report was prepared in compliance with the ISO 14064-1 Standard in April 2016.

Having recorded a long-term development and stability on areas, in which it operates over half a century, Polisan Holding received an approval from the Global Reporting Initiative (GRI) in 2016 for the 2014 - 2015 Sustainability Report, which has been prepared for the sustainable performance of Polisan Kansai Boya, Polisan Kimya, and Poliport on economic, social, and environmental issues. As a result, Polisan Holding became the 65th company in Turkey, which is entitled to have its name added to the "GRI" logo and published the "GRI Version 4" Sustainability Report.

Social responsibility projects carried out by the Holding Companies to increase the life quality with a focus on society and environment are as follows:

100,000 trees on a 2,000 decare land in Dilovası

The Chairman of Polisan Holding Necmettin Bitlis, who could not remain insensitive to the lumbering of trees around his 50 decare land in Dilovası Region at the beginning of 1990's has contacted with the Ministry of Forestry, which proposed him to take over the forest nearby his land based on a "protect and use" method. Since then, Holding volunteered to protect 2,000 decare; spent approximately TRY20 million. Besides, Holding had the forest area surrounded by the wire fence and protection walls; prevented lumbering of trees; and planted 100,000 trees within the framework of "Afforestation Law".

Polisan Kansai Boya – Municipality Joint Projects

At the Municipality Joint Projects, initially Polisan Kansai Boya meets the paint demand of the buildings on a sample street so that the street is beautified. Then, Polisan Kansai Boya provides ease on payment terms such as discounts on listed prices and installments on credit cards to the residents of the province/city. Polisan Kansai Boya carries out Joint Painting Projects approximately for 10 years. So far, Joint Painting Projects changed appearance of the living spaces in many provinces and cities such as Mardin, Malatya, Erzurum, Isparta, Bitlis, Burhaniye, Kütahya, Kadıköy, Pendik, Beyoğlu, Fatih, and Safranbolu pleasing the residents who live there. Polisan Kansai Boya participated in the protocol that Muratpaşa Municipality signed with four paint companies in 2016. Within the context of the Municipality's Building Facade Improvement and Painting Project, there will be a 20% paint grant to the licensed buildings, which will have their exterior walls painted in white by 80%.

"Every Voice One Breath" For Women Issues...

Polisan Kansai Boya carries out "Every Voice One Breath" Project for six years now to enhance social awareness in Turkey by drawing attention on the women tragedies caused by violence and women's problems in the society. The Project, which aims to raise awareness that the solution can be reached through collective efforts rather than the individual solutions; has come to life for the first time in 2012 with the support of 58 reputable women. The Project brings together the reputable women and men, who are appreciated with their professional success and firm stance, for the photo shoot each year. The photograph exhibitions organized within the context of the Project draws attention to the problems faced by women in Turkey. Besides, the Project is to contribute to the capacity improvement, and the renewal of the Central Cooperation Office and Women's Shelters of Mor Çatı (means Purple Roof in English) Women Shelter Foundation as well as the Young Girl Shelter Association's Counseling Center and Young Girl Shelters. The project, which included men for the first time in the concept photo shoot at the end of 2015, was realized in cooperation with the Turkish Disabled People Culture Art and Education Center (TEKSEM) in 2016. TEKSEM performers staged a play, which integrated messages from Each Voice One Breath Project, and described the importance of early detection of breast cancer, while the exhibition photos were also presented to the theatregoers in the foyer area during the tour of the show.

Polisan Schools

Holding has founded two Polisan Schools; one in Malatya, one in Dilovası. Serving since 1988, Mehmet Emin Bitlis Secondary School has been constructed with an investment of approximately TRY700,000 at current prices. Holding meets the school's need for paint each year on a regular basis. 160 students graduate from Mehmet Emin Bitlis Secondary School each year. Serving since 1991, Polisan Secondary School has been constructed with an investment of approximately TRY4,000,000 at current prices and it has 80 graduates each year. Polisan Holding regularly meets Polisan Secondary School's Turkish Folk Dance, paint, and attendant's expenses.

Polisan Education, Culture, and Indoor Sports Facility

Holding gets the biggest sports facility built in Dilovası, Kocaeli to contribute for the young generation to grow fit and healthy. The construction of the complex, which is erected on the 16 decare land, still continues. Armed with the latest technology equipment, the complex will have a capacity of 2,500 people and cost around TRY7.5 million. When the project is finalized, there will be a primary school, an indoor sports facility, and the public housing on the 16 decare land. There is also going to be a 6 decare landscape design just for the sports facility. Polisan Indoors Sports Facility will be built on a 5,130 m² land with 2,500 m² closed area and composed of 3 floors. There will be volleyball and basketball courts in the complex. 1,300 people will be able to watch the races in the sports facility, which will have tribunes on three sides.

Organizations that the Holding has participated to create a social, economic, and environmental difference and the sponsorship activities it has contributed are as follows:

International İstanbul Biennial Official Sponsorship

Polisan Kansai Boya has become the Official Paint Sponsor for painting the International İstanbul Biennial's historic sites for a 10-year period between 2015 and 2024. The walls of Kuruçeşme streets were colored with Polisan spray paints at the street art activities realized by the graffiti artists within the scope of the 3. Istanbul Design Biennial Creative Neighborhood Program.

İstanbul Carbon Summit

Carrying out Carbon Footprint calculation and reporting activities since 2012 within the context of the fight against the carbon, which is one of the most important problems in the world, the Holding contributed to the Istanbul Carbon Summit as a sponsor also in 2016. The Summit has been organized by the Sustainable Production and Consumption Association (SPCA) and Energy Efficiency Association for the third time.

Bazaart/Art for Each Home

In 2016, Polisan Kansai Boya sponsored the Bazaart/Art for Each Home Exhibition, which enables young and talented art students who are studying in fine art faculties as well as new graduates to exhibit their works by bringing them together with art lovers. All proceeds from the sale of the works on exhibition are granted to art students as awards and scholarships. Polisan Kansai Boya has granted the Every Voice One Breath Special Prize to the artists during the exhibition, which has been realized by Yenikoy Rotary Club since 2011.

Bodrum Cup International Maritime Festival Special Student Activities

During the Festival, Polisan Kansai Boya sponsored the first event, which was organized in cooperation with the Bodrum Cup Organization Committee members and the Bodrum Health Foundation Begonvil Special Education and Rehabilitation Center, and in which the special students painted the pennants for the competing yachts.

7 Colors of Turkey

Polisan Kansai Boya has been among the sponsors of Turkey's 7 Colors Project, which has been organized for the first time in 2015. 56 successful students yet with limited means from Rize, Burdur, Şırnak, İzmir, Tekirdağ, Iğdır, and Sivas took the opportunity to see İstanbul for the first time. The Robert College Undergraduate Committee of the Robert College Alumni Association (UNIRC) chose the provinces with the support of the Association for Supporting Contemporary Life. The Project aimed to raise students' awareness about the world they live in. The students engaged in science, technology, art, history, and sports activities and took historical and cultural excursions in İstanbul.

Fener - Balat Rehabilitation Studies

Polisan Kansai Boya contributed to the Fener - Balat Rehabilitation Studies initiated by Fatih Municipality by supplying the paint used. The restoration, renewal, and rehabilitation studies aimed at harmonizing the exterior walls of the buildings with the historical texture; and repairing the unaesthetic practices in the region. Within the context of Fener - Balat Rehabilitation Studies, 136 buildings were renewed and 36 deserted buildings were pulled down. Sidewalks and pavements in the streets and avenues were renewed. As a result of the paint, whitewash and environmental planning, Balat became a more livable place.

Hand in Hand with Small Hearts Organization's (Mika-Der) Ball

Mika-Der is established to improve the living conditions of the 0-18 age children, who had to live in nurseries, orphanages, and child and love houses, which are bound to the Ministry of Family and Social Policies, General Directorate of Child Services. Mika-Der had organized its 4. Ordinary Mika-Der Ball on May 29, 2013. Polisan Kansai Boya has sponsored the publication of the special photo album, which was composed of the photos taken by the famous Photographer Zeynel Abidin Ağgül and given to the guests after the Ball.

Section V – Board of Directors

5.1 Structure and the Composition of the Board of Directors:

As stated in the Holding's Articles of Association, number of members of the BoD shall be determined so as to enable the members to work in an efficient and constructive manner; decide rapidly and in a rational way; and organize the formation of committees and their works effectively.

BoD consists of both executive and non-executive members; however, the majority of the members of the BoD are non-executive members. Among non-executive members, there are independent members who are qualified to perform their duties under no prejudice.

Holding's business and administration is being conducted by the BoD consisting of nine members who are elected by the General Assembly. There are two independent members assigned at the BoD as per CMB's Corporate Governance Principles and Regulations.

The table below presents the information in regards to the Board members elected during the General Assembly meeting dated April 14, 2016. All the members of the Holding BoD, other than Polisan Holding CEO Erol Mizrahi and Poliport General Manager Ali Fırat Yemeniciler; are non executive members. The members of the Board will be on duty until the General Assembly meeting to be held to discuss 2016 operations. The Curriculum Vitae's of Board Members are also available on the Holding website and in the related section of the Annual Report.

Name - Surname	Position
Necmettin Bitlis	Chairman
Mehmet Emin Bitlis	Vice Chairman
Ahmet Faik Bitlis	Member
Ahmet Ertuğrul Bitlis	Member
Fatma Nilgün Kasrat	Member
Erol Mizrahi	Member
Ali Fırat Yemeniciler	Member
Yahya Mehmet İzzet Özberki	Independent Member
Ahmet Temizyürek	Independent Member

The duties of the members of the Holding BoD, in and outside of the Holding Companies, are as follows:

Name - Surname	Duties in the Holding Companies	Duties Outside Holding Companies
Necmettin Bitlis	Chairman of Polisan Kimya BoD Chairman of Poliport BoD Chairman of Polisan Yapı BoD Chairman of Polisan Tarım BoD Chairman of Şark Mensucat BoD Chairman of Polisan Yapı Kimyasalları BoD	Founding member of Malatya Education Fund President of Dilovası Industrial Zone Entrepreneurs' Board Member of Turkish Industry and Business Association
Mehmet Emin Bitlis	Vice President of Polisan Kimya BoD Vice President of Polisan Yapı BoD Vice President of Polisan Tarım BoD Member of Poliport BoD Member of Şark Mensucat BoD Member of Rohm and Haas BoD Chairman of Polisan Hellas BoD Vice President of Polisan Yapı Kimyasalları BoD	
Ahmet Ertuğrul Bitlis	Vice President of Poliport BoD Member of Polisan Kimya BoD Member of Polisan Yapı BoD Member of Polisan Tarım BoD Member of Şark Mensucat BoD Member of Polisan Yapı Kimyasalları BoD	
Ahmet Faik Bitlis	Member of Polisan Kimya BoD Member of Poliport BoD Member of Polisan Yapı BoD Member of Polisan Tarım BoD Member of Şark Mensucat BoD Member of Rohm and Haas BoD Chairman of Polisan Yapı Kimyasalları BoD	Member of Association of Paint Industry Vice Chairman of IKMIB Member of Malatya Education Fund's Board of Trustees BoD member at Deutsche High School Culture and Education Fund
Fatma Nilgün Kasrat	Member of Polisan Kimya BoD Member of Poliport BoD Member of Polisan Yapı BoD Member of Polisan Tarım BoD Member of Şark Mensucat BoD	Partner at Kasrat Tourism, Food Industry and Trade Ltd. Company
Erol Mizrahi	Polisan Holding CEO Polisan Holding Executive Committee Member Chairman of Polisan Kansai Boya BoD Member of Polisan Kimya BoD Member of Poliport BoD Member of Polisan Yapı BoD Member of Polisan Yapı Kimyasalları BoD Member of Polisan Tarım BoD Member of Polisan Hellas BoD Member of Şark Mensucat BoD Member of Rohm and Haas BoD	Member of Board of Directors at Association of Paint Industry
Ali Fırat Yemeniciler	Poliport General Manager Polisan Holding Executive Committee Member Member of Polisan Kansai Boya BoD Member of Poliport BoD Member of Polisan Hellas BoD	Council Member at Chamber of Shipping Vice President of Port Operations Committee
Yahya Mehmet İzzet Özberki	Corporate Finance Consultant	
Ahmet Temizyürek	Certified Public Accountant	

There is no limitation for the Board members to be assigned to other duties outside the Holding.

Independent Board Members have the Independence Declarations. There is no matter that eliminates the independence as of the relevant operational period.

5.2 Principles of Activity of the Board of Directors:

Holding's Articles of Association is pursued on matters such as the organization, duties, authority, and meeting structure of the Holding's BoD.

The BoD meets upon the invitation of the Chairman and the Vice Chairman, in a frequency to effectively carry out its duties. The Chairman of the BoD determines the meeting agenda by discussing with the other Board members and the CEO. The members pay attention to attend all the meetings and express their opinion. Each Board member can ask from the Chairman to convene the meeting with a written request. The BoD meetings are organized at the Holding Headquarters. However, the meetings can convene elsewhere upon the BoD decision.

The BoD convenes with the participation of the majority of the entire number of its members. The resolutions, in essence, are made with the majority of the votes of the attending members. The minimum meeting quorum, to be specified based on the number of the members appointed by the Holding's Articles of Association, is as follows:

Number of Board Members	Minimum Meeting Quorum
5	4
6	4
7	5
8	5
9	6

As per the Article 390 (4) of the Turkish Commercial Code, the decisions may also be made upon a suggested proposal, by getting the written approval from at least the majority of the entire members.

The Chairman of the BoD is responsible for conducting the BoD meeting announcements and discussions in a proper manner; and have the resolutions recorded in the minutes.

Each member of the Board has only one voting right at the meetings. The voting right is used personally. Unless one of the Board members requests a meeting; decision upon the proposal by a member can also be made, by getting the written approval of other Board members.

At the BoD, the votes are either for approval or refusal. The members who vote for refusal write the reasonable and detailed reasoning under the decision; sign it; and notify the auditors of the Holding.

The members of the BoD are not entitled to have weighted voting right and/or the negative veto right. The members who do not attend the meeting cannot cast a vote in written, by appointing a proxy or any other ways. It is essential for the Board members to attend the meetings in person. It is also possible for the members to attend the meetings by any means of technological methods, providing remote access to the meetings. If the members who cannot attend the meeting present their opinions in written, these opinions are submitted for the information of the other members.

The BoD has taken 25 decisions in 2016 during the meetings with physical participation. There was no dissenting opinion in 2016. The shareholders were informed, regarding the related party transactions realized in 2015, during the General Assembly Meeting held in 2016. In the operational period, there was no material or related party transaction, which was not approved by the independent members. Hence, there was no transaction submitted for the approval of General Assembly.

5.3 Number, Structure, and Independence of Committees Formed within BoD:

Audit Committee

Based on the Holding BoD's decision dated June 24, 2014; the duties of the Audit Committee, established as per BoD's decision dated May 4, 2012, continue as is.

Name - Surname	Duty	Essence of the Board Membership
Ahmet Temizyürek	Audit Committee Chairman	Independent Board Member
Yahya Mehmet İzzet Özberki	Audit Committee Member	Independent Board Member

The Audit Committee is liable of taking all necessary measures in order for all kinds of internal auditing and external independent auditing to be facilitated in an adequate and transparent manner; and particularly in charge of and responsible from the execution of the matters specified below:

- To audit and approve the financial statements and the footnotes to be made public, for the compliance with the legislation and the international accounting standards,
- To monitor Holding's accounting system; the disclosure of the financial statements; the functioning and the effectiveness of independent auditing; and Holding's internal control system,
- To examine and conclude the complaints about Holding's accounting, internal control system, and independent auditing,
- To supervise the selection of the independent auditing firm; initiation of the independent auditing process by preparing auditing agreements; and studies of the independent auditing firm at each stage,
- To prevent any conflict of interest that may arise among the members of the BoD, managers, and other employees; and take precautions to prohibit the misappropriate use of the trade secrets of the Holding.

In 2016, Audit Committee had 4 meetings.

Corporate Governance Committee

The members of the Corporate Governance Committee, which was established as per Holding BoD's decision dated May 4, 2012, were renewed based on BoD decision dated June 24, 2014.

Name - Surname	Duty	Essence of the Board Membership
Yahya Mehmet İzzet Özberki	Corporate Governance Committee Chairman	Independent Board Member
Necmettin Bitlis	Corporate Governance Committee Member	Chairman of Polisan Holding BoD
Burhan Kurt	Corporate Governance Committee Member	Investor Relations Manager

The Corporate Governance Committee identifies whether or not the Corporate Governance Principles are applied within the Holding; determines conflict of interests, which stemmed from not fully complying with these principles; and gives remedial advice to the BoD on corporate governance practices. Furthermore, it helps the BoD to manage the relations between the Holding and its shareholders; and for that matter monitors Investor Relations activities.

As per the Corporate Governance Principles, both of the members of the Audit Committee and the Chairman of Corporate Governance Committee shall be the independent member. Due to the fact that there are two independent members at the Holding's BoD, the same member is assigned to more than one committee on the BoD.

In 2016, Corporate Governance Committee had 2 meetings.

Candidate Nomination Committee and Compensation Committee

Based on the BoD's decision dated June 24, 2014; the Holding has decided not to establish Candidate Nomination Committee and Compensation Committee; and carry out the duties of the aforementioned committees by the Corporate Governance Committee.

5.4 Risk Management and Internal Control Mechanism

The Early Detection of Risks Committee

The Early Detection of Risks Committee was established based on the Holding BoD's decision dated June 24, 2014.

