Polisan HOLDİNG

2017 ANNUAL REPORT

"OVER HALF A CENTURY OF EXPERIENCE"

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WE REMEMBER HIM WITH RESPECT

Groundbreaking Ceremony

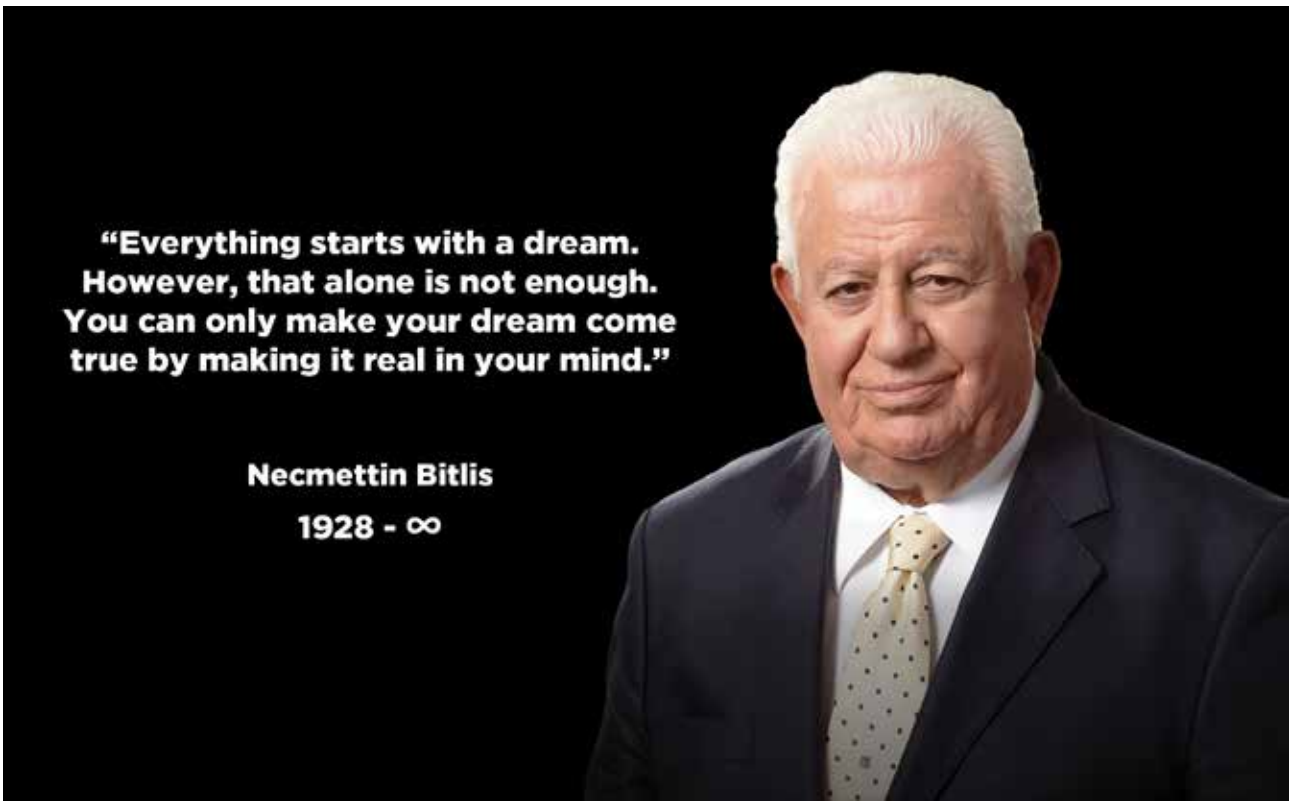
25th Anniversary Celebration Evening

Construction Site Room at the Dilovası Facilities

50th Anniversary Celebration Evening

Polisan Middle School

Kansai Partnership



We are deeply saddened to have lost our Founder, our Boss, our Chairman, Our mighty Plane Tree and our priceless elder Necmettin Bitlis. Mr. Bitlis founded Polisan by pursuing his dreams, with his name inscribed among the veterans of Turkish Industry.

Necmettin Bitlis bequeathed a Holding Company in the spirit of a new national value; one that has its place in the globalized world, by pursuing his dream throughout his career, which he started as a draper. Having entered the route of industrialism from drapery with the purchase of a textile factory, thanks to Necmettin Bitlis' visionary approach, Polisan Holding became the manufacturer of firsts in Turkey's chemicals industry by establishing partnerships with global giants.

During Necmettin Bitlis' tenure as Chairman of the BoD, Polisan Holding grew in new business lines, mainly in chemical activities, both in and beyond Turkey. Meanwhile, the assets of its portfolio became evaluated by projects capable of creating value for our country and its people.

Beyond being a visionary leader, Necmettin Bitlis was like a father to his employees, taking their corner until the last days of his life. He left an indelible imprint on our people, our country and the environment we live in, through the social responsibility projects he embraced with a spirit rich in humanitarian values and sensitivity.

It will always be our highest priority to sustain our visionary leader's values, on which he built our corporate culture, and to pass on these values of Integrity, Transparency, Modesty, Reliability, Loyalty, Innovation and Respect for Human welfare and the Environment onto future generations.

We will remember him with respect, in grace and with infinite gratitude.

Growth via New Partnerships and Business Lines

GENERAL OVERVIEW

Growth via New Partnerships and Business Lines

Polisan HOLDİNG *

	Paint	Chemical Activities	Port Operations	Agriculture	Real Estate
Foreign Partnership	Polisan HOME COSMETICS KANSAI PAINT 50%	ROHM AND HAAS DOW 40%	Poliport 93%	Polisan TARIM 100%	Polisan YAPI 100%
		Polisan KİMYA 100%			
Foreign Subsidiary		Polisan HELLAS 100%			
		Polisan MAROC 60%			

SHAREHOLDER STRUCTURE

	Share Value (TRY)	Ratio
Bitlis Family	328,291,143	88.73%
Other	10,507,500	2.84%
Float	31,201,357	8.43%
Total	**370,000,000**	**100.00%**

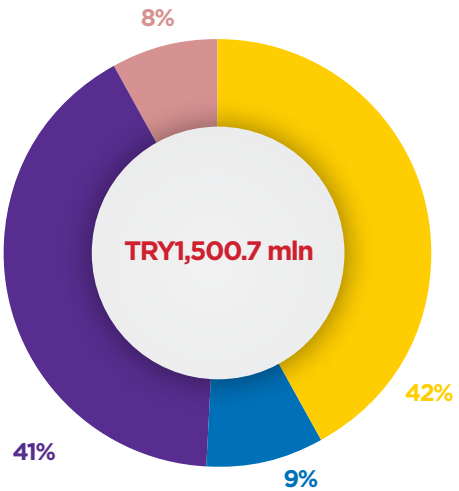
Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. (Rohm and Haas) is an associate and Polisan Kansai Boya Sanayi ve Ticaret A.Ş. is a joint-venture of Polisan Holding, whereas other holding companies are subsidiaries.

*The shares represent Polisan Holding's direct and indirect stake in the related group company.

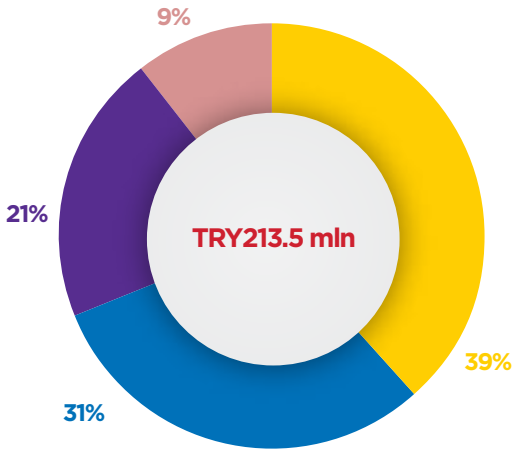
2017 FINANCIAL and OPERATIONAL OUTLOOK

POLİSAN HOLDİNG 2017 COMBINED FINANCIAL RESULTS

Revenue Breakdown



EBITDA Breakdown



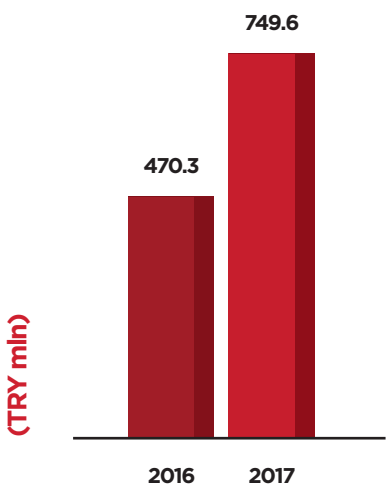
Paint Port Chemicals Other

Segment Revenues	Paint	Port	Chemicals	Real Estate	Other	Total
2016	478.4	119.0	378.0	4.4	112.6	1092.3
2017	624.7	139.7	618.0	0.0	118.3	1500.7

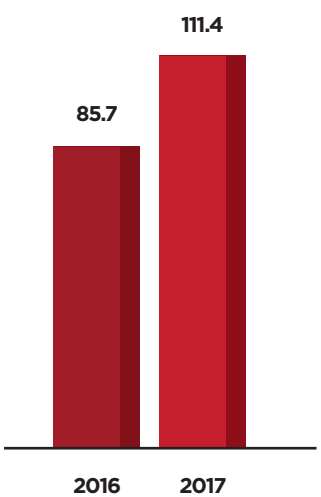
Segmented Net Income	Paint	Port	Chemicals	Real Estate	Other	Total
2016	11.0	39.1	(9.4)	12.4	455.0	508.1
2017	67.1	37.8	6.8	4.7	35.0	151.4

POLİSAN HOLDİNG 2017 CONSOLIDATED FINANCIAL RESULTS

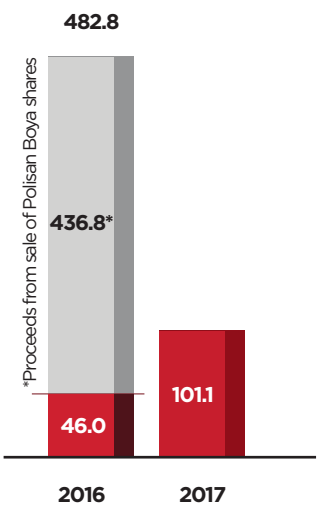
REVENUE



EBITDA



NET PROFIT



Summary Income Statement (TRY million)	**2016**	**2017**	**% Change**
Revenues	470.3	**749.6**	59.4%
Gross Profit	87.0	**118.2**	35.8%
Gross Profit Margin (%)	18.5%	**15.8%**	(2.7 p.p.)
Profit Before Interest and Tax (EBIT)	48.8	**65.6**	34.4%
EBIT Margin (%)	10.4%	**8.8%**	(1.6 p.p.)
Profit Before Interest, Tax and Depreciation (EBITDA)	85.7	**111.4**	30.0%
EBITDA Margin (%)	18.2%	**14.9%**	(3.3 p.p.)
Net Profit	482.8	**101.1**	(79.1%)
Net Profit Margin (%)	102.7%	**13.5%**	n.m.