Name - Surname	Duty	Essence of the Board Membership
Ahmet Temizyürek	Early Detection of Risks Committee Chairman	Independent Board Member
Necmettin Bitlis	Early Detection of Risks Committee Member	Chairman of Polisan Holding BoD

The Early Detection of Risks Committee detects, evaluates, and measures the impact and possibilities of the strategic, operational, financial, legal, and all other risks, which may jeopardize the existence, development, and continuity of the Company; takes these risks into consideration in the Holding's decision making mechanism and manages them in compliance with the corporate risk handling profile; establishes necessary internal audit systems related with these risks; implements measures; does the reporting; so, supports the BoD for an effective risk management.

The Early Detection of Risks Committee is responsible of ensuring the integration of the risk management and internal control systems to the Company's corporate structure; monitoring that the risk management implementation of the relevant departments is compliant with the committee decisions; fulfilling other duties given/to be given to the committee by the CMB legislations and Turkish Commercial Code; and acknowledging the final decision maker BoD in written or orally about its evaluation and advice.

In 2016, The Early Detection of Risks Committee had 2 meetings.

Within the scope of risk management; the Holding monitors all kinds financial, operational, strategic, legal, business continuity, and reputational risks, in all of its different operational areas. Within this context, the Holding monitors:

- The financial risks related to the use of imported raw materials and f/x rate fluctuations;
- Risk regarding to the use of chemical materials in its production facilities;
- The effect of uses of external sources for the investments, on the financial structure of the Holding;
- The competitive and tax regulations on the operational areas;
- Its portfolio of real estates, which is composed of illiquid investments;
- The developments on the environmental regulations;
- Potential conflict of interest that may arise between the Bitlis Family, who owns the majority of the Holding shares and the holders of the publicly traded shares; and takes measures to minimize the potential effect of the risks.

5.5 Holding's Strategic Priorities

Holding's long term strategy in order for maximizing shareholder value is to sustain profitable growth of existing businesses; maximize intra-group synergies within Holding companies; form strategic alliances to expand in high margin, new business lines; utilize Holding's other assets in its portfolio; explore new markets and become a global brand through Polisan's innovative products, services, and practices, and maintain high level of corporate governance standards with the professional management.

Holding's BoD, which has two Executive Committee members, sets the annual targets in line with the Holding's long term strategies. The Executive Committee guides Holding senior management and directors according to these targets. At the end of each month, the targets are compared with the actual results through management reports. The success in achieving annual targets forms a basis for the Holding's performance evaluation, which takes place at the end of the year.

20. Financial Rights

As per Holding's Articles of Association, Board members receive a certain remuneration decided by the General Assembly on a monthly, annually or per meeting basis. The remuneration of the Board, including independent members; the General Managers and Deputy General Managers are based on the Capital Markets Board's Corporate Governance Principles and other applicable law.

The Holding executives are being paid a base salary, performance based bonus, and side benefits (private health insurance, life insurance, vehicle, corporate mobile phone and line). The expenses realized within the duties of the executives are being paid by the Holding.

There are no transactions that might lead to conflict of interest such as lending money to an executive; providing loan facilities; have them use credits through third parties under the name of personal loan; and providing collateral for their benefit.

The salaries of the executives are decided each year taking Holding's targets into consideration while the remuneration of the Board members is decided each year by the General Assembly. Holding discloses the Remuneration Policy on its website; and total salaries and benefits alike granted to the Board members and senior management through its Annual Report.

2016 Consolidated Financial Statements and Independent Audit Report

Polisan
HOLDİNG

Polisan
HOME COSMETICS

Poliport

Polisan
KİMYA

Polisan
HELLAS

Polisan
YAPI

Polisan
YAPIKİM

Polisan
TARIM

ROHM
AND
HAAS

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

Polisan Holding A.Ş.

Consolidated financial statements for the year ended December 31, 2016 together with independent auditors' report

(Convenience translation to English of independent auditor's report originally issued in Turkish)

Independent auditors' report on the consolidated financial statements

To the Board of Directors of Polisan Holding Anonim Şirketi;

We have audited the accompanying consolidated statement of financial position of Polisan Holding Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as the ''Group'') as at December 31, 2016 and the related consolidated profit or loss and 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.

Management's responsibility for the consolidated financial statements

Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards 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 as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("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 consolidated 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 consolidated 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 Company 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 consolidated 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 qualified opinion.

Basis of qualified opinion

Financial statements of the Group's associate, which is owned by the Group at a ratio of 40% as of December 31, 2016 and titled as Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. ("Rohm and Haas"), as of and for the year ended December 31, 2016 and 2015, which are accounted using the equity method, are not audited in scope of consolidation since the Company has a limited control power over aforementioned associate and we have been informed that financial statements of the aforementioned associate are prepared in accordance with U.S. generally accepted accounting principles (US GAAP). Therefore, a sufficient and appropriate audit evidence cannot be provided regarding TL 7.546.382 (2015 – TL 8.125.910) carried in "Investments accounted using the equity method" account in consolidated statement of financial position dated December 31, 2016 and TL 579.528 (2015 – TL 3.047.147) carried in "(Loss)/Profit from investments accounted using the equity method" account in consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016 related to Rohm and Haas. Additionally, any impact (if any) which may result from preparation of financial statements of Rohm and Haas in accordance with Turkish Accounting Standards cannot be determined as of December 31, 2016 and 2015.

Qualified opinion

In our opinion, except the possible effects of the matter explained in Basis of the qualified opinion section, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Polisan Holding AŞ and its subsidiaries as at December 31, 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

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 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 27, 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 January 1 – December 31, 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 of the Company submitted to us the necessary explanations, except the matter explained in Basis of the qualified opinion section, 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

Ferzan Ülgen, SMMM
Partner

February 27, 2017
İstanbul, Türkiye

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

Polisan Holding A.Ş.

Consolidated statement of financial position as of December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

			Reclassified (Note 2.6)
		Current period	*Prior period*
		Audited	*Audited*
Assets	**Notes**	**December 31, 2016**	**December 31, 2015**
Current assets		**363.591.955**	**626.569.239**
Cash and cash equivalents	5	91.206.315	103.196.750
Trade receivables	7	141.102.207	390.299.326
-Trade receivables from related parties	29	*10.871.744*	*699.185*
- Trade receivables from third parties		*130.230.463*	*389.600.141*
Other receivables	8	54.686.543	1.838.908
- Other receivables from related parties	*29*	*51.130.369*	-
- Other receivables from third parties		*3.556.174*	*1.838.908*
Inventories	9	65.149.588	109.402.528
Prepaid expenses	10	8.772.602	7.993.857
Current income tax assets	11	3.986	2.919.296
Other current assets	19	2.670.714	10.918.574
Non-current assets		**1.343.409.238**	**1.017.627.928**
Trade receivables	7	1.550.317	13.445.390
-Trade receivables from third parties		*1.550.317*	*13.445.390*
Other receivables	8	452.648	418.790
- Other receivables from third parties		*452.648*	*418.790*
Investments accounted using the equity method	13	406.112.982	8.125.910
Investment properties	14	259.771.203	244.706.712
Tangible assets	15	623.323.097	700.074.686
Intangible assets	16	2.448.600	4.840.083
Prepaid expenses	10	33.598.533	28.942.048
Deferred tax assets	27	16.151.858	17.074.309
Total assets		**1.707.001.193**	**1.644.197.167**

Polisan Holding A.Ş.

Consolidated statement of financial position as of December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

Liabilities	Notes	*Audited* December 31, 2016	Reclassified (Note 2.6) *Audited* December 31, 2015
Current liabilities		**228.308.860**	**597.741.357**
Short term borrowings	6	6.185.430	37.899.135
Short term portion of long term borrowings	6	106.531.915	393.777.419
Trade payables	7	91.222.798	145.618.019
- Trade payables to related parties	29	*115.310*	*11.434.458*
- Trade payables to third parties		*91.107.488*	*134.183.561*
Employee benefit obligations	18	4.598.585	5.323.081
Other payables	8	804.840	1.824.720
- Other payables to related parties	*29*	*6.208*	*6.208*
- Other payables to third parties		*798.632*	*1.818.512*
Deferred income	10	3.781.550	3.886.262
Current income tax liabilities	27	8.135.928	4.162.807
Short term provisions	17	599.463	1.299.188
- Other short term provisions		*599.463*	*1.299.188*
Other current liabilities	19	6.448.351	3.950.726
Non-current liabilities		**165.983.386**	**214.690.467**
Long term borrowings	6	82.853.158	124.340.822
Long term provisions		8.526.458	12.968.300
- Provisions for employee termination benefits	*18*	*8.526.458*	*12.968.300*
Deferred income	10	465.000	-
Deferred tax liabilities	27	74.138.770	77.381.345
Equity		**1.312.708.947**	**831.765.343**
Equity holders of the parent		**1.292.841.371**	**812.635.925**
Paid-in share capital	20	370.000.000	370.000.000
Adjustment to share capital	20	1.467.266	1.467.266
Share premium/discounts	20	23.130.220	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss	20	202.737.888	264.919.649
- Revaluation and measurement gain / loss		202.737.888	264.919.649
Defined benefit plans re-measurement gain / (loss)		*(9.214.300)*	*(4.427.101)*
Tangible assets revaluation		*211.952.188*	*269.346.750*
Other comprehensive income or expense to be reclassified to profit/(loss)		(8.072.636)	(2.217.237)
- Currency translation differences		(8.072.636)	(2.217.237)
Restricted reserves	20	28.530.253	25.484.767
Other reserves	20	(208.727.832)	(208.727.832)
Retained earnings		411.185.465	305.554.887
Profit for the period		472.590.747	33.024.205
Non-controlling interests	20	**19.867.576**	**19.129.418**
Total liabilities and equity		**1.707.001.193**	**1.644.197.167**

Polisan Holding A.Ş.

Consolidated statement of profit or loss
for the period January 1 - December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	*Audited* January 1- December 31, 2016	Reclassified (Note 2.6) *Audited* January 1- December 31, 2015
Profit and loss			
Revenue	21	470.331.288	433.884.257
Cost of sales (-)	21	(383.317.447)	(362.498.158)
Gross profit from commercial activities		**87.013.841**	**71.386.099**
Research and development expenses (-)	22	(1.697.973)	(1.258.055)
Marketing expenses (-)	22	(18.271.947)	(16.023.225)
General administrative expenses (-)	22	(21.180.542)	(20.505.711)
Other operating income	24	10.861.515	12.417.080
Other operating expenses (-)	24	(7.954.596)	(9.121.206)
Profit/Loss from investments accounted using the equity method	13	(579.528)	3.047.147
Operating profit		**48.190.770**	**39.942.129**
Income from investment activities	25	457.919.209	13.772.832
Expense from investment activities (-)	25	(40.220)	(15.608)
Operating profit before financial income/expense		**506.069.759**	**53.699.353**
Financial income	26	3.966.228	14.357.711
Financial expenses (-)	26	(31.092.925)	(40.164.000)
Profit before tax from continuing operations		**478.943.062**	**27.893.064**
Continuing operations tax income/expense			
- Current tax expense	27	(16.640.994)	(11.668.091)
- Deferred tax income/expense	27	1.265.870	6.681.240
Profit for the period from continuing operations		**463.567.938**	**22.906.213**
Profit for the period from discontinued operations	12	**10.959.273**	**12.462.256**
Profit for the period		**474.527.211**	**35.368.469**
Attributable to:			
Non-controlling interests		1.936.464	2.344.264
Equity holders of the parent		472.590.747	33.024.205
Earnings per share	28	**1,277**	**0,089**
-Earnings per share from continuing operations		1,248	0,055
-Earnings per share from discontinuing operations		0,029	0,034

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

Polisan Holding A.Ş.

Consolidated statement of other comprehensive income
for the period January 1 - December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	*Audited* January 1- December 31, 2016	*Audited* January 1- December 31, 2015
Profit for the period		**474.527.211**	**35.368.469**
Other comprehensive income:			
Items not to be reclassified to profit or loss		**26.970.098**	**32.237.210**
- Defined benefit plans re-measurement gain / (loss)	18	(5.983.999)	(1.703.487)
- Defined benefit plans re-measurement gain / (loss), tax effect	27	1.196.800	340.697
- Tangible assets revaluation	15	33.525.460	42.000.000
- Tangible assets revaluation, tax effect	27	(1.768.163)	(8.400.000)
Items to be reclassified to profit or loss		**(5.855.399)**	**(2.963.026)**
- Gain / (losses) from currency translation differences		(5.855.399)	(2.963.026)
Other comprehensive income		**21.114.699**	**29.274.184**
Total comprehensive income		**495.641.910**	**64.642.653**
Attributable to:			
Non-controlling interest		1.936.464	2.344.264
Equity holders of the parent		493.705.446	62.298.389

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

Polisan Holding A.Ş .

Consolidated statement of changes in equity
for the period January 1- December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

					Other accumulated comprehensive income/ expense not to be classified to profit or loss		Other accumulated comprehensive income/ expense to be classified to profit or loss
					Revaluation and measurement gain / loss		
	Notes	Paid in share capital	Adjustment to share capital	Share premium	Defined benefit plans re-measurement gain / (loss)	Tangible assets revaluation increase	Currency translation differences
Balance at January 1, 2016		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**
Dividends	20	-	-	-	-	-	-
Transfers to reserves and retained earnings		-	-	-	-	-	-
Merger/Spin off/Liquidation effect	3	-	-	-	-	(89.151.859)	
Total comprehensive income		-	-	-	(4.787.199)	31.757.297	(5.855.399)
- Profit for the period		-	-	-	-	-	-
- Other comprehensive income/expense		-	-	-	(4.787.199)	31.757.297	(5.855.399)
Balance at December 31, 2016		**370.000.000**	**1.467.266**	**23.130.220**	**(9.214.300)**	**211.952.188**	**(8.072.636)**
Balance at January 1, 2015		**370.000.000**	**1.467.266**	**23.130.220**	**(3.064.311)**	**235.746.750**	**745.789**
Dividends	20	-	-	-	-	-	-
Transfers to reserves and retained earnings		-	-	-	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-
Total comprehensive income		-	-	-	(1.362.790)	33.600.000	(2.963.026)
- Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**
- Other comprehensive income/expense		**-**	**-**	**-**	(1.362.790)	33.600.000	(2.963.026)
Balance at December 31, 2015		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**

The accompanying notes are an integral part of these financial statements.

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

Polisan Holding A.Ş .

Consolidated statement of changes in equity
for the period January 1- December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

		Accumulated profit				
Restricted reserves	Other reserves	Retained earnings	Net profit	Equity holders of the parent	Non-controlling interests	Total equity
25.484.767	**(208.727.832)**	**305.554.887**	**33.024.205**	**812.635.925**	**19.129.418**	**831.765.343**
-	-	(13.500.000)	-	(13.500.000)	(1.198.306)	**(14.698.306)**
3.045.486	-	29.978.719	(33.024.205)	**-**	-	**-**
-	-	89.151.859	-	-	-	**-**
-	-	-	472.590.747	493.705.446	1.936.464	**495.641.910**
-	-	-	472.590.747	472.590.747	1.936.464	**474.527.211**
-	-	-	-	21.114.699	-	**21.114.699**
28.530.253	**(208.727.832)**	**411.185.465**	**472.590.747**	**1.292.841.371**	**19.867.576**	**1.312.708.947**
22.983.012	**(208.011.543)**	**269.781.320**	**50.275.322**	**763.053.825**	**18.032.460**	**781.086.285**
-	-	(12.000.000)	-	(12.000.000)	(1.198.306)	(13.198.306)
2.501.755	-	47.773.567	(50.275.322)	-	-	-
-	(716.289)	-	-	(716.289)	(49.000)	(765.289)
-	-	-	33.024.205	62.298.389	2.344.264	64.642.653
-	**-**	**-**	33.024.205	33.024.205	2.344.264	35.368.469
-	**-**	**-**	**-**	29.274.184	-	29.274.184
25.484.767	**(208.727.832)**	**305.554.887**	**33.024.205**	**812.635.925**	**19.129.418**	**831.765.343**

The accompanying notes are an integral part of these financial statements.

Polisan Holding A.Ş.

Consolidated statement of cash flows
for the period January 1- December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited January 1 – December 31, 2016	Reclassified (Note 2.6) Audited January 1 – December 31, 2015
A. Cash flows from operating activities:		**175.778.997**	**32.679.066**
Profit/loss for the period		**474.527.211**	**35.368.469**
- Profit for the period from continuing operations		463.567.938	22.906.213
- Profit for the period from discontinued operations		10.959.273	12.462.256
Adjustment for reconciliation of profit/loss for the period		**(407.832.189)**	**49.055.751**
Adjustments for depreciation and amortization expenses	23	36.938.173	29.290.488
Adjustments related to provisions		(831.908)	6.353.507
Adjustments for profit/ loss on sale of tangible assets	25	(14.601)	(559.396)
Adjustments related to undistributed profit/losses of investments accounted using the equity method	13	579.528	(3.047.147)
Adjustments to tax expense/income	27	15.375.124	4.986.851
Adjustments for interest income and expense	26	15.756.317	13.221.972
Adjustments for profit/loss related to sale of subsidiaries and joint operations	3	(436.789.176)	-
Adjustments for profit/loss related to sale of associates, joint ventures and financial investments	25	-	(81.115)
Increase in fair value of investment property	25	(19.629.057)	(13.132.327)
Adjustment related to unrealized foreign currency translation differences		(19.216.589)	12.022.918
Changes in working capital		**138.487.767**	**(34.672.373)**
Adjustments for increase/decrease in trade receivables		128.295.577	(23.080.655)
Adjustments for increase/decrease in inventories		(11.055.255)	(5.307.472)
Adjustments for increase in other operational receivables		(15.035.066)	374.980
Adjustments for increase/decrease in trade payables		34.374.013	(9.608.577)
Adjustments for increase in other operational payables		1.908.498	2.949.351
Cash flows from operating activities		**205.182.789**	**49.751.847**
Employee termination benefits paid		(1.703.156)	(1.057.813)
Tax payments/refunds		(10.183.079)	(10.302.172)
Net cash flows from discontinued operations		(17.517.557)	(5.712.796)
B. Cash flows from investing activities		**25.878.037**	**(66.356.470)**
Purchase of tangible/intangible assets		(82.364.479)	(78.358.339)
Proceeds from sale of tangible/intangible assets		14.316.487	19.845.848
Purchase of investment properties		(237.690)	(5.789.865)
Proceeds from sale of investment properties		4.599.001	-
Advances and debts given		(38.698.605)	7.981.030
Advances and debts given to related parties		*(51.130.369)*	-
Advances and debts given to third parties		*12.431.764*	*7.981.030*
Interest received		261.035	684.282
Cash inflows from sale of the subsidiary resulting in loss of control	3	172.946.370	-
Cash inflows from the sale of shares of other companies or debt instruments		-	122.035
Net cash flows from discontinued operations		(44.944.082)	(10.841.461)
C. Cash flows from financing activities		**(213.647.469)**	**56.362.305**
Dividends paid		(14.698.306)	(13.198.306)
Acquisition of non-controlling interest		-	(765.289)
Cash inflows from borrowings obtained		359.565.154	250.749.997
Cash outflows related to loan repayment		(587.451.870)	(204.237.799)
Interest paid		(15.650.765)	(18.559.693)
Net cash flows from discontinued operations		44.588.318	42.373.395
Net increase/decrease in cash and cash equivalents		**(11.990.435)**	**22.684.901**
Cash and cash equivalents at the beginning of the period	5	103.196.750	80.511.849
Cash and cash equivalents at the end of the period	5	91.206.315	103.196.750

1. Group's organisation and nature of operations

Polisan Holding A.Ş.("Polisan Holding" or "the Company") is established in order to maintain coordination within the companies, in which it has capital and management contribution, provide guidance and management and ensure to operate with using advanced techniques in planning, marketing and finance, fund management, legal affairs, human resources and information technologies areas for them. The Company operates in several industries particularly in commerce, industry, agriculture, tourism, real estate, mining and finance and engages in various other activities by contributing to the capital and management of domestic and foreign companies.

The Company was founded in 2000 and the Company's registered office is located in Dilovası Organize Sanayi Bölgesi 1.Kısım Liman Cad. No: 7 Dilovası - Kocaeli.

Istanbul branch of the Company is located in İçerenköy Mah. Ali Nihat Tarlan Cad. No:86 Ataşehir-İstanbul.

Subsidiaries, joint ventures and associates of the Company (altogether referred to as "the Group") are as follows:

- *Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (Former title: Polisan Boya San. ve Tic. A.Ş.)*
- *Polisan Kimya Sanayii A.Ş.*
- *Poliport Kimya Sanayi ve Ticaret A.Ş.*
- *Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. (Former title: Polikem Kimya San ve Tic. A.Ş.)*
- *Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.*
- *Polisan Yapı Kimyasalları A.Ş.*
- *Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş.*
- *Polisan Hellas S.A.*
- *Polisan Rus Ltd.*

The Group's main operations are in Turkey and gathered under the major segments which are listed below;

Production and sale of chemical products
Production and sales of final products supporting the planting and agricultural industries
Production and sale of paint
Production and sale of concrete chemicals
Port, storage and warehousing services
Service

Subsidiaries:

Polisan Kimya Sanayii A.Ş. ("Polisan Kimya"):
Operating activity of Polisan Kimya is the production and sale of formaldehyde, formaldehyde resins, construction chemicals and AUS 32.

Polisan Kimya was established in 1964 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No: 7 Dilovası / Kocaeli.

Poliport Kimya Sanayi ve Ticaret A.Ş. ("Poliport"):
Operating activities of Poliport are bulk liquid storage services, A-type general warehouse services, loading and unloading services for dry bulk and general cargo vessels.

Poliport was established in 1971 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No:7 Dilovası / Kocaeli.

Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. ("Polisan Tarım"):

Operating activities of Polisan Tarım are the cultivation of all sorts of plants, producing, purchasing and selling all types of natural and organic products, producing wet or dried foods from all types of agricultural products, producing and raising all kinds of livestock, providing all kinds of technology and consultancy services on agriculture and supervising projects and investments.

Polisan Tarım was established in 1998 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No: 7 Dilovası / Kocaeli.

1. Group's organisation and nature of operations (continued)

Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. ("Polisan Yapı"):

Operating activities of Polisan Yapı consist of construction, plant contracting, constructing water channels, roads, bridges, dams, sewers, infrastructure facilities, marketing, trading and manufacturing of construction and installation materials as well as organizing domestic and overseas trips for the purpose of tourism, occupation and education.

Polisan Yapı was established in 2006 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No:7 Dilovası / Kocaeli.

Polisan Yapı Kimyasalları A.Ş.("Polisan YapıKim"):

Operating activity of Polisan YapıKim is performing the sale and marketing of construction chemicals (concrete chemicals).

Polisan YapıKim was established in 2010 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No: 7 Dilovası / Kocaeli.

Polisan Hellas S.A.("Hellas"):

Polisan Hellas S.A. was established on 29 July 2013 in Athens, Greece. Polisan Hellas S.A. is operating in the plastic products industry. The facility engages in the production of Polyethylene Terephthalate (PET) granule and preform, which has an extensive area of use such as beverage, food, and drink containers, and synthetic fibre.

The average number of employees of the Company, it's subsidiaries and joint ventures for the year ended December 31, 2016 is 1.422 (31 December 2015 - 1.337). In calculating the average numbers, the number of employees of Polisan Kansai Boya was taken as an integer, not weighted by the group's feelings.

Joint ventures and Associates:

Polisan Kansai Boya Sanayi ve Ticaret A.Ş. ("Polisan Kansai Boya") (Former title: Polisan Boya Sanayi ve Ticaret A.Ş. ("Polisan Boya"))
Operating activity of Polisan Boya is the production and sale of paint, varnish, resin and other surface coating and insulation materials.

Polisan Boya was established in 1975 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No: 7 Dilovası / Kocaeli.

Following the sale of 50% shares of Polisan Boya to Kansai Paint Co. Ltd. on December 21, 2016; the title has been changed as Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (Note 3).

Since this transaction is a sale of subsidiary's shares resulting in loss of control, Polisan Kansai Boya is considered as joint ventures after the share sale and accounted by using the equity method.

Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş.("Rohm and Haas")
Operating activity of Rohm and Haas is purchasing, selling, marketing and trading of emulsion polymers and their raw materials.

Rohm and Haas was established in 2004 and company's registered office is located in Bayar Cad. Şehit Mehmet Fatih Öngük Sokak, Odak Plaza, A Blk. 5/2 Kozyatağı-Kadıköy/İstanbul.As of December 31, 2016 the average number of personnel employed by Rohm and Haas is 53. (December 31, 2015: 53)

Approval of the financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 27, 2017. The General Assembly has the authority to amend the consolidated financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676.

In accordance with the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it have been issued effective from the periods ended after 31 March 2013 which is applicable for the companies that are subject to the Communiqué regarding the Principles of Financial Reporting in Capital Markets. The accompanying consolidated financial statements are prepared in accordance with the aforementioned illustrative financial statements.

Polisan Holding and its Subsidiaries, Joint venture and Associate registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with regulations issued by CMB, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The subsidiary operating in a foreign country maintains its books of account in accordance with the laws and regulations in force in the countries in which they are registered. The consolidated financial statements have been prepared in TL by considering certain adjustments and reclassifications for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by the POA.

2.1.2 Functional and presentation currency

The functional and presentation currency of the Company and its subsidiaries registered in Turkey is Turkish Lira ("TL").

The functional currency of Polisan Hellas S.A, a subsidiary of the Group operating in Greece, is EURO.

The financial and operational results of each company are presented in TL which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

2.1.3 Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiary operating abroad Turkey are adjusted to the TAS/TFRS promulgated by the POA to reflect the proper presentation and content. Related subsidiary's assets and liabilities are translated into TL from the foreign exchange rate at the reporting date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from using of period end and average rates are included in the "currency translation difference" account under the shareholders' equity.

2. Basis of presentation of financial statements (continued)

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016.

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

- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants
- TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to TFRSs - 2012-2014 Cycle

The amendments will not have any significant impact on the financial position or performance of the Group.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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.

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments – Classification and measurement

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

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

- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRS 16 Leases
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- IAS 7 Statement of Cash Flows (Amendments)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- IFRS 4 Insurance Contracts (Amendments)
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs - 2014-2016 Cycle

The Group is assessing the impact of the new standarts and amendments presented in section ii and iii above on financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.3 Changes in Accounting Policies, Estimates and Errors

Any change in accounting policies resulting from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively.

2.4 Summary of Significant Accounting Policies

Accounting policies used in the preparation of consolidated financial statements are summarised below:

Group accounting

(a) The consolidated financial statements include the accounts of the parent company Polisan Holding, its Subsidiaries, Joint Ventures and Associates on the basis set out in sections (b) to (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "TAS/TFRS" and the application of uniform accounting policies and presentation.

(b) Subsidiaries are companies on which the Company has rights or exposed to variable returns from its involvement with the investee and at the same time it has the power to affect these returns through its power over the investee by constituting the power to control the activities of the these companies. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and the statement of profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the subsidiaries held by the Company is eliminated against the related equity of the Subsidiaries. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by the Company in its Subsidiaries and the associated dividends are eliminated from equity and income for the period, respectively.

As of December 31, 2016 and 2015 the Group's proportion of ownership interests of subsidiaries has been shown in the following table:

Title of the subsidiary	Shares owned by the Group (%)		Effective ownership rate (%)	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Polisan Kansai Boya (*)	**-**	100,00	**-**	100,00
Polisan Kimya	**100,00**	100,00	**100,00**	100,00
Poliport	**93,35**	93,35	**93,35**	93,35
Polisan Yapı	**100,00**	100,00	**100,00**	100,00
Polisan Tarım	**100,00**	100,00	**100,00**	100,00
Polisan YapıKim	**100,00**	100,00	**100,00**	100,00
Polisan Hellas	**100,00**	100,00	**100,00**	100,00
Polisan Rus Ltd. (**)	**90,00**	90,00	**90,00**	90,00

(*) Following the sale of 50% shares of Polisan Boya owned by Polisan Holding to Kansai Paint, Polisan Kansai Boya is considered as a joint venture.
(**) The subsidiary is inactive.

2. Basis of presentation of financial statements (continued)

c) Joint ventures and Associates are accounted using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates.

Investment in Associate and Joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss after the date of acquisition. Any impairment losses are also deducted from the carrying value of investment.

The table below sets out ownership interests of the Group in its joint ventures and associates included as of December 31, 2016 and 2015:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership rate (%)	
		December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Polisan Kansai Boya	Joint venture	50,00	-	50,00	-
Rohm and Haas	Associate	40,00	40,00	40,00	40,00

d) The companies, in which the total voting rights of the Group is below 20%, or above 20% but the Group does not exercise a significant influence, or considered as not significant to the consolidated financial statements are classified as available-for-sale financial assets in the consolidated financial statements. Available-for-sale financial assets which have quoted market prices in organised markets and whose fair values can be measured reliably are carried at fair value in the consolidated financial statements. Available-for-sale financial assets that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any accumulated impairment loss in the consolidated financial statements.

Segment Reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Board of Directors is considered as the chief operating decision-maker (Note 4). The results of Polisan Kansai Boya, the Group's joint venture, continue to be monitored in detail by the chief operating decision-maker. Therefore, the results of Polisan Kansai Boya is included in the combined segment results with full consolidation (100%) method.

Related parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity;
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies

(i) The entity and the reporting entity are members of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.

2. Basis of presentation of financial statements (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board of Directors members, in each case together with their families and companies controlled by/or affiliated with them, subsidiaries and associates are considered and referred to as related parties. During the ordinary course of business, the Group may enter into transactions with some related parties.

Financial instruments

Classification

The Group classifies its financial assets in the following categories: cash and cash equivalents, trade receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held in banks with maturities of 3 months or less and other short-term liquid investments. Cash and cash equivalents used in consolidated statement of cash flows includes cash and cash equivalents with maturities of less than 3 months less accrued interest income.

(b) Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences.

The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to partial/full collection, the release of the provision is credited to operating income in the current period.

2. Basis of presentation of financial statements (continued)

Financial liabilities

The Company's financial liabilities and equity instruments are classified according to the definition basis of the financial liability and the equity instrument or contractual arrangements. The contracts that represent the rights of net assets which are free of the Company's entire liabilities are financial liabilities based on equity.

Financial liabilities are recognized at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within the expected life of the asset or in a shorter period.

(a) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the consolidated statement of profit or loss over the period. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(b) Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

The asset is recognized in the consolidated financial statements to the extent that the Group has transferred its rights to receive cash flows from on asset where all the risks on rewards and control of the asset is not transferred relating to the relation of the Group with the asset.

The financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

2. Basis of presentation of financial statements (continued)

Inventories

Costs incurred in bringing each product to its present location and condition, are accounted as cost of inventories. The cost of inventories is determined with the weighted average method. Inventories are stated at the 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 estimated costs to make the sale.

Property, plant and equipment

Property, plant and equipment (except land, land improvements, buildings and port facility) are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of Property, plant and equipment generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost of property, plant and equipment except land and the construction in progress is amortised by using prorate depreciation for the straight-line and diminishing balance depreciation methods over their estimated useful lives. The depreciation method is determined by considering the expected consumption pattern determined by the Group in accordance with the expected future economic benefits of the asset. Expected useful lives, residual values and the depreciation method are reviewed annually in order to reflect the changes in estimations and if appropriate, such changes are accounted in the following periods. The estimated useful lives of the assets are as follows:

	Useful lives
Buildings	10 – 50
Land improvements	10 – 20
Machinery and equipment	5 – 20
Port facility	The remaining rental period
Motor vehicles	5 – 10
Furniture and fixtures	5 – 15
Other tangible assets	5 – 15
Leasehold improvements	5 – 10

Subsequent costs, such as repairs and maintenance or part replacement of property, plant and equipment, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. All other costs are charged to the statements of profit or loss during the financial year in which they are incurred. Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

The Group recognizes land, land improvements, buildings and port facility with revaluation method. For this purpose these assets are revalued according to independent appraisal reports by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş., a CMB licensed Real Estate Appraisal Company.

The frequency of revaluation depends on fluctuations in the fair value of the property, plant and equipment, which is subject to revaluation. If the fair value of the revalued assets is significantly differentiated from the carrying amount, the assets are revaluated again.

2. Basis of presentation of financial statements (continued)

Increases in the value of the tangible assets as a result of the revaluation are recognized in "Revaluation and measurement gain / loss" under equity. However, an increase in revaluation would be transferred to the income statement to the extent of impairment in revaluation of the same property, plant and equipment which has been previously recognized as an expense. If the net book value of property, plant and equipment is decreased after revaluation, this decrease is recognized in income statement as an expense.

However, if a revaluation and classification gain has been previously recognized for the asset, the decrease is at first deducted from this account and in case the impairment charge is higher than the balance of this account, the excess amount is recognized in the statement of profit or loss.

Depreciation of the revalued assets is recognized in the statement of profit or loss. The revaluation residue stemming from the sale or retirement of the revalued asset is directly transferred to the undistributed profits. Unless the asset is disposed, the revaluation fund cannot be transferred to the undistributed profits.

Port facility

In accordance with the agreements signed between the Company and Treasury of Finance and Turkish State Railways (Türkiye Cumhuriyeti Devlet Demiryolları "TCDD"), the Group has right to use the property located in Dilovası as a dock, port side, bulkhead line and constructing the storage tank area which has an area of 154.672,68 m2, 142.564,68 m2 of which is registered to Treasury of Finance and 12.108 m2 of which is registered to TCDD. Investments made for the purpose of operating this property as port facility are recognized as a separate group of asset as Port facility in property, plant and equipment. The Group accounts this group of asset with revaluation method and identified the highest and best use of the asset as a basis in measuring the fair value of the asset. As the use of port facility investments as a group of assets creates the highest value and the allocation of the estimated fair value was not applicable to the sub asset groups of the Port facility and use of a unique useful life is not expected to create a material impact, identified fair value is recognized as Port facility.

Intangible assets

Intangible assets mainly comprised of rights and software's and they are initially recognised at cost. Intangible assets are recognized when it is probable that future economic benefits will flow to the company and it is reliably estimated. After initial recognition, intangible assets measured at cost less accumulated amortization and any accumulated impairment losses (if exists). Intangible assets are amortised on a straight-line basis over their estimated useful lives specified below

	Useful lives
Rights	3-15 Years
Other intangible assets	3-25 Years

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying 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 accounted in the statement of comprehensive income in the period they occur.

2. Basis of presentation of financial statements (continued)

Investment property

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property".

Investment properties are measured at fair value and changes in fair value are recognized under statement of profit or loss. Fair value of an investment property is the price at which the property could be exchanged between or a payment of a debt between knowledgeable and willing parties in a market condition.

Assets held for sale

Non-current assets are classified as "assets held for sale" if their carrying amount will be recovered through a sale transaction rather using them and these assets are not depreciated. Assets held for sale are measured at the lower of carrying values and their fair values less costs to sell.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Impairment of non- financial assets

The carrying amounts of assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). At each reporting date, non-financial assets are reviewed for any possible impairment.

Financial leases

(a) The Group as the lessee

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of profit or loss. Lease payments are deducted from finance lease liabilities.