Summary Balance Sheet (TRY million)	**2016**	**2017**
Cash and cash equivalents	91.2	**19.0**
Current Assets	363.6	**416.0**
Non-Current Assets	1,366.8	**1,566.2**
TOTAL ASSETS	1,730.4	**1,982.2**
Short Term Financial Liabilities	112.7	**200.0**
Long Term Financial Liabilities	82.9	**39.8**
Paid in Capital	370.0	**370.0**
Total Equity	1,300.5	**1,479.5**
TOTAL EQUITY AND LIABILITIES	1,730.4	**1,982.2**

Profitability Ratios	**2016**	**2017**
Current Ratio	1.593	**1.318**
Liquidity Ratio	1.307	**1.038**
Net Profit / Total Equity	37.1%	**6.8%**
Net Profit / Total Equity and Liabilities	27.9%	**5.1%**

MILESTONES

1956

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

1961

Kağıthane Hosiery was purchased and operations continued.

1964

Polivinil Asetat Kimyevi Maddeler Sanayi A.Ş. was established and commenced production of emulsion resins in a first for 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 / plywood and Formica commenced, also in a first for Turkey at the Kağıthane Facilities.

1971

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

1977

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

1985

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

2000

The first water-based mix machine in the sector was developed, ensuring factory quality, and the 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 internationally renowned emulsion resin producers.

2006

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

2008

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

2009

Polisan Yapı Kimyasalları A.Ş. (Construction Chemicals Company) was established and concrete additives sales commenced.

Polisan Kimya has been granted the VDA license and started AUS32 production with the Adblue brand.

2011

The name Polikem Kimya San. ve Tic. A.Ş. was changed to Polisan Tarımsal Üretim San. ve Tic. A.Ş. (Agriculture Company) and the company commenced seeding activities.

Polisan Boya started a loyalty program and collection practice, in a first for the sector, using a single POS.

2012

Polisan Yapı Kimyasalları A.Ş. commenced sales of cement chemicals.

Polisan Holding went public and its shares were traded on Bourse İstanbul.

2013

The sole Polyethylene Terephthalate (PET) granule plant of Greece and the Balkans, working as a continuous facility with full automation, was purchased. The new facility, which started its operations in Greece as Polisan Hellas, has an area of 75,000 m² with a 15,000 m2 indoor area.

2014 50. Anniversary...

Polisan Yapı's Z Office Project in Kağıthane was completed.

Polisan Holding companies were included in the TURQUALITY® Support Program under the 'POLİSAN' brand name.

2015

Polisan Boya was the No.1 Paint Manufacturer in Turkey and No.3 in Europe to receive Environmental Product Declaration Certification.

Polisan Kimya renewed its Formaldehyde Facilities and enhanced its Smart Solution product portfolio.

Polisan Yapı signed an agreement with DAP Yapı JV for a project to be built on 180,000 square-meter land in Pendik.

2016

Kansai Paint, one of the world's top 10, and Japan's leading paint producer, acquired a 50% stake in Polisan Boya, and the investment of the new paint production and storage facility commenced.

Poliport, has been awarded "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 to publish the "GRI Version 4" compliant Sustainability Report in Turkey.

2017

Polisan Yapı Kimyasalları A.Ş. (construction additives company) merged with Polisan Kimya (chemicals company.)

Polisan Kimya established Polisan Maroc, producing construction chemicals, in Morocco in a 60% partnership.

Polisan Holding became one of the 44 companies eligible for listing on the BIST Sustainability Index.

OUR MISSION

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

OUR VISION

- To be one of the most respected group companies in Turkey
- To be the most desirable group of companies to work at
- To lead the sectors we compete in and be recognized as the leader

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

OUR STRATEGIC PRIORITIES

To maximize shareholder value through:

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

VICE CHAIRMAN'S LETTER

“We will proceed with firm steps towards our goal of becoming a global brand by focusing on technology, innovation, efficiency and global competition.”

Dear Shareholders, Customers, Business Partners and Employees;

As you all know, the recent loss of our valued elder, my father Necmettin Bitlis, has deeply saddened us and his loved ones. In this difficult time, while we found solace in the superlative reputation he has left behind with his humanitarian values and philanthropy, our biggest support was his loved ones. On behalf of my family and myself, I would like to extend my sincere thanks once again to those who personally paid their final respects, and who conveyed their condolences, in Turkey and abroad.

Although geopolitical and political uncertainties such as the post-election policies of the Trump government in the US, Brexit, the refugee crisis, and the conflict in Syria continued in 2017, the global economy printed the highest growth rate of the past 10 years. As Turkey, with an 11.1% third-quarter annual growth rate announced in September, we ranked first among OECD countries and third among the G20. The government's incentives to meet the private sector's need for hot money played a key role in this success achieved in 2017. Thanks to the Treasury guarantee for bank loans, a loan of over TRY200 billion has been extended to the market over the past 1.5 years. On the other hand, Special Consumption Tax discounts on white goods and furniture also contributed to economic revival.

As Polisan Holding, we ended 2017 posting a successful financial performance, as a result of the measures taken in the difficult year of 2016.

Today's world is in the process of rapid change. Now, the professions and our way of doing business are changing, as a result of digital transformation. In order to be a pioneer amid this rapid change, we closely follow up trends, particularly in our operating areas.

Our joint venture, which we formed last year by transferring 50% of our paint company's shares, and which also contributed to the foreign capital inflow to our country, continues its new paint facility investment. We have designed this facility to be positioned as a regional production hub by our Japanese partner Kansai Paint, in order to receive a "Green Building Certificate" in an attempt to lead the transformation of our market in terms of sustainability. We believe that our new facility, which we plan to begin trial production at in the first half of this year, will take us one step closer to our goal of becoming a global brand. Serving the world's leading chemical giants such as Dow, Shell and BASF for 30 years, and receiving the Best Terminal in Europe award from Shell, Poliport is gradually expanding its capacity while continuing to grow its customer base. In our chemicals operations, we continue to expand, especially in the field of construction chemicals, by opening new plants both in Turkey and in foreign markets. We are also quite satisfied with the profitability levels that our Company in Greece has posted. Innovation is an indispensable element in the sustainable growth of our operations. Our recently launched new product, developed by our Japanese partner, the world's leading paint manufacturer Kansai Paint, and our US based partner, the global leader in chemistry, Dow Chemical, together with the Polisan Kansai Boya R&D center, has been a first in our industry with its feature of minimizing the destructive effects of earthquakes. The R&D center of our chemical operations is developing unique products for use in underground projects currently not available in the market.

Among our priorities is to be a pioneer in the industry by transforming efforts against environmental and social problems, which threaten our planet, into a management strategy. In this context, in order to improve the quality of life of our people, our support for social responsibility projects such as the development of our children, ending violence against women, a bleeding wound in our society, and greening and reorganizing our living spaces, are ongoing.

Before passing on this torch that I inherited from my father to the new generation, in an attempt to make the best of it, together with the Holding Management we will focus on institutionalization and risk management and take actions to further strengthen our human resources in the forthcoming period. As always, we will proceed with firm steps towards our goal of becoming a global brand by focusing on technology, innovation, efficiency and global competition and continue to increase the value we create for our country, our people and our shareholders.

Looking to the future with hope, on behalf of the Holding Board of Directors, I would like to thank our employees, loyal customers, shareholders, dealers and suppliers for our achievements in 2017.

Mehmet Emin Bitlis
Vice Chairman

POLİSAN HOLDİNG 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 and Şark Mensucat. Additionally, he is the founding member of Malatya Education Fund, President of the Dilovası Industrial Zone Entrepreneurs' Board and a member of the 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 his 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, and Polisan Yapı. He is also a Board member of Poliport, Şark Mensucat, and Rohm and Haas. Additionally, he is the Chairman of Polisan Hellas BoD. Besides, Mehmet Emin Bitlis is the member of the Board of Turkish Industry and Business Association, Turkish Chemical Manufacturers Association, Istanbul Rotary Club, and Malatya Education Fund.

Ahmet Ertuğrul **Bitlis***
Board Member

He was born on May 31, 1961 in İstanbul. He 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 a Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, and Şark Mensucat. He is also the Vice Chairman of the Poliport BoD.

• Due to the loss of Mr. Necmettin Bitlis, who served as Chairman of the Board of Directors of Polisan Holding, as well as the Chairman of Polisan Group Companies, on 23.10.2017, the Board of Directors decided that Vice Chairman Mehmet Emin Bitlis would act as the Chairman, with Board member Ahmet Ertuğrul Bitlis taking over the vacant Vice Chairman position, until the first General Assembly is held.

Ahmet Faik **Bitlis**
Board Member

He was born on August 29, 1962 in İstanbul. He graduated from Deutsche High School in İstanbul in 1981 and Boğaziçi University, in Industrial Engineering (BSc) in 1986. He received a master's degree from the İstanbul University International Management Program in 1990 and completed the Harvard Business School Owners and Presidents Certificate Program in 2004. He started his professional career in 1987. Ahmet Faik Bitlis is currently a Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, Poliport, and Rohm and Haas. Additionally, he is the Vice Chairman of the İstanbul Minerals and Metals Exporters' Association (IKMIB), a Member of the Malatya Education Fund's Board of Trustees, and a Member of the 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 graduated from Notre Dame de Sion French Girls High School in 1983 and İstanbul Technical University (ITU), in Chemical Engineering (BSc) in 1987. She started her professional career that year. Fatma Nilgün Kasrat is currently the Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, and Poliport.

POLİSAN HOLDİNG BOARD OF DIRECTORS

Erol **Mizrahi**
Board Member

He was born on September 2, 1954 in Edirne. He graduated from the University of İstanbul, Faculty of Law in 1977. Having held 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 in 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 a Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, Poliport, Rohm and Haas, and Polisan Hellas. Additionally, he is a Board member of the Paint Industry Association (BOSAD).

Ali Fırat **Yemeniciler**
Board Member

He was born in 1956 in İstanbul. He graduated from Saint Joseph High School in 1975. Having graduated from University of İstanbul, in Chemical Engineering (BSc) in 1981, he received a master's degree from University of Brussels in 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 a Council Member of the Chamber of Shipping and Vice President of the Port Operations Committee.

Yahya Mehmet İzzet **Özberki**
Independent Board Member

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

Ahmet **Temizyürek**
Independent Board Member

He graduated from the University of Ankara; Political Sciences (BSc) in 1995. In the same year, he commenced work as an Associate Account Expert on the Account Expert Board. Having succeeded in the Proficiency Exam, he was assigned as 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 from his position as an Account Expert in 2010. He is currently the Sworn Financial Advisor.

CEO LETTER

“In 2017, we undersigned record 50% profitable growth, posting TRY1.5 billion in combined revenues, thanks to our ongoing investments and our restructuring actions.”

Dear Shareholders, Customers, Business Partners and Employees;

As you know, we completed 2017 with an indescribable loss for our Group. I will remember Necmettin Bitlis, who left an indelible mark for his humanitarian values, philanthropy and visionary leadership; with respect, and infinite gratitude. We will continue the breakthrough he initiated, for Polisan Holding to become a global company, by passing the values and corporate culture that we inherited from him on to the next generation.