2. Basis of presentation of financial statements (continued)

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases offer the incentives obtained from the lesser are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

(b) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under investment properties in the consolidated statement of financial position and rental income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Revenue

Sale of Goods
Revenues are recognised at the time, risks and benefits related to the product are transferred to the buyer, income amount is reliably measured and when it is highly probable that the Company will obtain future economic benefits. In retail sales, although the customer is has the right of the unconditional return of the goods sold in case of dissatisfaction, it is accepted that the significant risks and benefits relating to the ownership is transferred to the buyer. The revenue and cost relating to the transaction is simultaneously accounted in the financial statements. When a cash and cash equivalent is received as a consideration of sales, revenue corresponds to the amount of these cash and cash equivalents. However, in cases when the cash flow is postponed, the fair value of the revenue may be lower than the nominal value of the cash to be received. In case the transaction is recognized by the Group without an interest or as a financing transaction by applying an interest rate which is below the market interest rate; the fair value of the revenue is determined by discounting the receivables to their present values. In determination of the present value of the receivables, an interest rate used for the similar financial instruments of an entity with a similar credit ratings or an interest rate, which discounts the nominal value of the financial instrument to the cash sales price of the related good or service; is used.

When the receivables related to the revenues, which were recorded previously, becomes doubtful, the related amount is recorded as an expense in the financial statements, rather than making an adjustment on the revenue. Net sales consist of the invoiced sales amounts after deduction of the discounts and returns. Conditions that enable the Group to account the goods sold as revenue usually occur as the goods are released out of the factory.

Service Revenues

In cases when the duration of service is short, the number of service is high, and pay per service is low, the sale of service is accounted for as revenue after the service is completed. A service revenue is accounted when the cost of service is incurred and reliably estimated and consideration for the service is reliably measured and it is probable that the economic benefit of the consideration of the service will flow to the entity. In case of the service activity affects more than one accounting period, in addition to the above criteria, when the realized cost of services and the cost of services to be realized in following periods and percentage of completion are reliably measured, the service revenue is recognised by "percentage of completion method". The port services given by Poliport is not related to more than one accounting period.

Dividend Income and Interest Income

Interest income is recognized using the effective interest method where the effective interest refers to the interest rate that equalizes the estimated cash inflows to the carrying amount of the financial asset. Interest income is recognised in the income statement on an accrual basis. Dividend income from marketable securities is recognized as income when the shareholders have the right to receive dividend.

2. Basis of presentation of financial statements (continued)

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under consolidated statements of profit or loss.

The exchange rates which have been used end of the period as below:

	December 31, 2016	December 31, 2015
USD	3,5192	2,9076
Euro	3,7099	3,1776
GBP	4,3189	4,3007

Share purchase – sale transactions with non-controlling shareholders

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For the share purchases from non-controlling interests, the difference between the consideration paid and the net asset share of the respective non-controlling interest is accounted under equity. In case of sale of shares to the non-controlling interest, differences between any proceeds received and the net asset share of the respective shares are also recorded under equity.

Subsequent events

Subsequent events comprise all events occurred between the balance sheet date and the authorization date for issuance of the balance sheet even if any announcement related with the profit or other selected financial information occurred after their announcement to the public.

The Company updates its consolidated financial statements and respective disclosures that relate to conditions that existed at the end of the reporting period to regarding any new information that they receive after the reporting period which require amendment.

Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimation of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate is determined by taking into consideration the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Contingent assets and liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2. Basis of presentation of financial statements (continued)

Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date.

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences (including unused incentive amounts and carried forward tax losses of prior years) are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

The parent company Polisan Holding recognizes deferred tax asset for all deductible temporary differences arising from investments in Subsidiaries, only to the extent below conditions are met and when those are probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The parent company Polisan Holding recognizes deferred tax liability for all taxable temporary differences associated with investments in Subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority with the condition of being same taxpayer entity and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Provisions for employee benefits

(a) Provision for employee termination benefits

The provision for employee termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees.

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gain / losses.

2. Basis of presentation of financial statements (continued)

In accordance with TAS 19 "Employee Benefits" effective before 1 January 2013, the actuarial gain / losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains / losses to be recognised under other comprehensive income.

(b) Defined contribution plans

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognised as an employee benefit expense when they are accrued.

(c) Vacation pay liability

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

Statement of cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Government grants

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard.

Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

2. Basis of presentation of financial statements (continued)

2.5 Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in the statement of profit or loss in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date are as follows:

a) The calculation of provision for employee termination benefits involves making assumptions on discount rates, inflation rates, future salary increases and turnover rate. Effects of the changes in these assumptions in the current period are recognized in the current year consolidated comprehensive income. Details of the assumptions related to employee benefits are disclosed in Note 18.

b) In determination of provision for litigations, the management considers the probability of legal cases to be resulted against the Company and in case it is resulted against the Company considers its consequences based on the assessments of legal advisors. The Company management makes its best estimates using the available data for providing required.

c) The Group management has made significant assumptions especially for determination of useful lives of the buildings, machinery equipment and port facilities based on experiences of technical team.

d) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. The Company management also considers the expectations of lawyers about the litigious receivables. During the evaluation of impairment of receivables, past performances, credit worthiness and subsequent performances of debtors (except the related parties and key customers) between balance sheet date to approval date of financial statements and renegotiated balances are considered. Also, except outstanding collaterals, collaterals that are acquired in the subsequent period until the approval date of the financial statements are also taken into consideration.

e) Regarding inventory impairment provision, inventories are inspected physically and their usability is determined upon the opinion of the technical personnel and provision is booked for items which are estimated to be left unused. In the determination of net realizable value of inventories, data regarding the sale price list is used and estimations are made regarding the possible sales expenses. An impairment provision is accounted for the inventories if their net realizable value is lower than their costs.

f) Fair value of investment properties land, buildings, land improvements and port facilities of the Group are obtained based on the valuation which is performed by a CMB licensed, non-related and real estate appraisal company. The valuation is done in accordance with International Valuation Standards by reference to the market prices for the similar real estate's where discounted cash flow and re-rebuilding valuation methods are also applied. In these valuations, a variety of estimations and assumptions (discount rates, sales comparison etc.) are used. Changes in these estimations and assumptions in subsequent periods may create a significant impact on the consolidated financial statements of the Group.

2. Basis of presentation of financial statements (continued)

g) Deferred tax assets and liabilities are recognised for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements by using currently enacted tax rates. It is considered that a portion or total of the deferred tax assets are probable to be converted or not converted into cash in accordance with the current evidences. The main factors taken into consideration are the potential of future periods' income, accumulated prior year's losses, tax planning strategies to be applied when necessary and the nature of revenue that will be used to convert the deferred tax asset into cash.

h) The Group considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as joint venture, affiliated at the rate of 50% and whose carrying value in the statement of financial position is TL 398.566.600 as of December 31, 2016 for possible impairment in every reporting period. The impairment analysis includes significant assumption of company's cash flow projections (Note 13)

2.6 Comparative information and restatement of prior year financial statements

The accompanying financial statements are prepared comparatively to the previous period to enable the determination of the Group's financial position, performance, and cash flow trends. When there is a change in the presentation and reclassification of the items of the financial statements, the Group reclassifies the financial statements of the previous period to conform the comparability and discloses information related to these matters.

The Group made the following reclassifications in the financial statements as of 31 December 2015 in order to conform the comparability.

a) Results of Polisan Yapı İnşaat started to present under Real Estate segment in segment reporting note in 2016, therefore comperative presentation as of December 31, 2015 was restated.

b)Tree seedlings amounts to TL 5.558.872 which are accounted as biological assets in consolidated financial statements as of December 31, 2015 reclassified under tangible assets. The Group has olso made some reclassifications between tangible asset items.

c)Cheques receivables amounting to TL 2.359.249 recognized under the short term trade receivables account in the consolidated financial position statement as of December 31, 2015 are reclassified as long term trade receivables.

d) Credit card receivables amounting to TL 26.312.062 recognized under cash and cash equivalents account as of December 31, 2015 are reclassified as short term trade receivables.

e) The Group, has been reviewed collaterals, pledges, mortgages and sureties as of December 31, 2016 and has been retroactively adjusted.

f) The sale of 50% of Polisan Kansai Boya is a transaction that resulted in loss of control and the paint thus be one of the Group's business segments, the operating results and cash flows of Polisan Kansai Boya were accounted as discontinued operations and accordingly, the cash flow statement and profit and loss statement is restated in the consolidated financial statement of for the year ended December 31, 2015 (Note 12).

2.7 Changes and errors in accounting policies/estimations

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are only for a period, changes are applied to the current year but if the changes in the estimates are for the following period changes are applied both to the current and future years prospectively.

3. Sale of subsidiary's share

The Group has signed a share sales agreement on October 31, 2016 to initiate legal proceedings for the sale %50 shares of Polisan Boya, a subsidiary of Polisan Holding, to Kansai Paint Co. Ltd. with a consideration amounting to USD 113.500.000. Following approval of the Competition Authority dated December 12, 2016, share transfer and capital increase was realized on December 21, 2016 and shareholding rate of Polisan Holding at Polisan Kansai Boya has become 50% since Polisan Holding had not used its pre-emptive rights on capital increase. Kansai paid a total amount of USD 113.500.000 (TL 398.566.600) through paying USD 68.500.000 (TL 240.544.600) to Polisan Holding in return for share transfer and USD 45.000.000 (TL 158.022.000) due to capital increase to Polisan Boya.

The ownership rate of the Group in Polisan Kansai Boya reduced to 50% regarding aforementioned share transfer and the Group lost its control on Polisan Kansai Boya. Therefore the financial statements of Polisan Kansai Boya were consolidated until share transfer date December 21, 2016 and accounted using the equity method after this date.

Carrying amounts of assets and liabilities of Polisan Kansai as of the date of lost of control were derecognized from consolidated statement of financial position and remaining 50% interest in Joint Venture was accounted with its fair value.

Cash received	240.544.600
Joint venture accounted with fair value (Polisan Kansai Boya)	398.566.600
Net asset derecognized	(202.322.024)
Gain on sale of subsidiary's shares (Note 25)	**436.789.176**

Cash received	240.544.600
Cash and cash equivalents (Disposal within scope of consolidation)	(67.598.230)
Cash inflows from sale of subsidiary's share	**172.946.370**

Additionally, in accordance with the share sale agreement, a land belonging to Polisan Kimya with a carrying amount of TL 105.000.000 was transferred to Polisan Kansai Boya through partial spin off before share transfer. As a result of this transfer, tangible asset revaluation fund (after tax) related with this land amounting to TL 89.151.859 has been classified to under retained earnings.

4. Segment reporting

The Group's operations consist of production and sales of paint, manufacturing and sale of chemical products, sale of services, port management and real estate. The Group's reporting segments are as follows:

As of December 31, 2016 and December 31, 2015, total assets and liabilities are as follows:

Assets	December 31, 2016	December 31, 2015
Paint	667.135.310	467.326.919
Chemical products	544.078.692	571.450.022
Port	383.235.503	366.513.293
Services	856.754.269	664.965.825
Real estate	257.014.554	244.043.236
Combined	**2.708.218.328**	**2.314.299.295**
Less: Joint ventures (Note 13)	(667.135.310)	-
Add: Carrying values of Joint Ventures (Note 13)	398.566.600	-
Less: Eliminations	(732.648.425)	(670.102.128)
Consolidated	**1.707.001.193**	**1.644.197.167**

Liabilities	December 31, 2016	December 31, 2015
Paint	306.791.286	375.734.858
Chemical products	428.198.065	364.896.186
Port	66.520.764	59.777.727
Services	21.418.173	32.556.018
Real estate	19.686.155	21.748.876
Combined	**842.614.443**	**854.713.665**
Less: Joint ventures (Note 13)	(306.791.286)	-
Less: Eliminations	(141.530.911)	(42.281.841)
Consolidated	**394.292.246**	**812.431.824**

4. Segment reporting (continued)

Statement of profit or loss reporting for the period between January 1–December 31, 2016

	Paint	Chemical products	Port	Services
Revenue	478.381.539	377.984.336	119.023.205	112.568.042
- Intra segment revenue	466.584.916	339.489.090	109.391.554	28.861.330
- Inter segment revenue	11.796.623	38.495.246	9.631.651	83.706.712
Cost of sales (-)	(296.660.176)	(330.846.425)	(78.326.303)	(97.043.347)
Gross profit	**181.721.363**	**47.137.911**	**40.696.902**	**15.524.695**
Operational expenses	(125.517.019)	(29.778.202)	(6.302.156)	(2.607.413)
Profit from investments accounted using the equity method	-	(579.528)	-	-
Operating profit	**56.204.344**	**16.780.181**	**34.394.746**	**12.917.282**
Income from investment activities	(153.627)	(23.052)	19.045	451.463.392
Operating profit before financial income/expense	**56.050.717**	**16.757.129**	**34.413.791**	**464.380.674**
Financial expenses	(42.335.827)	(28.693.803)	587.582	775.976
Profit before tax from continuing operations	**13.714.890**	**(11.936.674)**	**35.001.373**	**465.156.650**
Depreciation and amortization	11.773.066	13.479.605	23.504.036	1.855.852
Investment expenditures	27.902.280	34.135.996	58.234.821	850.931
Finance income	697.438	49.758	132.717	77.388
Finance expense	26.620.989	16.453.060	385.115	377.754

Real estate	Combined	Less: Joint venture	Consolidation adjustments	Total
4.385.937	**1.092.343.059**	(478.381.539)	(143.630.232)	**470.331.288**
4.385.937	**948.712.827**	(466.584.916)	-	**482.127.911**
-	**143.630.232**	(11.796.623)	(143.630.232)	**(11.796.623)**
(4.599.000)	**(807.475.251)**	296.660.176	127.497.628	**(383.317.447)**
(213.063)	**284.867.808**	**(181.721.363)**	**(16.132.604)**	**87.013.841**
(1.431.767)	**(165.636.557)**	125.517.019	1.875.995	**(38.243.543)**
-	**(579.528)**	-	-	**(579.528)**
(1.644.830)	**118.651.723**	**(56.204.344)**	**(14.256.609)**	**48.190.770**
19.258.298	**470.564.056**	153.627	(12.838.694)	**457.878.989**
17.613.468	**589.215.779**	**(56.050.717)**	**(27.095.303)**	**506.069.759**
(1.085.780)	**(70.751.852)**	42.335.827	1.289.328	**(27.126.697)**
16.527.688	**518.463.927**	**(13.714.890)**	**(25.805.975)**	**478.943.062**
-	**50.612.559**	(11.773.066)	(1.901.320)	**36.938.173**
625.986	**121.750.014**	(27.902.280)	(10.857.268)	**82.990.466**
1.172	**958.473**	(697.438)	-	**261.035**
1.089.194	**44.926.112**	(26.620.989)	(1.289.328)	**17.015.795**

4. Segment reporting(continued)

Statement of profit or loss reporting for the period between January 1 - December 31 2015

	Paint	Chemical products	Port	Services
Revenue	472.540.716	343.220.964	97.585.658	92.383.883
- Intra segment revenue	461.947.395	312.066.409	95.100.570	21.106.073
- Inter segment revenue	10.593.321	31.154.555	2.485.088	71.277.810
Cost of sales (-)	(307.147.655)	(309.571.475)	(57.268.590)	(80.450.171)
Gross profit	**165.393.061**	**33.649.489**	**40.317.068**	**11.933.712**
Operational expenses	(111.297.121)	(30.810.094)	(2.200.449)	(389.141)
Profit from investments accounted using the equity method	-	3.047.147	-	-
Operating profit	**54.095.940**	**5.886.542**	**38.116.619**	**11.544.571**
Income from investment activities	11.310	37.914	255.379	1.071.170
Operating profit before financial income/expense	**54.107.250**	**5.924.456**	**38.371.998**	**12.615.741**
Financial expenses	(39.369.408)	(28.362.724)	4.658.256	(179.951)
Profit before tax from continuing operations	**14.737.842**	**(22.438.268)**	**43.030.254**	**12.435.790**
Depreciation and amortization	6.621.000	11.383.449	17.172.647	1.652.733
Investment expenditures	12.386.246	46.886.720	44.430.614	1.901.174
Finance income	978.120	297.189	355.917	30.304
Finance expense	16.024.487	12.558.758	80.027	286.354

Real estate	Combined	Less: Joint venture	Consolidation adjustments	Total
16.204.526	**1.021.935.747**	(472.540.716)	(115.510.774)	**433.884.257**
16.204.526	**906.424.973**	(461.947.395)	-	**444.477.578**
-	**115.510.774**	(10.593.321)	(115.510.774)	**(10.593.321)**
(17.701.998)	**(772.139.889)**	307.147.655	102.494.076	**(362.498.158)**
(1.497.472)	**249.795.858**	**(165.393.061)**	**(13.016.698)**	**71.386.099**
11.831.789	(132.865.016)	111.297.121	(12.923.222)	(34.491.117)
-	3.047.147	-	-	3.047.147
10.334.317	**119.977.989**	**(54.095.940)**	**(25.939.920)**	**39.942.129**
12.392.761	13.768.534	(11.310)	-	13.757.224
22.727.078	**133.746.523**	**(54.107.250)**	**(25.939.920)**	**53.699.353**
(1.946.582)	(65.200.409)	39.369.408	24.712	(25.806.289)
20.780.496	**68.546.114**	**(14.737.842)**	**(25.915.208)**	**27.893.064**
-	36.829.829	(6.621.000)	(918.341)	29.290.488
5.993.120	111.597.874	(12.386.246)	(13.910.725)	85.300.903
872	1.662.402	(978.120)	-	684.282
1.946.330	30.895.957	(16.024.487)	(24.711)	14.846.759

5. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash in hand	53.293	98.747
Banks	91.153.022	103.098.003
- Demand deposits	7.079.942	23.057.331
- Time deposits	84.073.080	80.040.672
Total	**91.206.315**	**103.196.750**

No blockage exists on the cash and cash equivalents of the Group as of December 31, 2016 (December 31, 2015 – None).