As Polisan Holding, we posted quite a strong financial performance in 2017 on the back of our structural changes, measures to increase profitability and the f/x impact; although we have yet to see the synergies of the new foreign partnership that we formed in a difficult year such as 2016, and have yet to see the return on our investments that continue without deceleration. In 2017, the consolidated revenues of Polisan Holding increased by 59.4% from 2016 to TRY749.6 million with the contribution of our chemical and port activities. In terms of operational efficiency, Polisan Hellas in Greece contributed to the 30% improvement in the Holding’s nominal EBITDA, while the EBITDA margin decreased 3.3 p.p. and was realized at 14.9% due to rise in operational expenses in our port and chemical activities in Turkey. Thanks to strong revenue growth, net profit ramped up to TRY101.1 million in 2017. In 2016 net profit had stood at TRY46.0 million excluding one-time TRY436.8 million proceeds from investing activities related to the sale of 50% Polisan Boya shares to Kansai Paint, in the last quarter. According to our combined financial results, including Polisan Kansai Boya, which we no longer consolidate as of 2017, we recorded TRY1.5 billion in revenues, TRY214 million in EBITDA and TRY151 million net profit.

In 2017, Polisan Kansai Boya's revenues increased by 30.6% to TL 624.7 million as a result of our strategy to dissolve our inventory in the field instead of introducing new products to the market at the end of the previous year. The EBITDA margin was realized at 13.3% on a slight 0.9 p.p. decline due to the rising f/x based raw material costs on the back of TRY depreciation against hard currencies. The new facility investment, where we intended to start trial production at the end of 2017, is continuing due to the revisions required, after our Japanese partner, Kansai Paint, positioned this facility as a regional production hub. When the facility begins to operate following trial production in the first half of 2018, we will begin to gradually see a return on this investment, which will carry us to the top of the world league in profitability through efficiency in production, labor, raw materials and energy. In 2017, we maintained our innovation leadership in the sector, while outgrowing the market both in paint and insulation. Recently, we offered Exelans Turbo Flex C1 to our customers. Our paint, minimizing the destructive effects of earthquakes was developed by Polisan Kansai Boya R&D together with our partners, Dow Chemical; the world giant in chemicals and Kansai Paint; the pioneer in the global paint industry.

In Poliport, the contraction in dry bulk cargo handled in the first half due to the decline in coal imports compared to last year, changed direction in the second half of the year. Recording its revenues in US dollars, Poliport increased revenues by 17.3% year on year to TRY139.7 million with depreciation of the TRY, despite the slight decline in total cargo handled compared to last year. The EBITDA margin decreased by 1.5 p.p. to 47.1% on the back of fixed costs incurred. We will start construction of additional 35,285 cubic meter tanks at Poliport in the days to come. We plan to commission these tanks by the end of 2018. We also expect the Administration's final approval for the new jetty.

In our chemical activities in Turkey, we started to see the results of both the restructuring of construction chemicals and our regional expansion strategy. This year, we started construction chemicals production in Adana and Samsun in Turkey, and in Morocco abroad, by establishing a company called Polisan Maroc, which is 60% owned by Polisan Kimya. In 2017, revenues in our operations in Turkey rose 80.9% to TRY300.1 million. However, due to changing product/revenue breakdown and increasing raw material costs with fluctuating f/x rates, our operational profitability declined 8.5 p.p. and our EBITDA margin realized at 9.5%. At Polisan Hellas, our PET operation in Greece, we started to operate close to full capacity as our product began to see intense demand in the Greek market as well. Our revenues increased by 70.1% compared to last year to TRY317.9 million. The EBITDA margin rose to 5%, which is a rational profitability level for the sector. While Polisan Kimya, granted R&D Center certification in June 2017, works on developing specific concrete additives for use in underground projects, we will continue to set up new facilities in feasible regions in Turkey and abroad.

In the area of real estate, we have 77 offices and 26 stores ready for sale in the Kağıthane Z Office Project, which is a flat for land basis project realized without us having to incur any capital expenditure. Current excess office supply in the Kağıthane region had a negative impact on the sales of this project. However, we expect the law regulating VAT exemption on the home and office purchases of foreign natural persons who are not resident in Turkey to have a positive impact on the sales of this project in the coming period. DAP Yapı continues to work on the details of the project, which we already agreed upon. The project is located on our 180,000 m² land in Kurtköy, very close to the seaside, Sabiha Gökçen Airport, and the Ankara-Istanbul high-speed railway route. With its attractive location, we expect this “brand project”, comprising 4,000-unit residences and offices in total, and appealing to a “life style”, to see brisk demand once launched.

As for Polisan Tarım, we continue walnut plantation in Balıkesir on our 4.4 million square meter land, at a cost of about TRY1 per square meter, and olive cultivation studies in Karacasu on our 2.5 million square meter land. In addition, we are carrying out studies in cooperation with Atatürk University, Faculty of Agriculture for the development of a 100% native variety, including useful high glycosides that can be used in the cultivation of Stevia.

While creating economic value for our stakeholders on the way to becoming a global brand, we also act with awareness of our social and environmental responsibility. For the first time this year, we have been included in the CDP (Carbon Disclosure Project) Platform, Climate Change program, recognized as one of the most prestigious and respected environmental initiatives around the world. As Polisan Holding, this year, we were the 75th company to receive GRI Version 4 conformity approval for our Sustainability Report, prepared for the second time, and among the 44 companies included on the Sustainability Index by meeting the criteria of the Bourse İstanbul Sustainability Index.

We would like to thank our shareholders, employees, business partners, and our customers for their continued support during the successful year we have left behind.

Erol Mizrahi
CEO

POLİSAN HOLDİNG EXECUTIVE COMMITTEE

Erol **Mizrahi**
Polisan Holding CEO

He was born on September 2, 1954 in Edirne. He graduated from University of İstanbul, Faculty of Law in 1977. Having held several responsibilities since 1976 within Polisan Holding, he was appointed General Coordinator of the Holding and General Manager of Polisan Kansai Boya in 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 a Board member of Polisan Holding, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, Poliport, Rohm and Haas, and Polisan Hellas. Additionally, he is a Board member of Paint Industry Association (BOSAD).

Ali Fırat **Yemeniciler**
Poliport General Manager

He was born in 1956 in İstanbul. He graduated from Saint Joseph High School in 1975. Having graduated from University of İstanbul, in Chemical Engineering (BSc) in 1981, he received a master's degree from University of Brussels in 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 a Council Member of the Chamber of Shipping and Vice President of the Port Operations Committee.

Ahmet **Türkselçi**
Human Resources Director

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

Necati Bülent **Hakoğlu**
Polisan Kimya and Polisan Hellas General Manager

He was born in 1952 in Adana. After having graduated from Istanbul Technical University, Chemical Engineering in 1974, he received a master's degree (MBA) from University of Istanbul, Faculty of Economics. Necati Hakoğlu had 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 appointed the General Manager of Polisan Kimya A.Ş. and Polisan Hellas as of January 1, 2016. He is also a member of Polisan Holding's Executive Committee and Polisan Kansai Boya BoD. Additionally, Mr. Hakoğlu is a Board Member of the 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 Senior Management is TRY3,449,969 as of December 31, 2017 (December 31, 2016: TRY2,965,792). Of this, TRY2,786,769 is salary and TRY663,200 is bonuses. The Holding defines Board Members, General Managers and Deputy General Managers as Senior Management.

2017 EVALUATION and 2018 TARGETS

POLİSAN HOLDİNG POSTED RECORD PROFITABLE REVENUE GROWTH IN 2017.

POLİSAN HOLDİNG CONSOLIDATED FINANCIAL RESULTS

TRY (million)	2016	2017	2016-2017 (%)
Revenue	470.3	749.6	59.4%
EBITDA	85.7	111.4	30.0%
EBITDA Margin	18.2%	14.9%	(3.3 p.p.)
Net Profit	482.8	101.1	(79.1%)

POLİSAN HOLDİNG COMBINED FINANCIAL RESULTS

TRY (million)	2016	2017	2016-2017 (%)
Revenue	1092.3	1500.7	37.4%
EBITDA	169.8	213.5	25.7%
EBITDA Margin	15.5%	14.2%	(1.3 p.p.)
Net Profit	508.0	151.4	(70.2%)

Consolidated Results:

Polisan Holding's consolidated revenues rose 59.4% from 2016 to TRY749.6 million, primarily due to the chemical operations in Greece and Turkey, as well as with the contribution of port activities. In terms of operational efficiency, Polisan Hellas in Greece, which achieved rational EBITDA margin levels of 5% for PET producers, contributed to the 30% improvement in the Holding's nominal EBITDA. Yet, increasing operating expenses in the chemical operations in Turkey and in port activities resulted in a 3.3 p.p. decline in the EBITDA margin to 14.9%. Nonetheless, thanks to strong revenue growth, Polisan Holding increased its net profit in 2017 to TRY101.1 million from the 2016 print of TRY46.0 million excluding one-time TRY436.8 million proceeds from investing activities related to the sale of a 50% Polisan Boya stake to Kansai Paint, in the last quarter.

Actual Results and Forward-Looking Expectations

Polisan Holding performed in parallel with its 2017 forecasts, which the Company revised in 3Q 2017 to over 50% consolidated revenue growth compared to 2016 and an EBITDA margin of about 15%.

In terms of operations, Poliport has somewhat underperformed expectations due to temporary contraction in the volume of coal handled, Polisan Kansai Boya generally performed in parallel, while Polisan Kimya and Polisan Hellas recorded operational results above expectations due to rising demand for their products.

In 2018, depending on market conditions, Polisan Holding plans to increase its consolidated revenues by approximately 15% compared to the previous year and its EBITDA margin by a couple of points.

In 2017, the required capital expenditure for Polisan Holding has realized somewhat higher than targeted, consisting of €28 million for the continuing plant construction of Polisan Kansai Boya, $13 million for the capacity increase of Poliport, and approximately $7 million for the investment needs of other operations. In 2018, Polisan Kansai Boya plans to complete its remaining €9 million investment, Poliport to spend $20 million on a capacity increase, and chemical operations to invest €5 million in the renewal of its formaldehyde facility.