As of December 31, 2016 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	0,10%	3 days	22.665.949	79.766.188
TL	9,80%	3 days	1.799.000	1.799.000
Euro	0,05%	3 days	676.000	2.507.892
Total				**84.073.080**

As of December 31, 2015 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
TL	11,50%-12,00%	1-71 days	42.069.485	42.069.485
Euro	1,40%	1 day	6.034.431	19.175.006
USD	1,85%	1 day	6.464.500	18.796.181
Total				**80.040.672**

6. Financial borrowings

	Interest rate	December 31, 2016	Interest rate	December 31, 2015
Short-term borrowings				
Bank borrowings				
- Euro	3 %	4.303.484	3,20%	12.407.052
- TL	10,75%-10,80%	1.881.946	12,75%-13,50%	25.492.083
Total		**6.185.430**		**37.899.135**

	Interest rate	December 31, 2016	Interest rate	December 31, 2015
Short term portion of long term borrowings				
Bank borrowings				
- Euro	2,45%-4,60%	89.016.346	2,3%-4,75%	208.620.484
- USD	3,55%-3,60%	16.285.972	2,9%-4,4%	119.681.956
- TL	10,75%-10,80%	1.229.597	10,7%-13,74%	65.474.979
Total		**106.531.915**		**393.777.419**

6. Financial borrowings (continued)

	Interest rate	December 31, 2016	Interest rate	December 31, 2015
Long-term borrowings:				
Bank borrowings				
- Euro	2,45%-4,60%	82.853.158	2,3%-4,75%	58.119.146
- USD	-	-	2,9%-4,4%	44.116.063
- TL	-	-	10,7%-13,74%	22.105.613
Total		**82.853.158**		**124.340.822**

Maturities of principal and accrued interest of financial borrowings are as follows:

Maturity	December 31, 2016	December 31, 2015
0 - 3 months	42.889.750	96.934.013
Between 3 - 6 months	15.332.537	86.877.985
Between 6 - 12 months	54.495.058	247.864.556
Between 1 – 2 years	82.853.158	124.340.822
Total	**195.570.503**	**556.017.376**

Mortgages, guarantees and etc. given for financial borrowings are as follows:

31 December 2016				
Type of guarantee	**TL**	**USD (TL Equivalent)**	**Euro (TL Equivalent)**	**Total**
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayi A.Ş.	180.750.000	280.761.776	78.835.375	540.347.151
-Poliport Kimya San. A.Ş.	82.230.000	236.067.936	20.038.097	338.336.033
-Polisan Holding A.Ş.	52.750.000	80.941.600	-	133.691.600
-Polisan Yapı Kimyasalları	48.400.000	10.997.500	-	59.397.500
-Polisan Yapı İnşaat	22.000.000	10.557.600	-	32.557.600
-Polisan Hellas	14.300.000	116.485.520	411.613.405	542.398.925
Total	**400.430.000**	**735.811.932**	**510.486.877**	**1.646.728.809**

31 December 2015				
Type of guarantee	**TL**	**USD (TL Equivalent)**	**Euro (TL Equivalent)**	**Total**
Guarantees given by the related companies to other related companies				
-Polisan Boya San. Ve Tic. A.Ş.	501.553.000	395.742.314	46.075.200	943.370.514
-Polisan Kimya Sanayi A.Ş.	170.750.000	231.968.328	67.524.000	470.242.328
-Polisan Holding A.Ş.	52.750.000	37.798.800	-	90.548.800
-Poliport Kimya San. A.Ş.	82.230.000	195.041.808	17.163.012	294.434.820
-Polisan Yapı İnşaat	22.000.000	8.722.800	-	30.722.800
-Polisan Yapı Kimyasalları	48.400.000	9.086.250	-	57.486.250
-Polisan Hellas	14.300.000	78.069.060	244.516.320	336.885.380
Total	**891.983.000**	**956.429.360**	**375.278.532**	**2.223.690.892**

7. Trade receivable and payables

As of December 31, 2016 and December 31, 2015 the Group's trade receivables are as follows:

Trade receivables	December 31, 2016	December 31, 2015
Trade receivables	101.157.023	109.559.428
Receivables from related parties (Note 29)	10.871.744	699.185
Notes and cheques receivables	47.458.069	317.249.139
	159.486.836	**427.507.752**
Allowance for doubtful receivables (-)	(17.245.085)	(27.466.116)
Deferred financial expense (-)	(1.139.544)	(9.742.310)
Total	**141.102.207**	**390.299.326**

Long-term trade receivables	December 31, 2016	December 31, 2015
Trade receivables	-	299.121
Notes and cheques receivables	1.839.083	13.811.493
	1.839.083	**14.110.614**
Deferred financial expense (-)	(288.766)	(665.224)
Total	**1.550.317**	**13.445.390**

The nature and amount of guarantees obtained for receivables are stated in Note 17.3.

Risks and the levels of risks of the trade receivables of the Group are explained in Note 30.

Foreign currency balances of trade receivables are explained in Note 30.

Movement of provision for doubtful receivables for the years ended December 31, 2016 and December 31, 2015 are as follows:

	2016	2015
January 1	27.466.116	23.794.211
Provisions for doubtful receivables	7.091.164	6.770.067
Written offs	(3.707.990)	(2.746.584)
Provisions no longer required	(966.141)	(351.578)
Disposal within scope of consolidation	(12.638.064)	-
December 31	**17.245.085**	**27.466.116**

7. Trade receivable and payables (continued)

As of December 31, 2016 and December 31, 2015 the aging of trade receivables are as follows:

Maturity	December 31, 2016	December 31, 2015
Past due	18.065.296	27.930.213
0-3 months	84.720.270	157.082.427
3-6 months	30.380.117	102.667.370
6-9 months	7.127.842	60.724.725
9-12 months	1.948.226	51.636.901
1-2 years	1.306.747	12.721.468
2-3 years	532.336	1.389.146
Total	**144.080.834**	**414.152.250**

As of December 31, 2016 letter of guarantees amounting to TL 310.000 (December 31, 2015: TL 13.582.942) has been received for the past due but not impaired trade receivables amounting to TL 18.065.296 (December 31, 2015: TL 27.930.213). Doubtful receivables are not included into the maturity details.

As of December 31, 2016 and December 31, 2015 the aging of the overdue but not impaired trade receivables are as follows:

	December 31, 2016	December 31, 2015
1-30 days past due	14.637.440	23.772.561
1-3 months past due	2.881.687	1.380.629
3-12 months past due	544.585	1.258.524
1-5 years past due	1.584	1.518.499
Total	**18.065.296**	**27.930.213**

Trade payables	December 31, 2016	December 31, 2015
Short term trade payables		
Trade payables	82.965.088	92.209.939
Notes and cheques payables	8.281.398	42.627.158
Payables to related parties (Note 29)	115.310	11.434.458
Deferred financial income (-)	(138.998)	(653.536)
Total	**91.222.798**	**145.618.019**

8. Other receivable and payables

Short term other receivables	December 31, 2016	December 31, 2015
Other receivables from related parties (Note 29)	51.130.369	-
VAT and SCT receivables	3.362.173	1.592.444
Receivables from employees	50.496	58.127
Deposits and guarantees given	24.965	56.686
Work advances given to personnel	12.801	70.676
Other	105.739	60.975
Total	**54.686.543**	**1.838.908**

Long term other receivables	December 31, 2016	December 31, 2015
Deposits and guarantees given	452.648	418.790
Total	**452.648**	**418.790**

Short term other payables	December 31, 2016	December 31, 2015
Taxes and funds payable	777.682	1.803.955
Due to related parties (Note 29)	6.208	6.208
Deposits and guarantees taken	1.340	14.557
Other	19.610	-
Total	**804.840**	**1.824.720**

9. Inventories

	December 31, 2016	December 31, 2015
Raw materials and supplies	23.242.708	43.447.032
Work in process	1.455.568	3.145.499
Finished goods	15.876.859	34.291.600
Merchandise	326.912	3.905.781
Goods in transit	24.390.358	24.921.220
Other inventories	732.232	1.076.263
Total	**66.024.637**	**110.787.395**
Provision for impairment of inventories (-)	(875.049)	(1.384.867)
Total	**65.149.588**	**109.402.528**

Movement of provision for impairment of inventories for the year ended December 31, 2016 and December 31, 2015 are as follows:

	2016	2015
1 January	1.384.867	1.522.808
Provisions booked during the period	867.386	999.304
Provisions no longer required (-)	(522.166)	(1.137.245)
Disposal within scope of consolidation	(855.038)	-
Total	**875.049**	**1.384.867**

As of December 31, 2016, the Group has no pledged inventory against its liabilities (31 December 2015: None).

10. Prepaid expenses and deferred income

Prepaid expenses:

	December 31, 2016	December 31, 2015
Short term prepaid expenses		
Prepaid expense for the following months	5.703.735	5.652.264
Advances given for inventories	3.068.867	2.341.593
Total	**8.772.602**	**7.993.857**

	December 31, 2016	December 31, 2015
Long term prepaid expenses		
Advances given for tangible and intangible assets	33.598.533	28.807.833
Prepaid expense for the following years	-	134.215
Total	**33.598.533**	**28.942.048**

Deferred income:

	December 31, 2016	December 31, 2015
Short term deferred income		
Advances taken	3.172.847	3.210.341
Short term deferred income	608.703	675.921
Total	**3.781.550**	**3.886.262**

	December 31, 2016	December 31, 2015
Long term deferred income		
Advances taken	465.000	-
Total	**465.000**	**-**

11. Current income tax assets

As of December 31, 2016 and December 31, 2015 the Group's current income tax assets are as follows:

	December 31, 2016	December 31, 2015
Current income tax assets		
Prepaid taxes	3.986	2.919.296
Total	**3.986**	**2.919.296**

12. Discontinued operations

Current and prior year operating results of Polisan Kansai Boya are accounted as discontinued operations since 50% share sale transaction to Kansai resulted loss of control and paint is considered a segment for the for the Group operations. Gain on sale of shares amounting to TL 436.789.176 is recognized under "Income from investment activities" in the statement of profit or loss (Note 3, Note 25).

Statement of discontinued profit or loss:

	January 1-December 31, 2016	January 1-December 31, 2015
Profit and loss		
Revenue	478.381.539	472.540.716
Cost of sales (-)	(296.660.176)	(307.147.655)
Gross profit from commercial activities	**181.721.363**	**165.393.061**
Research and development expenses (-)	(7.429.222)	(6.185.432)
Marketing expenses (-)	(90.998.334)	(79.113.538)
General administrative expenses (-)	(21.078.069)	(21.295.889)
Other operating income	13.420.611	4.834.598
Other operating expenses (-)	(19.432.005)	(9.536.860)
Operating profit	**56.204.344**	**54.095.940**
Income from investment activities	27.666	38.683
Expense from investment activities (-)	(181.293)	(27.373)
Operating profit before financial income/expense	**56.050.717**	**54.107.250**
Financial income	4.565.513	9.062.626
Financial expenses (-)	(46.901.340)	(48.432.034)
Profit before tax from continuing operations	**13.714.890**	**14.737.842**
Continuing operations tax income/expense		
- Current tax expense	(3.618.975)	(2.151.145)
- Deferred tax income/expense	863.358	(124.441)
Profit from discontinuing operations for the period	**10.959.273**	**12.462.256**

Net cash flows from discontinued operations:

	January 1-December 31, 2016	January 1-December 31, 2015
Cash flows from operating activities	(17.517.557)	(5.712.796)
Cash flows from investing activities	(44.944.082)	(10.841.461)
Cash flows from financing activities	44.588.318	42.373.395
Net increase/decrease in cash and cash equivalents	**(17.873.321)**	**25.819.138**

13. Investments accounted using the equity method

As of December 31, 2016 and 2015, the Group's investments accounted using equity the method are as follows:

	December 31, 2016		December 31, 2015	
	%	TL	%	TL
Joint venture				
Polisan Kansai Boya	50,00	398.566.600	-	-
Associate				
Rohm And Haas.	40,00	7.546.382	40,00	8.125.910
Total		**406.112.982**		**8.125.910**

Polisan Holding transferred its 50% shares in Polisan Kansai Boya to Kansai on December 21, 2016. In accordance with share sales agreement, management of Polisan Kansai Boya are jointly performed by Polisan Holding and Kansai and the decisions related with company shall require the affirmative votes of the parties. Therefore this transaction was considered as sales of shares of subsidiaries which causes loss of control and remaining interest of the Company in Polisan Kansai Boya was recognized with their fair values (Note 3).

For the periods ended December 31, 2016 and 2015, the movements of the investments accounted using the equity method are as follows:

	2016	2015
January 1	8.125.910	5.078.763
Loss from investments accounted using the equity method	(579.528)	3.047.147
Joint venture accounted with fair value (Note 3)	398.566.600	-
December 31	**406.112.982**	**8.125.910**

13. Investments accounted using the equity method (continued)

The summary financial statements of the Group's investments accounted using the equity method as of December 31, 2016 and 2015 prepared in accordance with TFRS are as follows:

December 31, 2016 – Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	503.962.492	55.154.704
Cash and cash equivalents	*67.598.230*	*7.369.250*
Non-current assets	163.172.818	11.016.202
Total assets	**667.135.310**	**66.170.906**
Short term liabilities	248.480.156	46.925.275
Financial borrowings	*161.628.486*	-
Long term liabilities	58.311.130	379.675
Total liabilities	**306.791.286**	**47.304.950**
Net assets	**360.344.024**	**18.865.956**
Reconciliation of carrying value:		
Ownership of the Group	50%	40%
Net asset share of the Group	180.172.012	7.546.382
Goodwill carried at Group level	218.394.588	-
Carrying value	**398.566.600**	**7.546.382**

December 31, 2015 – Condensed balance sheet information	Rohm and Haas
Current assets	61.774.847
Cash and cash equivalents	*1.055.445*
Non-current assets	8.658.273
Total assets	**70.433.120**
Short term liabilities	49.758.935
Financial borrowings	-
Long term liabilities	359.410
Total liabilities	**50.118.345**
Net assets	**20.314.775**
Reconciliation of carrying value:	
Ownership of the Group	%40
Net asset share of the Group	8.125.910
Carrying value	**8.125.910**

13. Investments accounted using the equity method (continued)

December 31, 2016 – Condensed income statement information	Polisan Kansai Boya(*)	Rohm and Haas
Revenue	478.381.539	130.223.427
Depreciation and amortisation	11.773.066	1.604.232
Interest income	697.438	53.750
Interest expense	(26.620.989)	(1.199.906)
Net profit / loss for the period	10.959.273	(1.448.819)
Ownership of the Group	%50	%40
Net profit share of the Group	**-**	**(579.528)**

(*) 50% share transfer of Polisan Kansai Boya was realized on December 21, 2016. Since income statement total for the period between December 21 and December 31, 2016 is insignificant, 12-month income statement results has been consolidated into 2016 statement of profit or loss.

December 31, 2015 – Condensed income statement information	Rohm and Haas
Revenue	156.746.816
Depreciation and amortisation	1.456.358
Interest income	16.439
Interest expense	(1.694.067)
Net profit / loss for the period	7.617.867
Ownership of the Group	%40
Net profit share of the Group	**3.047.147**

Impairment test and sensitivity analysis

The Company considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as joint venture, affiliated at the rate of 50% and whose carrying value in the statement of financial position is TL 398.566.600 as of December 31, 2016 for possible impairment in every reporting period. The impairment analysis cannot be performed by considering market data since related financial asset has not active market and the Company management has to make significant estimations.

The impairment test is based on a 5-year TL based projection between January 1, 2017 and December 31, 2021. In order to estimate the inflows (infinite) of future cash flows, a fixed growth rate of 6% was used, which does not exceed the country's estimated average growth rate. To calculate the recoverable value of the unit, 14.5% of the weighted cost of capital is used as the discount rate after tax. No impairment on the carrying value was determined as a result of the impairment test

The sensitivity table for valuation assumptions is as follows:

		Final Growth Rate		
		5,75%	**6,00%**	**6,25%**
Weighted average cost of capital	**14,25%**	10,08%	12,64%	15,35%
	14,50%	6,10%	-	4,27%
	14,75%	2,33%	4,54%	6,88%

14. Investment properties

	January 1, 2016	Additions	Disposals	Transfers	Fair value increase	Disposal within scope of consolidation	December 31, 2016
Cost							
Land	185.248.855	388.296	(83.281)	-	18.097.747	(388.296)	203.263.321
Buildings	59.457.857	237.690	(4.718.975)	-	1.531.310	-	56.507.882
Total	**244.706.712**	**625.986**	**(4.802.256)**	**-**	**19.629.057**	**(388.296)**	**259.771.203**

	January 1, 2015	Additions	Disposals	Transfers	Fair value increase	December 31 2015
Cost						
Land	170.116.557	5.993.120	(2.708.149)	-	11.847.327	185.248.855
Buildings	75.874.857	-	(17.702.000)	-	1.285.000	59.457.857
Total	**245.991.414**	**5.993.120**	**(20.410.149)**	**-**	**13.132.327**	**244.706.712**

14. Investment properties

There is a deed restriction of rent of Türkiye Elektrik Kurumu A.Ş. on the landlocated in Pendik / Istanbul which is registered to Polisan Yapı. In addition, TOKİ has pre-emption-right alongside with the Sabiha Gökçen Airport.