Innovativeness
Modesty Transparency
Fidelity Loyalty
Reliability
Honesty
Environmental Consciousness
Sensitivity to Human Health

PAINT & COATINGS

Polisan
HOME COSMETICS

Polisan HOLDİNG | ALESCO KANSAI PAINT

THE PAINT INDUSTRY IN TURKEY

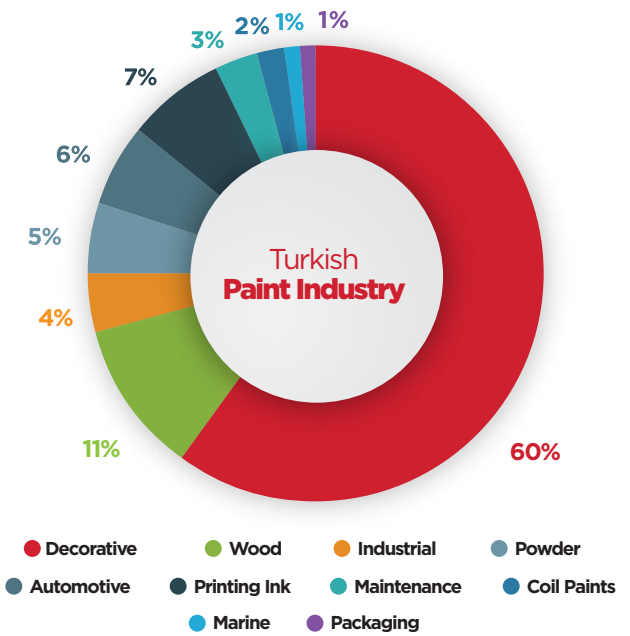
HIGH GROWTH POTENTIAL

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

Based on Paint Industry Association ("BOSAD") data; the global paint industry is approximately a $130 billion and 51-million-ton market. Decorative paints capture a 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, the UK, France, and Italy.

In Turkey, decorative paint captured the largest share with 545,000 tons, which coincides with approximately 60% of the 915,000-ton annual paint production, as of 2016 year end.

Decorative segment has the largest share in the market at 60%:



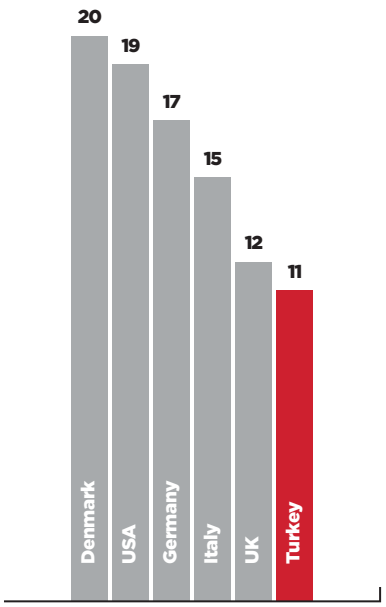
Source: BOSAD 2016 data

While a total of around 600 producers serve this production volume, the producer profile varies. Approximately 20 paint companies may be considered as having large-scale company status. The four largest companies that dominate the Turkish paint industry assume 64% of total decorative paint production.

The number of companies that do not comply with the criteria of production quality and standards, decreases daily. Product quality expectancy has increased in proportion to the rise in consumer brand and purchasing awareness.

300,000 employees serve the Turkish Paint Industry, which uses 61% of its production capacity.

Per capita paint consumption is quite low in Turkey:



Source: BOSAD, 2013 per capita consumption

Decorative paint demand, 85-90% of which originates from renovation related requirements, continues to grow:

Of the demand for decorative paint, which holds approximately a 60% share of the paint industry, 85-90% stems from 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:

- Young and increasing population
- Urban transformation
- New building constructions
- Decreasing population per household
- Increasing income level
- Renovation needs of existing buildings
- Need for buildings in regions affected by the earthquake
- The increasing consumer awareness of paint
- Mandatory heat insulation of buildings

In addition to the factors listed above, Turkey targets to be Europe's third largest paint producer 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 respectively estimated to capture 54%, 16%, 12%, and 8% of 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.

On the other hand, there is a rapid growth in exterior insulation along with changing legislation:

The Legislation on Energy Performance in Buildings was published on December 5, 2008, making it mandatory to prepare an Energy ID Card for buildings to receive a new building license as of January 1, 2011. Within this context, it is mandatory for all buildings used by households to obtain an Energy ID Card until December 31, 2019. Effective of this date, no building purchase-sale transaction and the like will be realized without an Energy ID Card. Increasing demand in the insulation sector also increases the consumption of exterior paint, while insulation adds to the value of buildings. As per the IZODER declaration dated January 1, 2017; per capita consumption in Turkey's insulation industry, at 0.25 cubic meters, coincides with 10% of that in Europe. Accordingly, it still has growth potential. The per capita consumption rate is to further rise as thickness increases. Therefore, the increase in exterior insulation will ultimately have a direct and strong effect on paint production and consumption figures.

As well as social and governmental factors, current and changing habits of the end user are also an important factor:

Consumers' strengthening brand perception and greater awareness, as well as the evaluation of many new parameters in selecting their preferences such as environment, health, sustainability, durability as well as price-quality ratio, are considered factors that will increase the low per capita paint consumption in Turkey.

~85% of production is composed of water-based paints:

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

High working capital requirement due to seasonality:

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

Buy-It-Yourself trends gain importance:

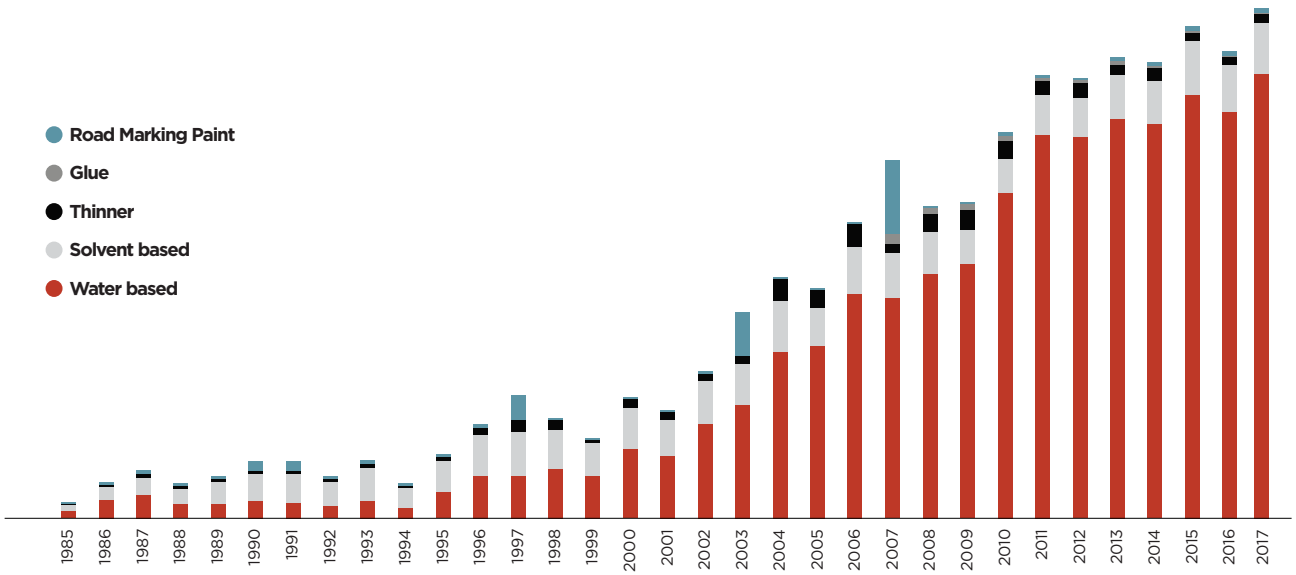
The clientele of the Turkish Paint Industry is composed of the sales channel (wholesalers, retailers, and construction markets), household, and painters. In recent years, painters and the end users have been increasingly emphasizing color preference and quality. Accordingly, instead of manufacturing every type of color and delivering them to the retailer; base colors are manufactured and products provided to customers in colors and shades of their preference, at the retail point of sales using mix machines.

Clearly, the Turkish Paint Industry is poised for further growth and has the potential to capture a larger share of the global market, with changing habits, evolving needs and production capabilities that can respond to these needs.

POLİSAN KANSAI BOYA SANAYİ VE TİCARET A.Ş.

ON THE ROAD TO BECOMING A GLOBAL BRAND THROUGH TURKISH DECORATIVE PAINT LEADERSHIP: PARTNERSHIP WITH ONE OF THE WORLD'S TOP 10 PAINT MANUFACTURERS; KANSAI PAINT...

Polisan Boya started paint production with a 10,000 ton/year annual capacity in 1985. After the transfer of 50% of its shares to Japanese **Kansai Paint** as of December 21, 2016 within the scope of its strategy of expanding its leader position in Turkey abroad, and of strengthening its position overseas, the Company continued its operations as **Polisan Kansai Boya Sanayi ve Ticaret A.Ş.**



Source: Polisan Kansai Boya

GROWTH DRIVERS

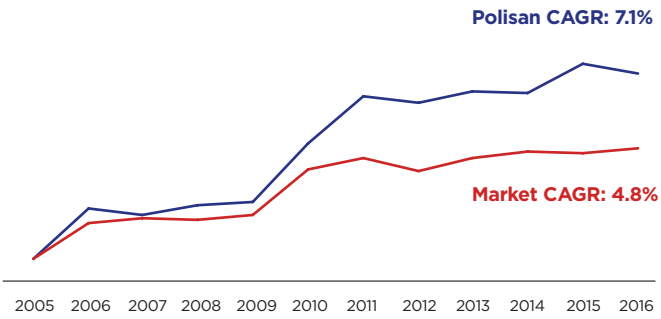
1. OFFERS A WIDE A RANGE OF PRODUCTS FOR EVERY REQUIREMENT

Similar to the general structure of the Turkish Paint Industry overall, the decorative paints group constitutes the bulk of the production and sales of Polisan Kansai Boya. The Company's main area of activity is paints used in construction and insulation works, special purpose and auxiliary products, insulation materials, thinner, paste and by-product groups such as brushes, rolls, spray, masking tape, hand tools and construction chemicals offered particularly for painters through its widespread distribution channel. Polisan Kansai Boya also manufactures and sells products such as paint, varnish, primer, and coating to evaluate the potential of marine, furniture and industrial paints.

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

Kansai Boya has the widest product portfolio across all price segments in the decorative paint market with more than 4,500 Polisan branded product types including packaging and color options (over 250 excluding packaging and color options). Evolving business segments are furniture, marine, and industrial groups. Polisan Kansai Boya's decorative paint sales volume is outperforming overall market growth. In the Turkish Decorative Paint segment, sales grew at a CAGR of 4.8% between 2005 and 2016. At the same period, Polisan Kansai Boya's decorative paint sales CAGR stood at 7.1%. According to BOSAD data, decorative paint sales remained flat compared to last year as of September 2017. In the same period, the sales of Polisan Kansai Boya grew 9%. Even in times of category-based or overall market contraction, Polisan Kansai Boya has continued to grow thanks to its differentiated products and services compared to the competition, as well as the right marketing/sales/promotion policies for the consumer and sales channel.

Polisan Kansai Boya Grows Faster Than the Turkish Market.

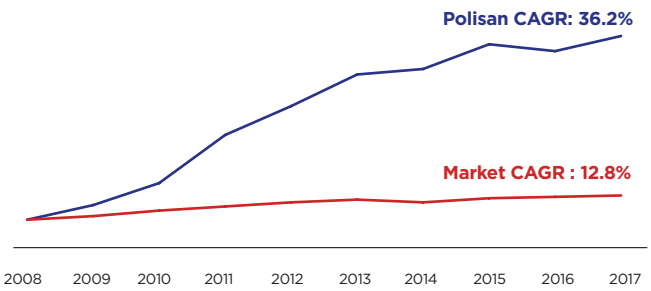


Source: Polisan Kansai Boya, BOSAD

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

Polisan Kansai Boya has been operating in the growing Turkish Insulation Industry since 2007. Polisan Kansai Boya Polisan Insulation Systems contains thermal insulation materials such as panels used for walls, roofs, and bases to provide thermal gain and prevent heat loss in Turkey. Polisan Insulation Systems, which can be bought from authorized Polisan Kansai Boya dealers, is composed of 4 different packages (EPS, XPS, Rock wool, Carbon EPS). Polisan Kansai Boya has integrated the continuity of its service quality by granting free of charge Energy ID Cards to approximately 18,440 households (922 buildings) in 2017. The Company has introduced approximately 518,300 households (21,915 buildings) to Polisan Insulation Systems product and service quality since 2008. Ensuring an energy saving of close to 10% with its high-grade heat insulation ratio, the Exelans Energy Turbo Heat Insulation Package, offered in 2016, continues its sales growth in 2017 with its appeal to the end user.

Between 2008 and 2017, Polisan Insulation Systems grew faster than the market with a CAGR of 36.2% on a square meter basis, whereas the Turkish Insulation Market's CAGR stood at 12.8%. In 2017, sales on a square meter basis grew faster than the insulation market and insulation revenues increased by 27.4% compared to a year ago. With insulation revenue CAGR of 43.8% between 2008 and 2017, Polisan Kansai Boya's Polisan Insulation System's share in the Turkish market has been increasingly growing since 2008 when legislation was put into effect.

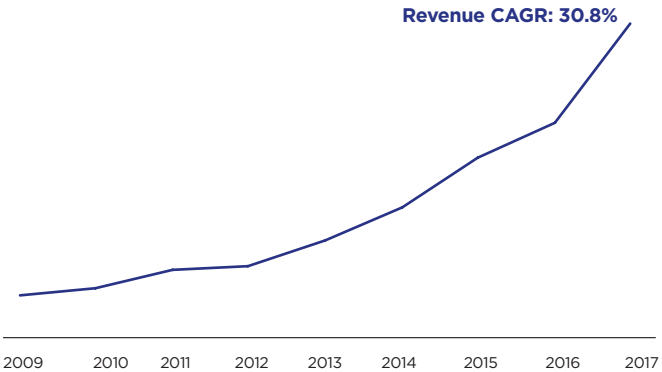


Source: Polisan Kansai Boya, BOSAD

Polisan Branded, High Quality Commercial Products are Offered Through the Sales Channel.

Commercial Products, which have a small share in Polisan Kansai Boya revenues, comprise high-quality, auxiliary products, manufactured by third parties.

These products are offered to painters and others requiring them, directly through the Polisan Kansai Boya sales channel, under the Polisan brand. As such, painters and customers can easily obtain auxiliary products (such as paint brushes, the roller group, effect fixtures that enable the processing of various patterns on walls, as well as silicon, foam, mastic, satin coat, masking band, and spatulas required for painting) to Polisan Kansai Boya quality standards, while Polisan Kansai Boya increases its revenues.



Source: Polisan Kansai Boya

2. KNOWS ITS CUSTOMERS INSIDE AND OUT

There are 3 main target groups in the paint market; sales channel (traditional sales points and DIY stores), painters (craftsman, worksites and dealers) and end consumers (architects and contractors). Paint manufacturers have to take into account where these three main target groups come into contact with paint, as well as their paint-related decisions, and factors affecting these decisions such as purchasing habits and use of paint, expectations, and possible satisfaction and complaints. Manufacturers must therefore differentiate their product development, sales, marketing and after-sales activities, accordingly. The most important requirement with regards to a target group is to get to know that group inside out, and to define it correctly.

Thanks to the network established between the end user, the painter, and the sales channel, it is not difficult to analyze and foresee consumption habits, expectations from the paint manufacturers, possible complaints and the requests of each of these groups, which are composed of target mass and customers. Within this framework, Polisan Kansai Boya can respond to the expectations and demands of these target groups in the fastest and most effective way through its wide sales channel network and painter database, both during face to face communication with the end user, and through the social media.

Having formed its value for money perception through its widest sales channel, the best quality and service and high brand awareness in the Turkish Market, Polisan Kansai Boya adopts the principle that "Paint is not just a matter of color". In this direction, excellence of product, sales channel, service and quality plays an important role in the Company's differentiation strategy, which is:

I. The ability to generate higher revenues while differentiating from the competition by offering innovative products,

II. Cost control and high profitability in the sales channel with unique practices in the sector,

III. The best service for customers and business partners,

IV. Ensuring strong brand perception in global markets with high quality standards.

3. PIONEERS OF GLOBAL FIRSTS

"HOME COSMETICS" –My Home's Cosmetics Concept, which has Been Registered as a Global First

Polisan Kansai Boya emphasized the "Polisan does not produce paint, it produces Home Cosmetics" approach, claiming that paint is not all about colors, but that in addition to its functional benefits of maintenance and protection, paint makes an aesthetic contribution to the environment. Within this context, it registered the "Home Cosmetics" concept in 2008, becoming the first company to introduce the "Home Cosmetics" approach to the world. Polisan Kansai Boya succeeds in being the first preference of women by differentiating itself from the competition through innovative products, as well as shop and package design.

Innovative Products

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

- Anti-carbonization exterior paint minimizing the destructive effects of earthquake EXELANS TURBO FLEX C1
- Turkey's first water based "oil-paint" X1 ANTI AGING ODORLESS GLOSS
- 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 surface spray paint
- World's first water-based metal paint POLİMETAL
- Water based, silicon, Turkey's first semi-gloss interior paint ROYAL

Continuously Evolving Product Portfolio

The latest product presented to the Turkish paint and construction industry is the new exterior paint Exelans Turbo Flex C1 that will revolutionize the architectural coating category. Exelans Turbo Flex C1 has been launched with the contributions of Turkish-Japanese Partnership Polisan Kansai Boya, and the scientific know-how of Dow Chemical, Polisan Holding's American-originated partner, and the world's leading chemicals company. Designed by Polisan Kansai Boya, awarded R&D Center status in 2014, Exelans Turbo Flex C1, entered the market in 2018 as an innovative product with its anti-carbonization feature. Exelans Turbo Flex C1 is enriched with nano-silica, has no carbon dioxide (CO_2) permeability with its organic-inorganic hybrid formula, and its anti-carbonization feature extends the life of buildings. The binder used in the formulation of 100% pure acrylic based Exelans Turbo Flex C1 has been specially developed by Dow Chemical for Polisan Kansai Boya.

Turkey's First and Private Hybrid Brands

Polisan Kansai Boya offers its products to its customers in 3 market chains in Turkey through the "Corner Shop" and "Polisan Shop" concept. In these market chains, Polisan Kansai Boya sells Polisan labeled products. Additionally, 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 the 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.

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 sold in 165 shops at 3 chain stores.

Production at Factory Quality Through 3,000 Water Based Tinting System "Mix Center"

Polisan Kansai Boya introduced the water based Mix System in 2000, developing it into Turkey's most improved and first water-based new generation Mix System in 2008 through its R&D's technological infrastructure and innovative approach. Polisan Kansai Boya positioned 3,000 sales points as "Production Centers" through the new generation Mix system coloring machines and Modula System, which are deployed at sales points worthy of an integrated facility investment. Through the Mix System, which has 554 color Colorium Interior, 216 color Colorium Exterior, 2,000 color Colorium Universal, and RAL cartel color collections; sales points offer and instantly provide thousands of colors to meet customer preferences without having to maintain inventory for all cartel colors. Thereby, Polisan Kansai Boya both minimizes the inventory cost and saves time. At sites where Mix machines are not available, the Modula System, which has a higher capacity than mix machines, ensures that each logistic center and distributor is positioned like a factory, whereby dealers receive instant delivery upon demand, an extensive product portfolio is made available, and 5,000 SKUs are effectively managed.

Logistics Centers Established on a 37,500 m^2 Area

Polisan Kansai Boya is aware that developing and marketing products of high functional benefits is not sufficient for today's competitive environment. Accordingly, it executes practices in sales, distribution, and service areas, that are followed by the market. Nowadays, consumers can rapidly switch to substitute products, whereby timely distribution is mandatory. 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, Trabzon, İstanbul (European side), and Antalya in 2017. Together with the increased warehouse usable area of the Bursa facilities from 700 square meters to 3,000 square meters, Polisan Kansai Boya reaches out directly and indirectly to 8,000 sales points in total through centers spread over a total area of ~37,500 square meters in eleven provinces. Logistic centers are expected to increase the service quality of the sales channel, while positively reflecting on costs due to effective inventory and working capital management.

City	Capacity (tons)	Area (m^2)	Distribution (tons/year)	Number of Points
Dilovası	2,100	Paint: 4,500; Other: 2,200	Paint: 120,000; Other: 50,000	Direct: 600; Total: 2,200
İzmir	1,200	3,000	9,000	600
Afyon	1,000	2,500	7,000	350
Muğla	500	2,500	5,000	350
Bursa	700	3,000	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
İstanbul Europe	1,000	4,000	15,000	800
Antalya	600	2,500	5,000	500

Source: Polisan Kansai Boya

Polisan Shops Designed for Women are Exemplary for "Concept Merchandizing"

Having positioned paint as "Home Cosmetics", Polisan Kansai Boya foresaw that the number of women visiting merchandisers to buy paint was in an increasing trend. Accordingly, in 2008, Polisan Kansai Boya initiated Polisan Shop investments, which became Turkey's only standard "Concept Merchandizing" example on this scale. Since 2008, over 1,000 dealers in Turkey have provided the prerequisites of transformation to "Polisan Shops" and "Polisan Shop Improvement Points", have been redesigned by the merchandizing experts of Corporate Channel Application teams, and have since multiplied their revenues. Polisan Kansai Boya continues its investments to help organize the hardware and paint retailers', or contractors' stores according to set standards, enabling these sales points to offer their customers a more comfortable and pleasant shopping experience. Polisan Kansai Boya's creative idea to apply Polisan Shop standards at its merchandizing corners in Do-It-Yourself shopping centers such as Bauhaus, Koçtaş, and Tekzen has been exemplary in the sector.

Polisan Insulation Insurance –A Global First

Polisan Kansai Boya broke 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 in a 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 decision makers, Polisan Kansai Boya has combined its product quality with service quality for this system, which has a high initial cost, launching "Polisan Insulation Insurance". Polisan Insulation Insurance covers all work related to insulation and paint throughout Turkey with the condition that Polisan Kansai Boya's thermal insulation brand, Exelans Energy products are being used, and that the work is carried out by Exelans Energy Implementation Contractors who have Polisan Expert Implementation Certification. Polisan Insulation Insurance guarantees compensation for any damage, harm or loss that may occur for 24 months starting from the implementation of the insulation.