	Method used	Level	December 31, 2016	December 31, 2015
Pendik plant	Sales price comparison	2	202.462.111	184.364.364
Kağıthane Z Office Building	Sales price comparison	2	54.218.000	57.048.000
Other	Sales price comparison	2	3.091.092	3.294.348
			259.771.203	**244.706.712**

Investment properties consist of lands which are located near Sabiha Gökçen Airport and buildings located in Kağıthane district and other lands and buildings.

The Group's investment properties of Pendik Land and Kağıthane Z-Office Building are appraised by Asal Real Estate Appraisal Company which is a CMB licensed real estate appraisal company. Sales price comparison method is applied during determination of fair value of investment properties (Level 2). Sales price comparison method is the determination of fair value of a property by applying necessary adjustments on the prices of similar properties sold recently. This comparison method contains the market price of the similar properties valuate them with a comparison approach. Generally, revaluated property is compared with the sale prices of its′ similarly in an open market. Asked and bid prices can be taken into consideration.

As the result of valuation, it has come to a conclusion that the unit value of Pendik Land is between TL 206-1.375 per square meter and the unit value of Kağıthane Z-Office building is between USD 2.463-5.499 per square meter.

15 . Property, plant and equipment

The movement of property, plant, equipment and related accumulated depreciations for the periods ended December 31, 2016 and December 31 2015 are as follows:

	December 31, 2015	Re-clasification effect(Note 2.6)	January 1, 2016	Addition	Disposal
Cost:					
Land	134.396.948	(1.481.764)	132.915.184	2.428.884	(117.134)
Land improvements	13.127.246	(2.566.485)	10.560.761	1.325.962	(210.580)
Buildings	184.158.633	(1.826.516)	182.332.117	4.474.551	(1.432.057)
Machinery, equipment and moulds	129.406.881	-	129.406.881	14.131.217	(270.544)
Port facility	350.220.427	-	350.220.427	56.540.293	(9.121.236)
Motor vehicles	5.847.415	-	5.847.415	5.929.918	(247.437)
Furniture and fixtures	15.439.612	-	15.439.612	1.498.890	(155.796)
Other tangible assets	3.878.973	-	3.878.973	266.219	(19.237)
Leasehold improvements	4.214.766	-	4.214.766	2.185.446	(273.039)
Construction in progress	37.413.615	5.558.872	42.972.487	20.580.946	(4.504.145)
Total	**878.104.516**	**(315.893)**	**877.788.623**	**109.362.326**	**(16.351.205)**
Accumulated depreciation:					
Land improvements	13.413.772	(2.861.179)	10.552.593	28.183	-
Buildings	58.374.885	(3.013.586)	55.361.299	8.216.485	(1.158.847)
Machinery, equipment and moulds	61.722.327	-	61.722.327	15.294.125	(179.845)
Port facility	26.100.000	-	26.100.000	20.798.906	(45.808)
Motor vehicles	2.875.774	-	2.875.774	1.644.979	(55.011)
Furniture and fixtures	13.445.044	-	13.445.044	991.738	(105.816)
Other tangible non-current assets	3.916.624	-	3.916.624	58.546	-
Leasehold improvements	3.740.276	-	3.740.276	512.437	-
Total	**183.588.702**	**(5.874.765)**	**177.713.937**	**47.545.399**	**(1.545.327)**
Net value	**694.515.814**		**700.074.686**		

There exist a deed of renting restriction and right of eminent domain of Türkiye Elektrik Kurumu A.Ş.; a deed of car parking restriction of İ.E.T.T Genel Müdürlüğü; a deed of expropriation restriction and deed of renting restriction of Botaş A.Ş. for pipeline construction and a deed renting restriction and right of eminent domain of Türkiye Elektrik Kurumu Genel Müdürlüğü on the properti es registered on behalf of Polisan Holding and Polisan Kimya. The deeds of restrictions registered on Companies are related to the construction of power generation, car park and pipeline projects. Remaining deeds of restrictions are arising from right to purchase with respect to land purchase.

Foreign currency translation differences	Transfers	Revaluation	Disposal within scope of consolidation	December 31, 2016
656.230	-	33.525.460	(105.000.000)	64.408.624
-	-	-	(355.361)	11.320.782
1.507.991	230.011	-	(106.899)	187.005.714
1.354.509	5.399.198	-	(79.976.458)	70.044.803
-	662.566	-	-	398.302.050
20.084	-	-	(6.599.301)	4.950.679
62.704	24.594	-	(7.360.782)	9.509.222
-	5.230	-	(2.271.607)	1.859.578
-	295.463	-	(2.931.801)	3.490.835
123.236	(6.777.786)	-	(11.248.459)	41.146.279
3.724.754	**(160.724)**	**33.525.460**	**(215.850.668)**	**792.038.566**
-	-	-	(182.727)	10.398.049
115.264	-	-	(20.003)	62.514.198
208.107	-	-	(42.341.027)	34.703.687
-	-	-	-	46.853.098
6.188	-	-	(1.771.123)	2.700.807
28.850	-	-	(6.284.135)	8.075.681
-	-	-	(2.123.132)	1.852.038
-	-	-	(2.634.802)	1.617.911
358.409	**-**	**-**	**(55.356.949)**	**168.715.469**
				623.323.097

15. Property, plant and equipment (continued)

	December 31, 2014	Re-classification effect	January 1, 2015	Addition
Cost:				
Land	116.116.977	(1.481.764)	114.635.213	17.831.744
Land improvements	6.506.920	2.435.000	8.941.920	1.306.379
Buildings	183.027.571	(7.553.001)	175.474.570	5.850.285
Machinery, equipment and moulds	120.589.965	-	120.589.965	6.982.954
Port facility	266.927.621	-	266.927.621	41.292.806
Motor vehicles	4.933.119	-	4.933.119	1.486.349
Furniture and fixtures	14.416.840	-	14.416.840	969.847
Other tangible assets	3.878.973	-	3.878.973	-
Leasehold improvements	2.897.802	725.000	3.622.802	591.964
Construction in progress	32.661.847	3.428.955	36.090.802	10.083.563
Total	**751.957.635**	**(2.445.810)**	**749.511.825**	**86.395.891**
Accumulated depreciation:				
Land improvements	10.702.457	(2.324.000)	8.378.457	2.174.136
Buildings	56.919.634	(3.550.765)	53.368.869	1.653.136
Machinery, equipment and moulds	51.201.413	-	51.201.413	9.990.125
Port facility	7.600.000	-	7.600.000	18.500.000
Motor vehicles	2.301.707	-	2.301.707	1.335.127
Furniture and fixtures	12.695.479	-	12.695.479	676.239
Other tangible assets	3.532.962	-	3.532.962	383.662
Leasehold improvements	3.531.891	-	3.531.891	208.385
Total	**148.485.543**	**(5.874.765)**	**142.610.778**	**34.920.810**
Net value	**603.472.092**		**606.901.047**	

Construction in progress is comprised o formaldehydef oxide facility, expansible Polystyrene Project, Poliport storage tank construction project and other Investments.

(*) As the use of port facility investments as a group of assets creates the highest value and the allocation of the estimated fair value was not applicable to the sub asset groups of the Port facility, the assets belonging to Port facility is classified as a separate asset group.

Disposal	Foreign currency translation differences	Transfer	Revaluation	December 31, 2015
-	440.058	8.169	-	132.915.184
-	-	312.462	-	10.560.761
(116.357)	1.011.089	112.530	-	182.332.117
(249.666)	1.038.590	1.045.038	-	129.406.881
-	-	-	42.000.000	350.220.427
(812.834)	13.825	226.956	-	5.847.415
(27.920)	80.845	-	-	15.439.612
-	-	-	-	3.878.973
-	-	-	-	4.214.766
(277.630)	746.732	(3.670.980)	-	42.972.487
(1.484.407)	**3.331.139**	**(1.965.825)**	**42.000.000**	**877.788.623**
-	-	-	-	10.552.593
-	339.294	-	-	55.361.299
(100.074)	639.255	(8.392)	-	61.722.327
-	-	-	-	26.100.000
(779.234)	18.174	-	-	2.875.774
(20.736)	94.062	-	-	13.445.044
-	-	-	-	3.916.624
-	-	-	-	3.740.276
(900.044)	**1.090.785**	**(8.392)**	**-**	**177.713.937**
				700.074.686

15. Property, plant and equipment (continued)

Fair value determination of Port facility

The highest and best use of Port facility is the basis of measurement of the fair value of this asset. The fair value determination of this asset was performed as of December 31, 2015 by Asal Real Estate Appraisal Company which is CMB licensed Real Estate Appraisal Company by using discounted cash flow method. Under the discounted cash flow method, the fair value of the asset is estimated using the USD based future revenues and expenses (expenditures) over the rental period of the asset (Level 3). Discounting is related with the revenue (net revenue) which converts the amount of the revenue transformed into the fair value estimation. The present value of future after- tax cash flows in accordance with the market risk and reward rates presents the fair value of the facility. The significant assumptions used in the valuation are as follows:

- The discount rate used to discount the cash flows is 11%.
- It is assumed that there will not be any residual value as the rented properties will be delivered to the Treasury with all of the constructions and facilities on it at the end of the rental period or when the agreement is dissolved without making any payment or any compensation.
- The future occupancy rates and capacity utilization rates of the facility are calculated considering the last 5 years rates.

		If increases	If decreases
	Sensitivity Analysis	Profit/(loss) effect on fair value (TL)	Profit/(loss) effect on fair value (TL)
Discount rate	0,5%	(12.130.231)	12.031.818

16. Intangible assets

The movement of intangible assets and related amortizations for the periods ended December 31, 2016 and December 31, 2015 is as follows:

	January 1, 2016	Addition	Transfers	Disposal within scope of consolidation	December 31, 2016
Cost					
Rights	1.545.253	-	-	(131.870)	1.413.383
Other intangible assets (*)	8.981.646	904.434	160.724	(6.431.059)	3.615.745
Total	**10.526.899**	**904.434**	**160.724**	**(6.562.929)**	**5.029.128**
Accumulated amortization					
Rights	163.700	102.927	-	(78.968)	187.659
Other intangible assets	5.523.116	1.062.913	-	(4.193.160)	2.392.869
Total	**5.686.816**	**1.165.840**	**-**	**(4.272.128)**	**2.580.528**
Net Value	**4.840.083**				**2.448.600**

	January 1, 2015	Addition	Transfers	December 31, 2015
Cost				
Rights	837.518	707.735	-	1.545.253
Other intangible assets (*)	5.854.372	1.161.449	1.965.825	8.981.646
Total	**6.691.890**	**1.869.184**	**1.965.825**	**10.526.899**
Accumulated amortization				
Rights	103.971	59.728	-	163.699
Other intangible assets	4.583.774	930.950	8.392	5.523.117
Total	**4.687.745**	**990.678**	**8.392**	**5.686.816**
Net Value	**2.004.145**			**4.840.083**

(*) Other intangible assets consist of computer software license usage rights.

17. Provisions, contingent assets and liabilities

17.1 Debt provisions

	December 31, 2016	December 31, 2015
Money point provisions	-	1.030.200
Lawsuit provisions	599.463	268.988
Total	**599.463**	**1.299.188**

17.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

As of December 31, 2016 total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 34.863.459 (December 31, 2015: TL 34.129.364). The Group has booked an allowance amounting to TL 17.245.085 (December 31, 2015: TL 27.466.116) for the receivables regarding to the ongoing lawsuits and execution proceedings in progress.

2) The ongoing lawsuits filed against the Group:

As of December 31, 2016, total amount of the ongoing lawsuits filed against the Group is TL 1.397.289 (December 31, 2015: TL 929.180).

17.3 Pledges and guarantees ("CPMB") given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given by the Company (TL)	December 31, 2016	December 31, 2015
A. Total amount of CPMB's given in the name of its own legal personality	1.646.728.809	2.223.690.892
B. Total amount of CPMB's given on behalf of the fully consolidated companies **(1)**	145.667.113	81.096.126
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given in accordance with the 12/2 article of Corporate Governance Announcement	-	-
i. Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii. Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii. Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-
	1.792.395.922	**2.304.787.018**

The ratio of other CPMB's given by the Group to its equity is 0%, as of December 31, 2016. (December 31, 2015 - 0%)

(1) Consists guarantees given for bank loan agreements.

17. Provisions, contingent assets and liabilities (continued)

As of December 31, 2016 and December 31, 2015 the details of the CPMB's given by the Group is listed below;

					December 31, 2016
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantees	209.085.000	137.601.250	1.246.298.809	400.430.000	1.646.728.809
Letter of guarantee	10.000.000	3.600.000	48.547.640	96.999.473	145.547.113
Guarantee cheques	-	-	-	120.000	120.000
	219.085.000	**141.201.250**	**1.294.846.449**	**497.549.473**	**1.792.395.922**

					December 31, 2015
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantees	328.941.175	118.101.250	1.331.707.892	891.983.000	2.223.690.892
Letter of guarantee	-	1.100.000	3.495.360	76.480.766	79.976.126
Guarantee cheques	-	-	-	120.000	120.000
Guarantee notes	-	-	-	1.000.000	1.000.000
	328.941.175	**119.201.250**	**1.335.203.252**	**969.583.766**	**2.304.787.018**

2) CPMBs received

					December 31, 2016
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Mortgages	-	-	-	1.761.680	1.761.680
Letter of guarantee	72.168	9.040.000	33.791.470	5.812.494	39.603.964
Guarantee notes	-	-	-	2.909.983	2.909.983
	72.168	**9.040.000**	**33.791.470**	**10.484.157**	**44.275.627**

					December 31, 2015
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Mortgages	-	70.200	223.068	30.773.180	30.996.248
Cheques of guarantee	540.000	-	1.570.104	130.000	1.700.104
Letter of guarantee	-	9.000.000	28.598.400	3.215.500	31.813.900
Guarantee notes	810.620	5.000	2.372.847	3.897.983	6.270.830
	1.350.620	**9.075.200**	**32.764.419**	**38.016.663**	**70.781.082**

The Group has no right to sell or revaluate its CPMBs as a guarantee, pledge or mortgage unless the owner of the guarantee fails to meet its financial obligations. (31 December 2015: None).

17.4 Commitment cheques and notes

The Group makes commitment cheque and notes collections from the dealers in accordance with the sales target and the maturities distribution of these targets of the dealer for the upcoming year and considers these cheques and notes as the tonnage purchase commitments of the dealers. Based on these commitments, the Group makes the work plan of production, raw material and labour force for the upcoming year. The total balance of commitment cheques received by the Group as of December 31, 2016 is TL 126.953.010 (December 31, 2015: TL 139.982.569).

17. Provisions, contingent assets and liabilities (continued)

17.5 Restrictions on real estate properties

Annotations and restrictions on Group's real estate properties are as below:

December 31, 2016:

Endorsee	Real Estate	Annotation Description	Date
Polisan Holding:			
Türkiye Elektrik Kurumu A.Ş.	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Deed of restriction of rent	23.11.1983
İ.E.T.T Genel Müdürlüğü	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Right of way and deed of restriction of car park facility	11.12.1978
Polisan Kimya:			
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	22.01.2003
Şengün Ailesi Mirasçıları	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of promise of sale	13.03.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1. Asliye Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Cautionary judgement	11.10.2011
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	05.09.1986
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Servitude	26.05.1987
Dilovası Belediyesi	Land-Muallim-2/Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Polisan Yapı:			
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Land-Center District of Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land-Center District of Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Building-Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
T.C. Pendik Sulh Hukuk Mahkemesi	Farm-Şeyhli Disctrict of Kağıthane/İstanbul	Deed of restriction of law the dividing up of an undivided property	24.09.2009

17. Provisions, contingent assets and liabilities (continued)

17.5 Restrictions on real estate properties (continued)

December 31, 2015:

Endorsee	Real Estate	Annotation Description	Date
Polisan Holding:			
Türkiye Elektrik Kurumu A.Ş.	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Deed of restriction of rent	23.11.1983
İ.E.T.T Genel Müdürlüğü	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Right of way and deed of restriction of car park facility	11.12.1978
Polisan Kimya:			
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	22.01.2003
Şengün Ailesi Mirasçıları	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of promise of sale	13.03.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1. Asliye Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Cautionary judgement	11.10.2011
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	05.09.1986
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Servitude	26.05.1987
Dilovası Belediyesi	Land-Muallim-2/Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Polisan Yapı:			
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Land-Center District of Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land-Center District of Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Building-Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
T.C. Pendik Sulh Hukuk Mahkemesi	Farm-Şeyhli Disctrict of Kağıthane/İstanbul	Deed of restriction of law the dividing up of an undivided property	24.09.2009

18. Employee benefits

Short term employee benefit obligations

	December 31, 2016	December 31, 2015
Employee benefit obligations		
Social security premiums payable	2.046.986	1.591.634
Payables to personnel	1.748.020	2.831.286
Taxes and duties payable	803.579	900.161
Total	**4.598.585**	**5.323.081**

Long term provisions for employee benefits

Long term employee benefits	December 31, 2016	December 31, 2015
Provisions for employee termination benefits	6.951.025	10.127.250
Provisions for unused vacation pay	1.575.433	2.841.050
Total	**8.526.458**	**12.968.300**

The movements of provision for unused vacation pay are as follows:

	2016	2015
January 1	2.814.050	3.066.978
Provision expense/income for the current period, net	805.862	(225.928)
Disposal within scope of consolidation	(2.044.479)	-
December 31	**1.575.433**	**2.841.050**

Provision for employee termination benefits

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law's 60th clause which is still effective. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TL 4.297,21 as of December 31, 2016 (December 31, 2015: TL 3.828.37).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. IAS19 (Employee Benefits) requires the recognition of liabilities of the Company by using the actuarial valuation method within the scope of defined benefit plans. The actuarial assumptions considered in the calculation of the liability are explained below:

18. Employee benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As of December 31, 2016, provision for employee termination benefits stated in the accompanying consolidated financial statements, has been calculated by estimating the present value of the future probable obligation of the retirement of employees. As of December 31, 2016, the provision has been calculated by taking into consideration an real discount rate of 4,21% (December 31, 2015: 4,74 % real discount rate) based on the assumption of an annual 7% inflation rate and 11,5% discount rate. The estimated severance payment amount, which is not paid due to the voluntary resignations and that the estimated rate of severance pay amount which is not paid because of arbitrary leaving and will remain to the company is also considered. The turnover rate to estimate the probability of retirement for the Group is calculated as 91.85 % (December 31, 2015: 92.60%) and discounted employee termination benefit is calculated based on this rate.