Unique Loyalty Programs and Payment Systems

Being aware 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. For the first time in Turkey, Polisan Kansai Boya used POS devices, which embed both loyalty program and collection features. Through 1,300 POS devices and a Virtual POS System with over 450 users, Polisan Kansai Boya provides an installment advantage of up to 9 months for its sales channel. The points earned resulting from the transactions of painters are loaded onto Policlub loyalty cards through POS devices. 41,000 (as of 2017) painters recorded on the Company's database are being rewarded in different ways, and feel the privilege of the Policlub loyalty program for choosing Polisan Kansai Boya, whereby their loyalty increases.

EKOKredi

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, apartment/apartment complex superintendents and individuals wishing to insulate their buildings can utilize EKOKredi Yalıtım, which is offered at no cost, at zero interest rate for up to 18 months provided that the building insulation is done by Polisan experts. Consumers can benefit from EKOKredi Yalıtım, which offers options of up to 60 months maturity and advantageous interest rates by applying at 300 Şekerbank branches in 71 provinces and 100 districts, or at Polisan dealers throughout Turkey. EKOkredi Yalıtım can also grant loans to apartment or apartment complex management, instead of having each flat owner pay through separate loans or payment instruments.

Customer, Vendor, Business Partner Satisfaction

As much as with pre-sales services, Polisan Kansai Boya also targets perfection in after-sales services within ISO10002 standards. Polisan Kansai Boya processes complaints coming from customers, vendors and business partners, or the 4448380 Polisan Customer Services line 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 Certification" to the implementation teams of dealers within its network in 2016. Polisan Kansai Boya has signed a protocol with TEBAR, the authorized institution of the sector in this area, with the aim of certifying 400 painters. Having initially certified 250 painters, the project, aiming to certify even more, is to continue in the years to come. Having undersigned innovations that emphasize superior service quality in brand communication, Polisan Kansai Boya has 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 via their smartphones and tablets through the Polipalette app offered in 2016. The Policlubextra mobile app, which pioneered a first in the area of loyalty in Turkey, continued to be preferred by painters in 2017 with its renewed design and developed features. Reflecting the inclusion of digital transformation and technology in the processes; the development of the next generation automation system Dealer Portal has begun to see development, while a faster and more practical collection system platform has been introduced with the Virtual POS System.

4. GROWTH HAS VALUE WHEN SUSTAINABLE

New Production and Warehouse Facility at Global Standards

In 2016, Polisan Kansai Boya started to build the paint production and warehouse facility on its 142,000 square-meter land in Gebze Chemical Specialization Organized Industrial Zone ("GEBKIM"). With this fully-automated facility to meet global standards, it is targeted to increase profitability through economies of scale in production, and by overcoming the capacity bottleneck experienced in high seasons. With this investment, which is planned at approximately €45 million (excluding land) with trial production set to commence in the first half of 2018, the existing annual production capacity of 180,000 tons could rise to 540,000 tons with the flexibility of three shifts per day without incurring additional investment cost. 540,000 ton equals Turkey's current total decorative paint market. The investment is being financed through a long term loan.

Quality Certification for Production, Service and Brand

Having introduced the "Home Cosmetics" concept globally in 2008, Polisan Kansai Boya realizes production at global standards with its ISO 9001, ISO 14001, OHSAS 18001, ISO 10002, and ISO 50001 certification. As of June 19, 2014, Polisan Kansai Boya has been included in the TURQUALITY® Support Program ("TURQUALITY®"), initiated by the Ministry of Economy for the branding of the Turkish product abroad, and to strengthen its image internationally, under the "POLİSAN" trademark. TURQUALITY® also acts as a guarantor and defines Polisan Kansai Boya's quality and care from product design to its sales from the shelf. In 2015, Polisan Kansai Boya was the first in Turkey and the third manufacturer in Europe to receive Environmental Product Declaration ("EPD") Certification for its Exelans Macro, Elegans Extra Semi Matt, Natura Ambians, and Natura A1 Silicon products developed by its R&D department.

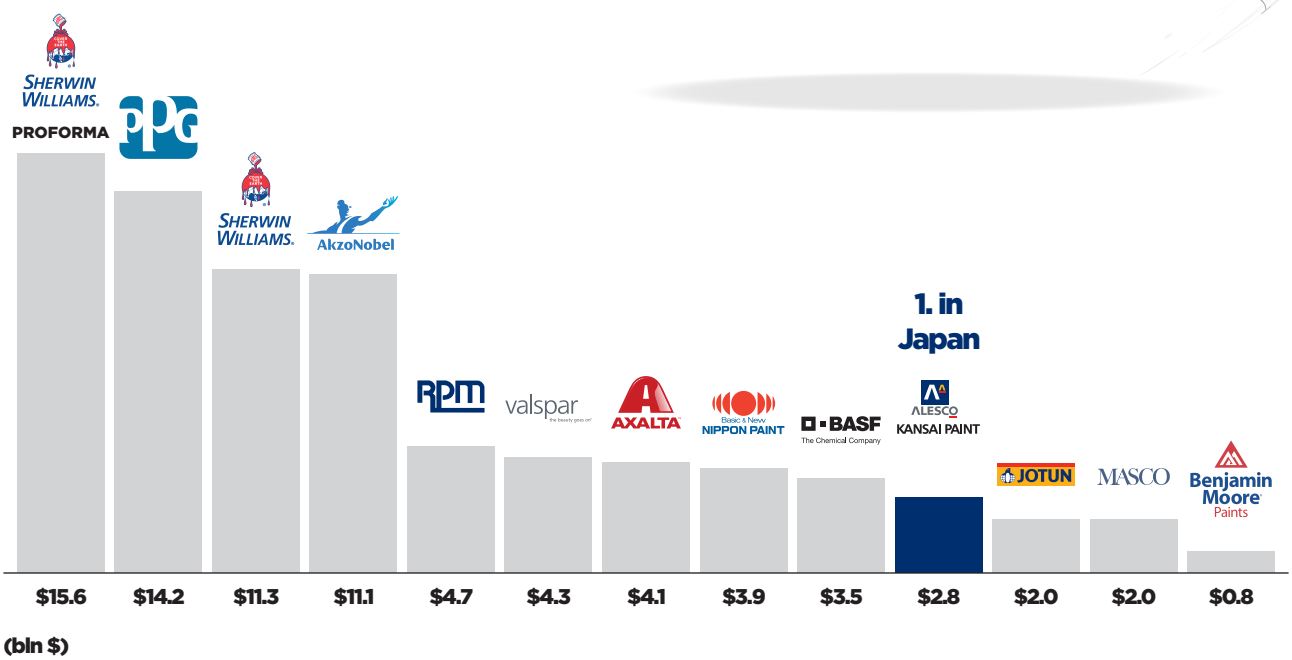
Turkey's 159th R&D Center

Polisan Kansai Boya's R&D operations have been granted R&D Center Certification and status by the Ministry of Science, Industry and Technology as of June 4, 2014, becoming Turkey's 159th R&D Center, entitled to benefit from various incentives and exemptions. Due to the use of predominantly chemical input in the paint industry and in line with its sensitivity to the environment, Polisan Kansai Boya constantly monitors its business with regard to its products and their contents. The Polisan Kansai Boya R&D department allocates more than 90% of its budget to developing new water-based products and water-based equivalents, which perform better and are substitutes for solvent-based paints. Since 2002, 17 projects have reached the sector under the "first in Turkey" banner, 3 of which have been incentivized by the government. Currently continuing to work to bring in 10 technological products to the sector under the same slogan, Polisan Kansai Boya R&D has made patent applications for two technological products in 2017. 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 Certification from TURKAK. TURKAK has a Mutual Recognition Agreement with the International Laboratory Accreditation Association (ILAC).

5. THOSE ENSURING SUSTAINABLE GROWTH, PARTNER WITH GLOBAL GIANTS

The process initiated in 2016 to transfer 50% of Polisan Boya shares owned by Polisan Holding to Kansai Paint Co. Ltd. ("Kansai Paint"), the leading Japanese paint manufacturer, which is also ranked among the top-ten globally, was finalized in 2016. Upon Competition Board approval, the transfer of shares was completed on December 21, 2016 and the Company's title registered as "Polisan Kansai Boya Sanayi ve Ticaret A.Ş." with an amendment to the Articles of Association.

Thanks to this partnership established within the scope of Polisan Holding's strategy to create a global brand, Polisan Kansai Boya aims to reinforce its undisputed leadership, while Kansai Paint aims to further strengthen its growth in the Eastern European market and climb higher up the global leadership ladder.



Source: Sherwin-Williams

Growth in Global Markets

In recent years, Polisan Kansai Boya has preferred to keep its export volume at a certain scale, as it could only respond to domestic market demand with its production, experiencing a capacity bottleneck in high seasons. Nevertheless, over the past five years, it has actively exported to 28 countries from Nigeria to Azerbaijan, and from Iraq to Ghana, as well as neighboring countries such as Russia and the Turkish Republic of Northern Cyprus. Polisan Kansai Boya has an exclusive distributor agreement in 13 of these countries. Following the partnership with Kansai Paint, Polisan Kansai Boya, which has continued its growth strategy in international markets, has set new target countries for 2018 and initiated studies by evaluating the conditions for entry to them. International trademark registrations have been received and studies to establish sales and distribution infrastructure continue in the target countries. Among them, a distributor agreement has been made for France. The system and infrastructure installation in target markets is incentivized by the government within the scope of the Turquality program, which the Company participated in 2014. In 2017, Polisan Kansai Boya received Authorized Liability Certification, which is a practice minimizing the duration in imports and exports operations granted by the Ministry of Customs and Trade to reliable companies that meet the requirements stipulated by law during the compliance process with the European Customs System. Polisan Kansai Boya is on its way to also becoming a well-known brand in international markets through the synergy of its Kansai Paint partnership.

Sharing Technical Expertise

The partnership with Kansai Paint has begun to reflect on technological synergies. Polisan, which also has a partnership with the world's leading chemical company Dow Chemical, has started to promote the high-end products it produced to the subsidiaries of Kansai Paint, and to analyze the feasibility of certain specialized products, which are successful in the Japanese market, for the Turkish market. The studies on mosquito repellent paint have already begun. Polisan Kansai Boya recently launched EXELANS TURBO FLEX C1, an anti-carbonization exterior paint minimizing the destructive effects of earthquakes, which has also been developed with the contribution of the scientific know-how of Dow Chemical, Polisan Holding's American-originated partner.

With the mutual technology transfer, Polisan Kansai Boya will continue to offer high-end and beneficial products to consumers in the coming periods. In addition to this, once the new facility in Turkey becomes fully operational, Kansai Paint considers reevaluating its production centers on a global scale and positioning Polisan Kansai Boya as a production hub.

Strong Capital Structure

Kansai Paint has undertaken a transfer fee of $113.5 million for 50% of Polisan Boya shares. Kansai Paint has paid $68.5 million to Polisan Holding for the transferred shares. The share transfer has been followed by Polisan Boya's capital increase, in which Polisan Holding has not used its preemptive rights. Kansai Paint, on the other hand, has transferred $45 million for the capital increase of Polisan Boya, and consequently owns 50% of its shares. The General Manager of Polisan Kansai Boya is Erol Mizrahi and the parties are represented by an equal number of members on the Board of Directors of the new entity.

Increase in Operational and Financial Profitability

Polisan Kansai Boya is the paint manufacturer recording the highest operational profitability in the Turkish market thanks to its innovative and premium products, as well as cost and time saving measures that improve profitability of the sales channels, and the satisfaction of its business partners and customers. At approximate 14% levels, it also records quite strong operational profitability compared to its global peers. Once the new facility becomes operational, operational expenses are expected to be halved, thanks to savings in raw material purchasing, labor, packaging, etc. The domestic demand that cannot currently be met due to the capacity bottleneck and the revenue growth stemming from exports will become other factors increasing profitability.

POLİSAN KANSAI BOYA CONTINUED TO GROW FASTER THAN THE MARKET THANKS TO THE MEASURES TAKEN IN 2016.

TRY (million)	2016	2017	2016-2017 (%)	4Q16	3Q17	4Q17	4Q16-4Q17 (%)	3Q17-4Q17 (%)
Revenue	478.4	624.7	30.6%	79.2	161.8	118.0	49.1%	(27.0%)
EBITDA	68.0	82.6	21.5%	0.7	27.6	13.4	n.m.	(51.7%)
EBITDA Margin	14.2%	13.3%	(0.9 p.p.)	0.9%	17.1%	11.3%	10.4 p.p	(5.8 p.p.)
Net Profit	11.0	67.1	n.m.	(20.0)	9.2	29.7	n.m	n.m

While unease in the markets due to violent terrorist incidents and the coup attempt of 2016 negatively affected the Turkish economy, Polisan Kansai Boya implemented a strategy differing from that of the market in the last quarter of the year. Thus, Polisan Kansai Boya's revenues rose by 30.6% compared to the previous year. The EBITDA margin slightly declined by 0.9 p.p. due to rising raw material costs on the back of the depreciation of the TRY against foreign currencies, and realized at 13.3%. The Company recorded TRY67.1 million net profit with the contribution of TRY41.9 million tax advantage stemming from investment incentives, despite a TRY46.3 million net financial expense resulting from the ongoing new facility investment.

In 4Q 2017, which is a seasonally low quarter, on the back of the low base year effect experienced in the same period of the previous year as mentioned above, Polisan Kansai Boya's revenues rose by 49.1% compared to 4Q 2016 to TRY118.0 million. Although raw material costs rose compared to last year, the EBITDA margin surged 10.4 p.p. to 11.3%. This resulted from the decline in other operating expenses due to the Company's use of TRY financing required for raw material purchases in an attempt to eliminate foreign exchange risk. The Company recorded a net profit of TRY29.7 million thanks to the TRY35.8 million tax advantage resulting from investment incentives, despite a TRY19.3 million net financial expense.

Polisan Kansai Boya has revised the amount of its investment for the new production and storage facility to €45 million from €35 million originally planned at the end of 2016, so as to position the new facility as Kansai Paint's production hub. The remaining €9 million investment is to be completed in 2018, with trial production scheduled for the end of 2017 to start in the first half of 2018, due to the new capabilities designed at the facility.

Having performed in parallel with its revised expectations in 2017, Polisan Kansai Boya aims to increase its revenues by 30% with the contribution of the new facility, and raise its EBITDA margin by a couple of points depending on market conditions.

PORT OPERATIONS

Poliport

PORT INDUSTRY

SEABORNE TRANSPORT, AT 80%, IS THE WORLD'S MOST PREFERRED MODE OF TRANSPORT

Seaborne transport is the most preferred way of transportation in the world as it enables the massive amounts of cargo, which particularly constitute industrial raw materials, to be transported from one point to another at once; it is reliable, there is no over limit, the loss of property is minimal, it is the least pollution causing for the environment, the energy consumed per passenger-km, ton-kilometer is the least, there is almost no other forfeit, and it is 14 times cheaper than air, 7 times cheaper than road, and 3.5 times cheaper than rail.

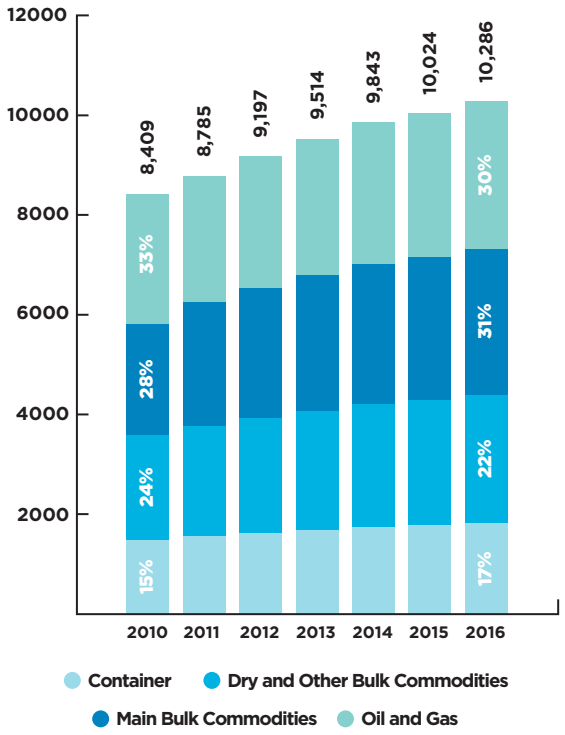
Seaborne transportation runs in parallel with the increase and decrease in the country's imports and exports. Over recent years, seaborne transportation has seen an increasing trend in total trade volume. Capturing an 80% share of volume and 70% share in monetary terms of global trade, seaborne transportation positions the Maritime Industry as the most strategic for global trade.

According to UNCTAD (United Nations Conference on Trade and Development)'s Review of the Maritime Transport 2017 Report, the world Gross Domestic Product (GDP) grew by 2.2% in 2016, thus below the 2015 level of 2.6%. This was due to weakening global investments, limited growth in global commodity trade, ambiguity surrounding trade policies, and the negative impact of low commodity prices on the investments and export revenues of the commodity exporting countries. In 2016, developed economies' GDP fell to 1.7% (2015: 2.2%) due to slower growth in the EU, the US and Japan. Emerging economies' GDP realized at 3.6% (2015: 3.8%) in 2016, despite the gradual transition of China to a consumption-based economy through government incentivized domestic growth, and strong growth in India. Decelerating activity in the oil-exporting countries of Africa, Latin America and the Caribbean, Western Asia and the transition economies, together with the recession in Brazil and the Russian Federation, caused growth to be limited at 3.7% levels in the least developed countries. Global GDP is expected to grow by 2.6% in 2017. This growth reflects the end of the destocking era in the US, recovering commodity prices, support measures such as incentive packages in China, and the gradual economic recovery in Brazil and the Russian Federation, rather than sustainable recovery in global demand.

The World Trade Organization expects world merchandise trade volume to grow by 2.4% in 2017 from 1.9% in 2016, while UNCTAD also expects growth in world seaborne trade of 2.8% in 2017, from 2.6% in 2016. In 2017, cargo volume is projected to grow from 10.3 billion tons to 10.6 billion tons in seaborne trade through 5.4% growth in dry bulk cargo demand and 4.5% growth in container trade volume on the intra-Asia and East-West belt. It is estimated that crude oil grew by less than 1%, and petroleum products and gas by 2%, while tanker trade shrank due to the reduction of production by major petroleum producers.

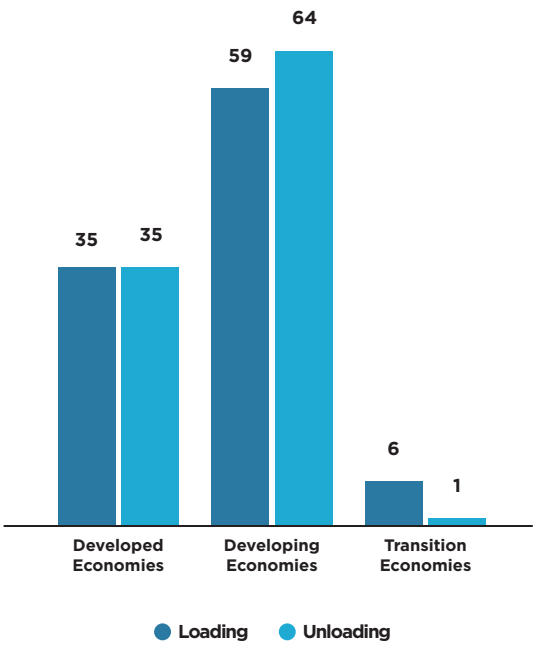
In the medium term, given the downside risks to the world economy and trade policy due to the growth in global GDP and merchandise trade, the global seaborne trade volume is expected to grow at a compound annual growth rate of 3.2%, especially through container and dry bulk cargo trade between 2017-2022. Growth in this period is expected to be supported by raw material, machine and finished goods demand of about 900 projects involving One Belt, One Road in China; the North-South Transport Corridor in India, Russia, and Central Asia; as well as the Quality for Infrastructure Partnership in Japan.

Growth in Cargo Handled was Driven by Petroleum and Gasoline.



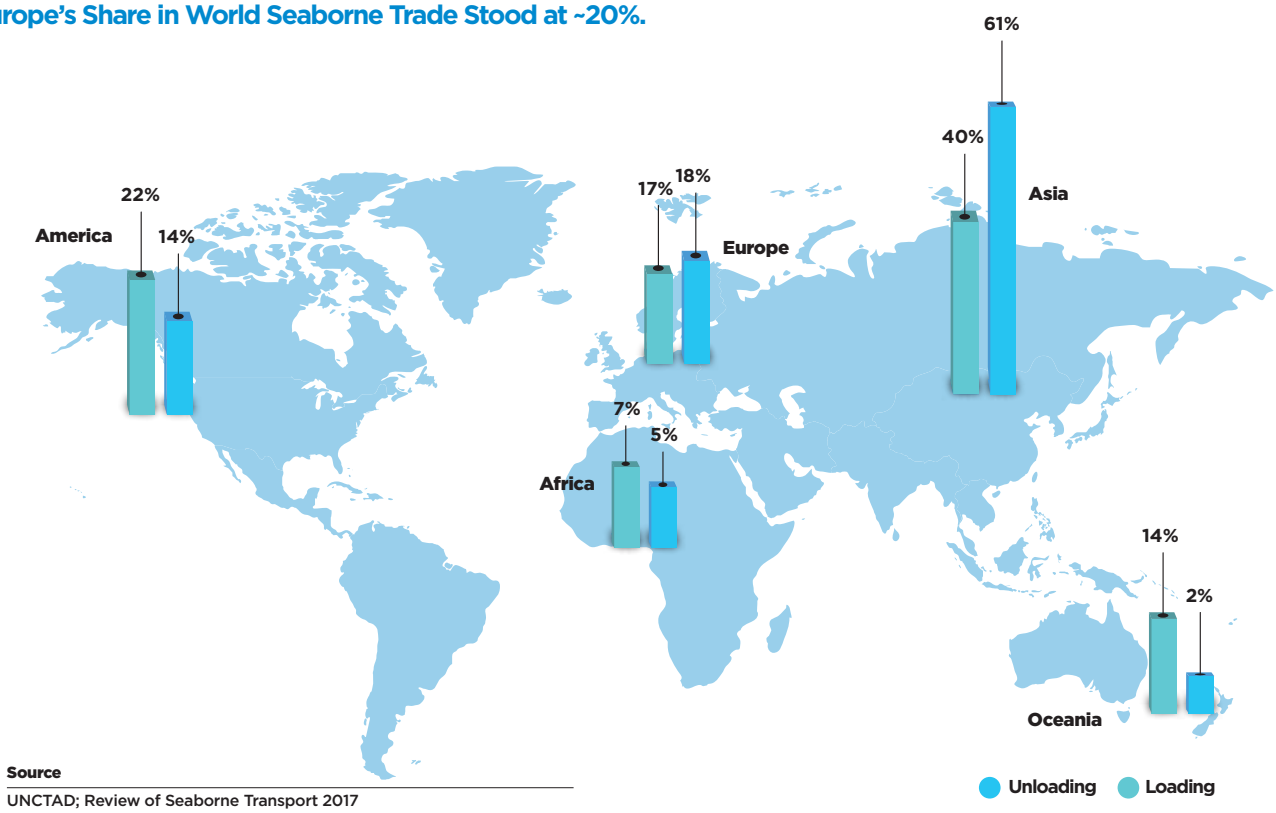
Source: UNCTAD; Review of Seaborne Transport 2017

Developing Countries had the Largest Share in World Seaborne Trade.