Provision of Polisan Hellas SA has been calculated based on assumptions of an annual inflation rate of 1.75% and a discount rate of 1.45%.

The movement of the severance payment provision of the Group for the periods ended December 31, 2016 and December 31, 2015 is as follows:

	2016	2015
January 1	**10.127.250**	**8.584.188**
Payments	(2.768.992)	(2.024.468)
Interest cost	818.085	738.492
Current year service cost	965.786	1.125.551
Actuarial loss	5.983.999	1.703.487
Disposal within scope of consolidation	(8.175.103)	-
December 31	**6.951.025**	**10.127.250**

Sensitivity analysis of significant assumptions used in the calculation of provision for employee termination benefits as of 31 December 2016 is as follows:

	Interest rate	
	1% increase	**1% decrease**
Changes in provisions for employee termination benefits	**(434.621)**	495.967
	Inflation rate	
	1% increase	**1% decrease**
Changes in provisions for employee termination benefits	**513.186**	(455.675)

19. Other assets and liabilities

Other current assets of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Other current assets		
Deferred VAT	2.616.762	2.616.762
Other	53.952	53.952
Total	**2.670.714**	**2.670.714**

19. Other assets and liabilities (continued)

	December 31, 2016	December 31, 2015
Short term other liabilities		
Accrued expenses	3.673.389	1.599.120
Taxes payable	2.774.962	2.351.606
Total	**6.448.351**	**3.950.726**

20. Capital, reserves and other equity items

The share capital of the Company is TL 370.000.000 and composed of 370.000.000 shares each with a nominal value of TL 1, which all have only one voting right and are registered in owner's name. As of December 31, 2016 and December 31, 2015 the Group's partnership structure is as follows:

	December 31, 2016		December 31, 2015	
	Share (%)	Amount	Share (%)	Amount
Necmettin Bitlis	15,18	56.163.449	15,18	56.163.449
Ahmet Faik Bitlis	10,20	37.756.717	10,20	37.756.717
Fatma Nilgün Kasrat	10,20	37.756.717	10,20	37.756.717
Ali Fırat Yemeniciler	0,95	3.502.500	0,95	3.502.500
A.Melike Bitlis (Bush)	10,20	37.756.717	10,20	37.756.717
Mehmet Emin Bitlis	16,89	62.493.625	16,89	62.493.625
Ahmet Ertuğrul Bitlis	16,89	62.493.625	16,89	62.493.625
Alaattin Bitlis	1,36	5.018.350	1,36	5.018.350
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Selahaddin Bitlis	2,21	8.161.175	2,21	8.161.175
Erol Mizrahi	1,89	7.005.000	1,89	7.005.000
Galip Demirel	0,77	2.836.850	0,77	2.836.850
Güldal Akşit	1,15	4.255.275	1,15	4.255.275
Serdar Demirel	1,11	4.117.343	1,15	4.255.275
Melda Bitlis	0,28	1.050.750	0,28	1.050.750
Burcu Bitlis	0,28	1.050.750	0,28	1.050.750
Banu Bitlis	0,28	1.050.750	0,28	1.050.750
Şark Mensucat	0,04	137.932	-	-
Publicly traded (*)	8,40	31.063.425	8,40	31.063.425
	100	**370.000.000**	**100**	**370.000.000**
Adjustment to share capital		1.467.266		1.467.266
Total		**371.467.266**		**371.467.266**

(*) As of December 31, 2016, the shareholding rate of Şark Mensucat Fabrikaları AŞ, a related party the Group, in the listed shares of the Company is 6,360%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 719.096 in listed shares of the Company (As of December 31, 2015, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., a related party of the Group, in the listed shares of the Company was 6,309%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL435.380 in listed shares of the Company).

20. Capital, reserves and other equity items (continued)

Polisan Holding A.Ş. has increased its paid-in capital by cash in the amount of TL 200.000.000 from TL 150.250.000 to TL 350.250.000 along with the extraordinary general assembly decision dated 15 February 2012. Later, Polisan Holding A.S. has increased its capital to TL 370.000.000 from TL 350.250.000 through a public offering on 16-17-18 May 2012 by restricting the pre-emptive rights of the shareholders whereas TL 19.750.000 nominal shares have been sold on the Stock Exchange.

Restricted Reserves

Restricted reserves comprise of legal reserves. The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Share Premium/discounts

The Company offered 5,34% of its paid-in capital to the public on 16-17-18 May 2012, representing TL 19.750.000 nominal shares at a price of TL 2,25 for each share with a nominal value of TL 1 and TL 24.687.500 has been recorded as "Share Premium" under the shareholders' equity. Commission, advertisement and legal consultancy expenses beared in consequence of initial public offering amounting to TL 1.557.280, has been represented under shareholders' equity after being deducted from premium shares.

Dividend distribution

The companies quoted on the Stock Exchange distribute dividends as per the CMB's Communique Serial II, Number: 19.1 regarding to the dividends, which is effective as of February 1, 2015.

Listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their articles of associations or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

Inflation adjustments on equity and nominal amounts of extra-ordinary reserves can be used in issuance of free capital shares to existing shareholders, cash dividend distribution or offsetting losses. However in case the inflation adjustments used in cash dividend distribution those will be subject to the corporate taxation.

According to the Board Decision dated 15 March 2016; it's been decided to make dividend payment amounting to TL 13.500.000, based on the net distributable profit after deduction of TL 1.075.986 legal reserves calculated over legal records and addition of TL 4.331.000 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1. (2015 – TL 12.000.000).

20. Capital, reserves and other equity items (continued)

Other comprehensive income or expenses not to be reclassified to profit or loss

	December 31, 2016	December 31, 2015
Tangible asset revaluation fund	264.940.235	336.683.438
- tax effect	(52.988.047)	(67.336.688)
Employment termination benefits actuarial gain/(loss) fund	(11.517.875)	(5.533.876)
- tax effect	2.303.575	1.106.775
Share of equity holders of the parent	**202.737.888**	**264.919.649**
Non-controlling interest		
Employment termination benefits actuarial gain/(loss) fund	39.968	31.133
- tax effect	(7.993)	(6.227)
	31.975	**24.906**
Total	**202.769.863**	**264.944.555**

Actuarial gains and losses employee benefits provisions

In accordance with the amendment in IAS 19 "Employee Benefits", the actuarial gains / losses on calculation of employee benefit provisions were not permitted to be recognised in the statement of profit or loss. Accordingly, gains and losses arising from changes of actuarial assumptions are recognized under equity.

The actuarial gain/loss of employment termination benefits are the item which are not to be reclassified to profit or loss.

Non-controlling interests

The non-controlling interests attributable to the parent company and its subsidiaries are deducted from all shareholders' equity items, including the paid-in/issued capital of the subsidiaries within the scope of consolidation and is recognized as "Non-controlling Interests" under the shareholders' equity of consolidated balance sheet.

The movement of non-controlling interests is as follows;

Non-Controlling Interest	2016	2015
January 1	19.129.418	18.032.460
Share of total comprehensive income	1.936.464	2.344.264
Dividend payments	(1.198.306)	(1.198.306)
Share purchases of the parent company	-	(49.000)
December 31	**19.867.576**	**19.129.418**

Other reserves:

The Company acquired shares of Poliport (2012) and Polisan YapıKim (2015) at a ratio of 22,23% and 49% respectively from non-controlling shareholders. Difference between the acquisition cost and carrying amount of net assets at a ratio of acquired share amounting to TL 208.011.543 and TL 716.289 respectively are recognized under "Other Reserves" account in consolidated statement of changes in equity.

21. Revenue and cost of sales

Details regarding to sales and cost of sales for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Domestic sales	370.700.662	301.787.680
Foreign sales	101.552.834	136.068.912
Gross sales	**472.253.496**	**437.856.592**
Sales returns	(1.658.543)	(3.833.372)
Sales discounts	(215.556)	(128.784)
Other discounts	(48.109)	(10.179)
Sales deductions (-)	**(1.922.208)**	**(3.972.335)**
Net sales	**470.331.288**	**433.884.257**

Cost of sales	**January 1 - December 31, 2016**	**January 1 - December 31, 2015**
Direct raw material and supply expenses	201.575.151	195.861.180
Direct labour expenses	7.258.839	5.378.166
Production overheads	28.729.832	20.119.400
Depreciation and amortization	6.805.092	6.327.224
Changes in work in process inventory		
- Opening inventories	1.633.905	2.999.322
- Closing inventories	(1.455.568)	(1.633.905)
Changes in finished goods inventory		
- Opening inventories	12.991.321	19.294.047
- Closing inventories	(15.876.859)	(12.991.321)
Cost of goods sold	**241.661.713**	**235.354.113**
- Inventories at the beginning of the period	450.026	903.986
- Purchases during the period	29.199.538	41.530.714
- Inventories at the end of the period	(326.912)	(450.026)
Cost of merchandise sold	**29.322.652**	**41.984.674**
Personnel expenses	44.959.254	26.657.636
Other service expenses	41.592.572	37.732.316
Depreciation and amortization	25.724.282	20.744.608
Cost of services rendered	**112.276.108**	**85.134.560**
Cost of other sales	**56.974**	**24.811**
Total cost of sales	**383.317.447**	**362.498.158**

22. General administrative, marketing, research and development expenses

The Group's operating expenses for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Research and development expenses		
Personnel expenses	933.866	707.450
Depreciation expenses	269.400	120.332
Repair and maintenance costs	81.398	-
Provision for severance pay	62.449	33.082
Office expenses	57.553	109.445
Travel expenses	12.879	9.477
Other	280.428	278.269
Total	**1.697.973**	**1.258.055**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Marketing expenses		
Shipping costs	12.257.232	11.208.048
Personnel expenses	2.216.054	1.971.443
Consultation expenses	657.781	431.718
Depreciation expenses	881.395	976.938
Vehicle expenses	376.652	252.765
Travel expenses	274.239	170.623
Hospitality expenses	160.312	50.421
Office expenses	153.924	79.636
Advertising, exhibitions, organizations, stands and promotional expenses	119.313	202.091
Provision for severance pay	97.149	52.908
Communication expenses	53.126	55.221
Rent expenses	27.318	181.051
Taxes, duties and charges	22.480	27.850
Other	974.972	362.512
Total	**18.271.947**	**16.023.225**

22. General administrative, marketing, research and development expenses (continued)

	January 1 - December 31, 2016	January 1 - December 31, 2015
General administrative expenses		
Personnel expenses	9.034.984	9.976.589
Taxes, duties and charges	3.736.507	3.430.422
Depreciation expenses	3.258.004	1.121.386
Consulting and legal expenses	1.308.632	1.398.365
Insurance expenses	1.230.381	1.508.783
Subscriber fees and expenses	501.523	578.685
Provision for severance pay	442.144	158.966
Rent expenses	373.721	385.000
Vehicle expenses	290.739	437.330
Travel expenses	272.602	264.100
Repair and maintenance costs	185.335	229.325
Hospitality expenses	124.723	108.884
Communication expenses	99.582	69.347
Office expenses	80.122	115.316
Contributions and donations	22.886	24.605
Other	218.657	698.608
Total	**21.180.542**	**20.505.711**

23. Expenses by nature

	January 1 - December 31, 2016	January 1 - December 31, 2015
Depreciation and amortization		
Cost of goods and services rendered	25.724.282	20.744.608
Cost of goods sold	6.805.092	6.327.224
General administrative expenses	3.258.004	1.121.386
Marketing expenses	881.395	976.938
Research and development expenses	269.400	120.332
Total	**36.938.173**	**29.290.488**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Personnel expenses		
Cost of goods sold and services rendered	44.959.254	26.657.636
General administrative expenses	9.034.984	9.976.589
Cost of goods sold	7.258.839	5.378.166
Marketing expenses	2.216.054	1.971.443
Research and development expenses	933.866	707.450
Total	**64.402.997**	**44.691.284**

24. Other income and expenses from operations

The Group's other income / expenses from operations for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Other operating income		
Foreign exchange gains	7.158.381	5.447.849
Deferred financial income	1.730.060	273.071
Rent income	803.833	719.958
Incentive income	288.256	282.766
Provisions no longer required	30.119	191.716
Insurance income	29.326	-
Other	821.540	5.501.720
Total	**10.861.515**	**12.417.080**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Other operating expenses		
Foreign exchange losses	2.748.011	1.159.399
Deferred financial expense	1.629.689	1.495.828
Allowance for doubtful receivables	1.084.137	5.381.041
Allowance for other receivables	1.113.717	-
Provision for inventory impairment	397.911	736.149
Other	981.131	348.789
Total	**7.954.596**	**9.121.206**

25. Income and expenses from investment activities

The Group's income and expenses from investing activities for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Income from investment activities		
Gain on sale of subsidiary shares (Note 3)	436.789.176	-
Gain on revaluation of investment property (Note 14)	19.629.057	13.132.327
Gain on sale of fixed assets	21.512	508.683
Gain on sale of securities	-	81.115
Gain on sale of investment properties	-	50.707
Other	1.479.464	-
Total	**457.919.209**	**13.772.832**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Expenses from investment activities		
Loss on sale of fixed assets	6.911	-
Other	33.309	15.608
Total	**40.220**	**15.608**

26. Financial income and expenses

The Group's financial income and expenses for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Financial income		
Foreign exchange gains	3.705.193	13.673.429
Interest income	261.035	684.282
Total	**3.966.228**	**14.357.711**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Financial expenses		
Interest expenses	16.017.352	13.906.254
Foreign exchange losses	14.077.131	25.317.241
Letters of guarantee commission expenses	791.210	652.749
Bank charges and pos expenses	207.232	287.756
Total	**31.092.925**	**40.164.000**

27. Income taxes (including deferred tax assets and liabilities)

Corporate tax

The accompanying financial statements include relevant provisions for the estimated tax obligations of current year financial results.

Corporate tax is calculated on tax basis which is the total income of the Company after adding of certain disallowable expenses, deducting of income exemptions which are not subjected to tax and other deductions (prior periods' losses if any and investment incentives if considered). The corporate tax rate is 20% in Turkey (2015: 20%).

The tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The tax rate applied in taxation of temporary corporate income of companies is 20% (2015: 20%). The tax rate of the subsidiary of the Group operating in Greece is 29% (2015: 20%). Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. Tax losses cannot be carried back to offset profits from previous periods.

27. Income taxes (including deferred tax assets and liabilities)

Corporate tax

In Turkey, there is no procedure for final and definitive agreement on tax assessment. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In addition to the corporate taxation, it is required to calculate income withholding tax for the parties who obtain dividend income if it is distributed and which are not subject to corporate taxation and include the dividend income on its corporate income or who are not foreign companies. The income withholding tax rate is 15%.

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

Corporate income tax liability accounted in statement of the financial position as of December 31, 2016 and December 31, 2015 is as below:

Current income tax liability	December 31, 2016	December 31, 2015
Provision for corporate taxes	16.640.994	13.819.236
Prepaid taxes and funds	(8.505.066)	(9.656.429)
Corporate tax payable	**8.135.928**	**4.162.807**

27. Income taxes (including deferred tax assets and liabilities) (continued)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between financial statements as reported in accordance with the TAS/TFRS and its tax purpose financial statements. These differences stated as below, are based on time difference of various income and expenses between financial statements as reported in accordance with the TAS/TFRS and its tax purpose financial statements.

	December 31, 2016	
	Cumulative differences	**Asset/ (liability)**
Property, plant and equipment and intangible assets	520.560.688	(66.632.478)
Deferred finance income	138.998	(27.800)
Deferred finance expense	(1.508.654)	287.075
Provision for employee termination benefits	(6.951.025)	1.417.504
Unused vacation pay liability	(1.575.433)	315.087
Allowance for doubtful receivables	(684.984)	167.564
Adjustment for inventories	(922.298)	227.402
Impairment of subsidiary and associate	(291.295)	14.565
Tax losses carry forwards	(15.189.160)	3.780.864
Investment incentive income	(13.930.582)	1.532.364
Litigation provision	(599.463)	119.893
Money point provisions	-	-
Other	(3.154.890)	811.048
Deferred tax liability, net	**475.891.902**	**(57.986.912)**
Deferred tax asset		16.151.858
Deferred tax liability		(74.138.770)
Deferred tax liability, net		**(57.986.912)**

27. Income taxes (including deferred tax assets and liabilities) (continued)

	December 31, 2015	
	Cumulative differences	Asset/ (liability)
	540.807.839	(76.463.401)
	653.536	(130.707)
	(9.722.659)	1.944.532
	(10.127.250)	2.025.450
	(2.841.050)	568.210
	(3.618.008)	744.051
	(3.616.845)	756.329
	(291.295)	14.565
	(36.356.852)	7.992.770
	(14.175.290)	1.559.282
	(268.988)	53.798
	(1.030.200)	206.040
	(1.716.568)	422.045
	457.696.370	**(60.307.036)**
		17.074.309
		(77.381.345)
		(60.307.036)

27. Income taxes (including deferred tax assets and liabilities) (continued)

The movements of Group's deferred tax assets/liabilities are as follows;

	2016	2015
January 1	(60.307.036)	(59.796.172)
Tax expense of continuing operations	1.265.870	6.681.240
Tax expense of discontinuing operations	863.358	(124.441)
Deferred tax effect of tangible asset revaluation	(1.768.163)	(8.400.000)
Deferred tax effect of actuarial gain/loss	1.196.800	340.697
Currency translation differences	3.769.014	991.640
Disposal within scope of consolidation	(3.006.755)	-
December 31	**(57.986.912)**	**(60.307.036)**

The tax income/ (expense) of the Group recognized in statement of profit or loss is as follows;

Tax expense/(income)	January 1 - December 31, 2016	January 1 - December 31, 2015
Tax expense for the period	(16.640.994)	(11.668.091)
Deferred tax income/(expense)	1.265.870	6.681.240
Total	**(15.375.124)**	**(4.986.851)**

The tax reconciliation of the Group as of December 31, 2016 and 2015 is as below;

	January 1 - December 31, 2016	January 1 - December 31, 2015
Profit before tax	478.943.062	27.893.064
Tax expense calculated using 20% local tax rate	(95.788.612)	(5.578.613)
Tax effect:		
- Effect of non-tax deductible expenses	(443.021)	(223.557)
Effect of non-taxable income	82.029.413	1.071.805
Tax rate differences	240.796	-
Current period tax income for which deferred tax asset is not recognized	(1.413.722)	(97.660)
Other	22	(158.826)
Tax expense	**(15.375.124)**	**(4.986.851)**

28. Earnings/ (losses) per share

Earnings per share is determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned. As of December 31, 2016 and 2015, earnings per share of the Group are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Profit from continuing operations for the period(TL) (parent)	461.631.474	20.561.949
Profit from discontinuing operations for the period (TL)	10.959.273	12.462.256
Weighted average of ordinary shares issued	370.000.000	370.000.000
-Earnings per share from continuing operations	1,248	0,055
-Earnings per share from discontinuing operations	0,029	0,034
Earnings per share	**1,277**	**0,089**

29. Related party disclosures

a) Key management compensation

The total amount of wage and salaries and similar benefits paid to the key management is TL 2.965.792 for the period January 1 - December 31, 2016. The TL 2.410.336 of related amount is comprised from wage and salaries, TL 555.456 of the related amount is comprised of bonuses (January 1 - December 31, 2015: TL 2.670.470). Key management of the Group is identified as Board members, general manager and vice general managers.

b) Trade receivables from related parties

	December 31, 2016	December 31, 2015
Trade receivables from related parties		
Şark Mensucat Fabrikası A.Ş (**)	116.691	89.588
Rohm and Haas (*)	710.254	609.597
Polisan Kansai Boya (***)	10.125.143	-
	10.952.088	**699.185**
Deferred financial expense (-)	(80.344)	-
Total	**10.871.744**	**699.185**

c) Other receivables from related parties

	December 31, 2016	December 31, 2015
Other receivables from related parties		
Şark Mensucat Fabrikası A.Ş (**)	50.997.500	-
Rohm and Haas (*)	132.869	-
Toplam	**51.130.369**	**-**

29. Related party disclosures (continued)

d) Trade payables to related parties

	December 31, 2016	December 31, 2015
Trade payables to related parties		
Rohm and Haas (*)	115.310	11.434.458
Total	**115.310**	**11.434.458**

e) Other payables to related parties

	December 31, 2016	December 31, 2015
Other payables to related parties		
Mehmet Haluk Sevel	3.104	3.104
Recep Haldun Sevel	3.104	3.104
Total	**6.208**	**6.208**

(*) Associate
(**) Company owned by the parent company
(***) Joint venture

f) Sales/purchases transaction with related parties

Purchases:

	January 1 - December 31, 2016		January 1 – December 31, 2015	
	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş
Raw material	-	43.484.156	-	47.306.936
Service	-	203.462	-	203.462
Foreign exchange differences	-	1.575.640	-	2.605.278
Total	**-**	**45.263.258**	**-**	**50.115.676**

Sales:

	January 1 - December 31, 2016		January 1 – December 31, 2015	
	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş
Finished goods	6.273	251.473	18.378	-
Services	461.224	5.643.296	423.738	5.037.439
Rent	9.609	-	8.942	-
Foreign exchange differences	-	160.324	-	-
Credit finance income	57.488	-	-	36.229
Total	**534.594**	**6.055.093**	**451.058**	**5.073.668**

29. Related party disclosures (continued)

The transactions with Rohm Haas, a related party of the Group, mainly consist of raw material purchases, and Şark Mensucat is finance activities. Except for the transactions mentioned above, the Group has transferred debt to Şark Mensucat amounting to TL 50.997.500 on December 27-28-30, 2016. There have been no guarantees received for related party receivables and payables. The Group charges interest to its related parties considering the market and maturity conditions of the sales recognized.

As of December 31, 2016 there is no impairment on trade receivables from related parties. (December 31, 2015: None)

30. Nature and level of risk derived from financial instruments

Financial risk management

The finance department of the Group is responsible to provide access to the financial markets regularly and to monitor the level and nature of risks which the Group is exposed via annual reports which analyse those. Such risks contain market risks (foreign exchange risk, interest rate risk), credit risk and liquidity risk.

Need for net working capital which is net of trade receivables, trade payables and inventories of the Group and considered as the most important determinant on the financial requirement of the Group is provided from the equity of the Group and short term bank loans when it is necessary. With this respect, as the "risk management" in terms of distribution of trade receivables, collection conditions and monitor of the credit risk is significant to the Group, credit risks of the customers are constantly reviewed.

Credit Risk

Credit risk is the risk that a counterparty cannot fulfil its obligations in the agreements that the Group is party to.

The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The Group is exposed to credit risk arising from receivables from customers. Credit risk of receivables from customers is managed by individual risk limitations and securing receivables with guarantees, collaterals, pledges and mortgages and guarantee cheques obtained from the customers.

The utilization of individual risk limitations are constantly reviewed by the Group and credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limitations of the customers are determined by the considering the credit history and the most available information. Trade receivables are accounted on net basis with respect to the accounting policies of the Group and presented with net balances in the statement of financial position when an allowance is accounted.

30. Nature and level of risk derived from financial instruments (continued)

The balances of financial instruments of the Group that are exposed to credit risk are as below;

					December 31, 2016
	Receivables				
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Deposits in banks
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**10.871.744**	**131.780.780**	**51.130.369**	**4.008.822**	**91.153.022**
- The portion of the maximum risk secured with guarantees etc.	-	44.275.627	-	-	-
A.Net book value of neither past due nor impaired financial assets	10.871.744	112.084.609	51.130.369	4.008.822	91.153.022
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	18.065.296	-	-	-
- The portion secured with guarantees etc	-	(310.000)	-	-	-
D. Net book value of assets impaired	-	1.630.875	-	-	-
-Past due (gross book value)	-	18.875.960	-	-	-
-Impairment (-)	-	(17.245.085)	-	-	-
-The portion secured with guarantees	-	1.630.875	-	-	-
-Not past due (gross book value)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2016 is presented in **Note 17.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activieis and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

30. Nature and level of risk derived from financial instruments (continued)

	December 31, 2015				
	Receivables				
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Deposits in banks
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**699.185**	**403.045.531**	**-**	**2.257.698**	**103.098.003**
- The portion of the maximum risk secured with guarantees etc.	-	70.781.082	-	-	-
A.Net book value of neither past due nor impaired financial assets	699.185	372.584.743	-	2.257.698	103.098.003
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	27.930.213	-	-	-
- The portion secured with guarantees etc	-	(13.582.942)	-	-	-
D. Net book value of assets impaired	-	2.530.575	-	-	-
-Past due (gross book value)	-	29.996.691	-	-	-
-Impairment (-)	-	(27.466.116)	-	-	-
-The portion secured with guarantees	-	2.530.575	-	-	-
-Not past due (gross book value)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2015 is shown in **Note 17.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activieis and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

The Group has no material credit risk from a specific party as of December 31, 2016 (December 31 2015: None). The maximum amount of credit risk that the Group is exposed to is represented as carrying value of the financial assets in balance sheet.

30. Nature and level of risk derived from financial instruments (continued)

Liquidity Risk

Liquidity risk is the risk arising from the inability to cover funding requirements of the Group. The Group manages its liquidity risk by funding diversified sources and providing sufficient cash and cash equivalents.

The liquidity risk tables of the Group is as follows:

31 December 2016

Maturities of the contract	Carrying value	Contractual cash-outflows	Less than 3 months	3-6 months	6-12 months	1-2 years
Financial liabilities	195.570.503	196.746.286	42.959.191	15.453.932	55.040.383	83.292.780
Trade payables	91.222.798	91.361.796	46.358.044	44.637.529	366.223	-
Employee benefit obligations	4.598.585	4.598.585	4.598.585	-	-	-
Other payables	804.840	804.840	804.840	-	-	-

31 December 2015

Maturity of the contract	Carrying value	Contractual cash-flows	Less than 3 months	3-6 months	6-12 months	1-2 years
Financial liabilities	556.017.376	571.661.415	97.391.647	88.228.170	257.907.562	128.134.036
Trade payables	145.618.019	146.271.555	126.927.021	19.227.624	116.910	-
Employee benefit obligations	5.323.081	5.323.081	5.323.081	-	-	-
Other payables	1.824.720	1.824.720	1.824.720	-	-	-

Market risk

As a result of its operations, the Company faces financial risks related to the changes in foreign exchange rates, interest rates and other financial contracts. Fluctuations in these market instruments create fluctuations on statement of profit or loss and equity of the Group.

Foreign exchange risk

The Group's foreign currencies denominated financial instruments are exposed to exchange rate risk as a result of fluctuations on exchange rates. As of December 31, 2016 and December 31, 2015, the foreign currency position of the Group is as follows:

30. Nature and level of risk derived from financial instruments (continued)

					December 31, 2016
	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	7.102.631	1.281.164	699.199	-	-
2a. Monetary financial assets (Including cash, banks)	194.249.379	55.070.025	116.544	3.377	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	897.604	255.058	-	-	-
4. Current assets (1+2+3)	**202.249.614**	**56.606.247**	**815.743**	**3.377**	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	33.389.100	-	9.000.000	-	-
6b. Non-monetary financial assets	-		-	-	-
7. Other	-	-	-	-	-
8. . Non-current assets (5+6+7)	**33.389.100**	-	**9.000.000**	**-**	-
9. Total assets (4+8)	**235.638.714**	**56.606.247**	**9.815.743**	**3.377**	-
10. Trade payables	68.639.209	9.299.895	9.622.798	48.948	-
11. Borrowings	-	-	-	-	-
12a. Monetary liabilities	113.800.169	32.336.862	77	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**182.439.378**	**41.636.757**	**9.622.875**	**48.948**	-
14. . Trade payables	-	-	-	-	-
15. Borrowings	10.445.015	-	2.815.444	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**10.445.015**	**-**	**2.815.444**	**-**	-
18. Total liabilities (13+17)	**192.884.393**	**41.636.757**	**12.438.319**	**48.948**	-
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position(19a-19b)	**42.754.321**	**14.969.490**	**(2.622.576)**	**(45.571)**	-
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**41.856.717**	**14.714.432**	**(2.622.576)**	**(45.571)**	-

30. Nature and level of risk derived from financial instruments (continued)

	December 31, 2015				
	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	6.568.156	1.412.562	774.481	-	-
2a. Monetary financial assets (Including cash, banks)	38.854.613	6.708.882	6.085.803	2.237	1
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	**45.422.769**	**8.121.444**	**6.860.284**	**2.237**	**1**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	33.053.582	2.250	10.400.000	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**33.053.582**	**2.250**	**10.400.000**	**-**	**-**
9. Total assets (4+8)	**78.476.351**	**8.123.694**	**17.260.284**	**2.237**	**1**
10. Trade payables	44.912.596	10.045.414	4.932.516	1.564	73.219
11. Borrowings	243.525.566	40.412.470	39.659.577	-	-
12a. Monetary liabilities	13.441	2.000	2.400	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**288.451.603**	**50.459.884**	**44.594.493**	**1.564**	**73.219**
14. Trade payables	-	-	-	-	-
15. Borrowings	64.513.875	15.899.674	5.754.023	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**64.513.875**	**15.899.674**	**5.754.023**	**-**	**-**
18. Total liabilities (13+17)	**352.965.478**	**66.359.558**	**50.348.516**	**1.564**	**73.219**
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position(19a-19b)	**(274.489.127)**	**(58.235.864)**	**(33.088.232)**	**673**	**(73.218)**
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(274.489.127)**	**(58.235.864)**	**(33.088.232)**	**673**	**(73.218)**

30. Nature and level of risk derived from financial instruments (continued)

Sensitivity analysis;

As of December 31, 2016 and December 31, 2015 the Group's profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a 10% increase or decrease in the foreign currency, with all other variables held constant.

As of December 31, 2016	Profit/Loss before tax		Shareholder's equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	5.178.303	(5.178.303)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**5.178.303**	**(5.178.303)**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(972.949)	972.949	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(972.949)**	**972.949**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(19.682)	19.682	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(19.682)**	**19.682**	**-**	**-**
Total (3+6+9)	**4.185.672**	**(4.185.672)**	**-**	**-**

As of December 31, 2015	Profit/Loss before tax		Shareholder's equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	(16.932.660)	16.932.660	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**(16.932.660)**	**16.932.660**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(10.514.117)	10.514.117	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(10.514.117)**	**10.514.117**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(2.136)	2.136	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(2.136)**	**2.136**	**-**	**-**
Total (3+6+9)	**(27.448.913)**	**27.448.913**	**-**	**-**

30. Nature and level of risk derived from financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing financial liabilities. Although fixed rate loans and time deposits are not subject to the interest rate risk, for the operations of the Group, those will be affected from the interest rates will be realized in upcoming periods.

The interest rate position as of December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Fixed interest rate financial instruments		
Time deposits	84.073.080	80.040.672
Total	**84.073.080**	**80.040.672**
Fixed interest rate financial instruments		
Financial liabilities	195.570.503	553.890.510
Total	**195.570.503**	**553.890.510**
Floating interest rate financial instruments		
Financial liabilities	-	2.126.866
Total	**-**	**2.126.866**

Capital Risk Management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net financial debt/total equity ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents. Invested capital is the total of equity and net financial liabilities as it is stated in statement of financial position.

	December 31, 2016	December 31, 2015
Total financial liabilities	195.570.503	556.017.376
Less: Cash and cash equivalents (Note 5)	(91.206.315)	(103.196.750)
Net financial liabilities	**104.364.188**	**452.820.626**
Total equity	1.312.708.947	831.765.343
Invested capital	1.417.073.135	1.284.585.969
Net financial liabilities/invested capital ratio	**%7**	**%35**

31. Financial instruments (fair value and hedge accounting disclosures)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

In order to estimate the fair values, the market information needs to be interpreted and estimations need to be used. As a result, the estimations presented here, may not be the indicators of the amount that the Group could receive in a current market transaction.

The following methods and assumptions are used in estimating the fair value of financial instruments when possible.

Financial assets

The carrying value of cash and cash equivalents is considered to be approximate to their fair values. The carrying value of trade receivables, after doubtful receivables are deducted, is considered to be approximate to their fair values. The foreign currency denominated monetary items is translated into Turkish Lira by using period end exchange rates. Non-listed financial assets are measured at cost.

Financial liabilities

Foreign currency denominated monetary items is exchanged at year-end exchange rates. The fair values of short-term trade payables and other monetary liabilities are considered to be approximate to their carrying values since they are short term. The fair value of the long-term fixed interest bank borrowings are observed to be approximate to their carrying value when revalued with the fixed interest rate valid as of the date of the balance sheet. The carrying values of short-term bank borrowings are assumed to reflect their current values since they are short term.

Fair value measurement categories;

The Group has created 3 different fair value measurement categories to compliance with the TFRS 13 applications. These categories are created based on the data used for the measurement of fair value and as follows:

1st category: the price set in active market
2nd category: inputs that are observable either directly or indirectly other than the prices set in active market
3rd category: inputs that is not based on observable market data

32. Other matters

None.

33. Subsequent events

On January 12, 2017, a fuel oil transfer operation between the tanks at the port facility was detected by Poliport, where some fuel poured into the water and reached the sea at 8:30 am.

Emergency Procedures have been put into practice at the time of detection, the location reached by the fuel is blinded on the sea and the Group contacted simultaneously with the company providing mooring and guidance services to the Kocaeli Gulf Region. The company in question was included in the intervention operation immediately because it was mobilized on the Poliport ground and served the area from the ground. Emergency Response Squadrons initiated an intervention operation by laying a fence barrier over the sea to contain the pollution. Mare Deniz Temiz Hizmetleri A.Ş., which is contracted in line with the Coastal Facilities Emergency Response Plan, invited to the site at the time

33. Subsequent events (continued)

of the incident, and they reached the facility within 30 minutes to complete the barrier process and started cleaning operations.

Necessary notices had been submitted to Kocaeli Port Authority, Kocaeli Environmental Protection and Control Department and Kocaeli Environment and Urbanisation Department regarding the accident in oral and written form, and records were prepared with respect to findings.

Approximately 24 hours later, on January 13, 2017, Poliport was associated with the occurrence of sea pollution at a point 20 miles east of the Poliport plant. An administrative penalty amounting to TL 2.100.000 was charged to Poliport for causing environmental pollution on 18 January 2017. The Group management has filed a lawsuit against the aforementioned penalty since Poliport is not associated with the incidence and due to irregularities in the aforementioned decision and the legal process is ongoing. All cleaning operations have been completed in the port area and the business activity continues uninterruptedly.

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