Source: UNCTAD; Review of Seaborne Transport 2017

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

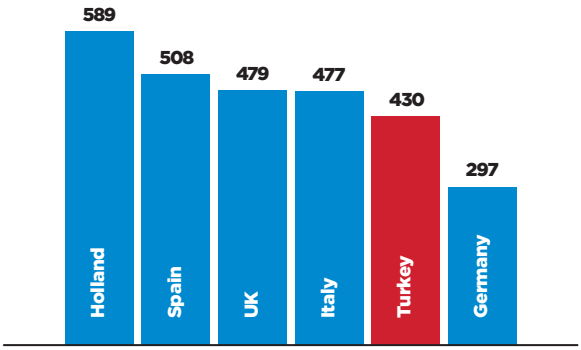


Source

UNCTAD; Review of Seaborne Transport 2017

TURKEY IS EUROPE'S 5th LARGEST MARKET IN SEABORNE TRADE.

Transportation starts and ends at ports where cargo is handled, and 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 long and based on property rights, there are 160 port facilities; of which 25 are belonged to the public, 27 to municipalities, and 108 to the private sector. As is the case elsewhere in 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 Europe's most important ports are located, Turkey was ranked fifth in 2016 after the Netherlands, Spain, UK, and Italy. With a 5.8% CAGR between 2006 and 2016 and 76.3% growth rate compared to 2006, Turkey is the highest growing country in terms of cargo handled.



	Holland	Spain	UK	Italy	Turkey	Germany
Cargo Handled (2006-2016)	**23.4%**	**22.8%**	**(17.9%)**	**(8.3%)**	**76.3%**	**(1.9%)**
CAGR (2006-2016)	**2.1%**	**2.1%**	**(1.9%)**	**(0.9%)**	**5.80%**	**(0.2%)**

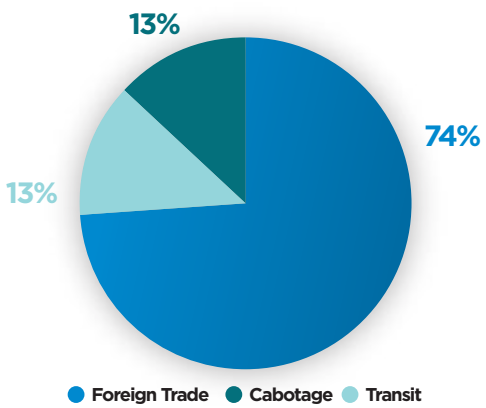
Source: Database of related countries

In 2017, Cargo Handled at Turkey Ports Increased by 9.5%.

Cargo handled in Turkey increased by 9.5% compared to a year ago and realized at 471.2 million tons as of 2017, mainly due to increased cargo handled in exports.

By Regimes, Foreign Trade Had the Largest Share at 74%.

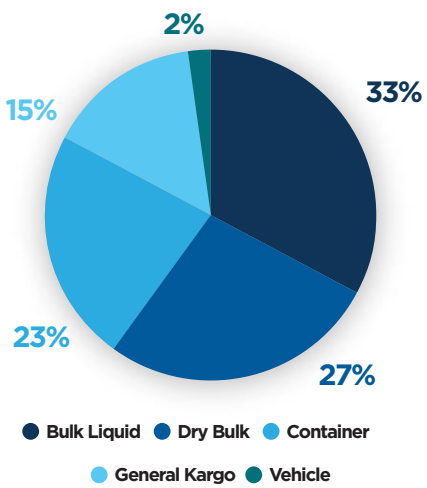
By regime, the largest share in Turkey's seaborne trade was captured by foreign trade with 73.7%, followed by transit cargo with 13.5% and cabotage with 12.8%.



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

Bulk Liquid is the Cargo Type Handled the Most at 33%.

Based on cargo types handled, bulk liquid ranked first on 32.5% in 2017. It was followed by dry bulk on 27.3%, container on 22.9%, general cargo on 15.3%, and vehicles on 2.0%.



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

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

In 2017, 39% of the total cargo handled in Turkish ports, was handled by ports in the Marmara Region, which play an important role in extending the Trans-Europe and Pan-Europe transportation corridors formed by the EU to the East.

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

KOCAELI PORT IS TURKEY'S LARGEST NATURAL PORT WITH ITS CLOSE PROXIMITY TO THE STRATEGIC GATEWAYS AND THE INDUSTRIAL ZONE WHERE ~45% OF TURKEY'S GDP IS GENERATED.

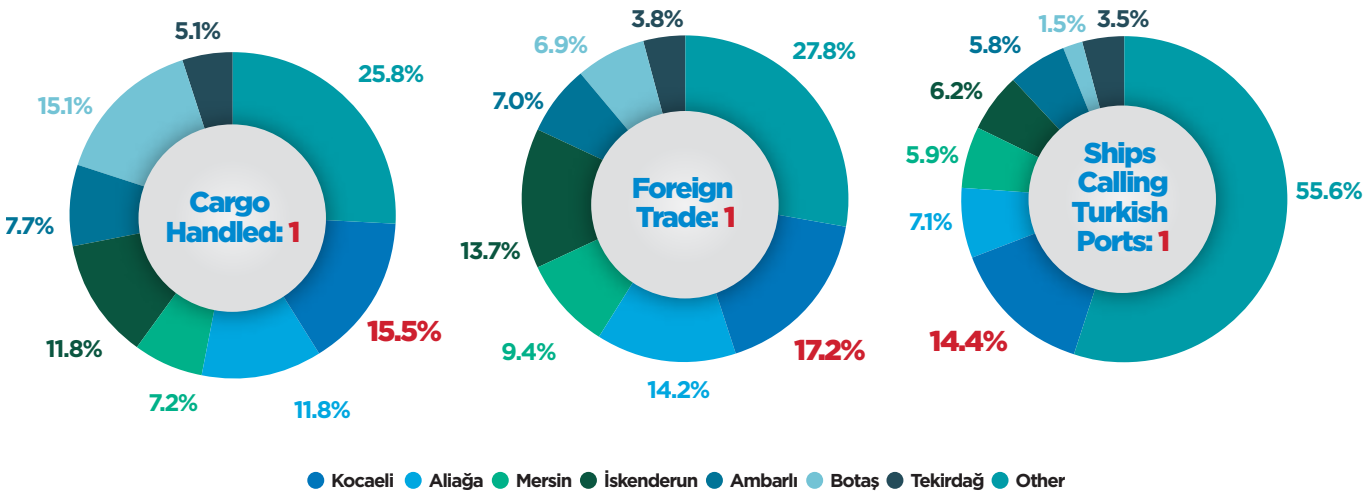
In addition to being one of Turkey's leading trade and industrial centers, Kocaeli also has significant potential in the logistics sector due to its geographic location. It has the strategic advantage of being positioned both on the Black Sea's and Marmara Sea's coastline, around the bay and at the center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

KOCAELİ PORT IS AMONG THE TOP 10 PORTS OF THE EU.

2015	Port	Cargo (mln ton)
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

KOCAELİ PORT MAINTAINS ITS LEADERSHIP IN TURKEY WITH 73.2 MILLION TONS OF CARGO HANDLED.



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

POLİPORT KİMYA SANAYİ ve TİCARET 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, and the 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 third parties. Out of 34, only 9 port facilities at Kocaeli Port (Poliport, Solventaş, Limaş, Efesan, Evyap, Yılport, Rota, Safi, Autoport) serve third parties.

POLİPORT IS AMONG THE LEADING INDEPENDENT CHEMICAL STORAGE TERMINALS AT 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 (2017)	4.6 mln tons
Concession Term	49 years
Concession Expiration (Same status as other ports, marinas and hotels inland)	2033

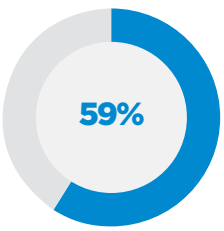
Source: Poliport

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

POLİPORT HAS 3 MAIN OPERATIONAL ACTIVITIES:

BULK LIQUID SERVICES

REVENUE SHARE



The jetty at the bulk liquid storage terminal has 250-meter length, 12-meter width, and a 10.5 to 13.5-meter draft, which can accommodate 4 vessels of up to 40,000 DWT at one time. The terminal has 165 storage tanks made 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 at the plant to the four jetty manifolds. There are gas return circuits and scrubber systems for the loading and unloading operations of special products.

In 2017, total cargo handled stood at 1.7 million tons, 37% comprised chemicals and 63% petroleum products.

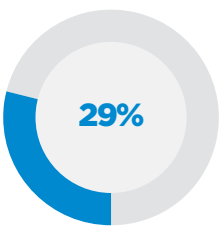
It is the most profitable business line with revenue per ton of ~20 $.

2017 terminal fill rate: 85%

Annual handling capacity of the terminal: 2.5 million tons

Bulk liquid storage capacity: 237,000 m³

DRY BULK & GENERAL CARGO SERVICES



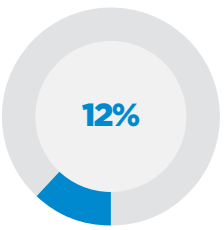
At the dry bulk pier, the piers and ports are 730 meters long and 40 meters wide. For loading and unloading processes, the port is equipped with 8 electric cranes with lifting capacities ranging from 6 tons to 124 tons, loaders and forklifts of various capacities, and lifting attachments for various loads. Poliport has the capacity to service 6 ships at one 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 2017 was 2.9 million tons, 69% comprising coal, 12% aluminum, 6% steel roll, 2% sheet metal, 2% pig iron and 9% other products.

It is the second most profitable business line with revenue per ton of ~3.5 $.

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 types of packed, non-packed, ferrous, non-ferrous, hazardous material, and metal and mining products are stored at the warehouses.

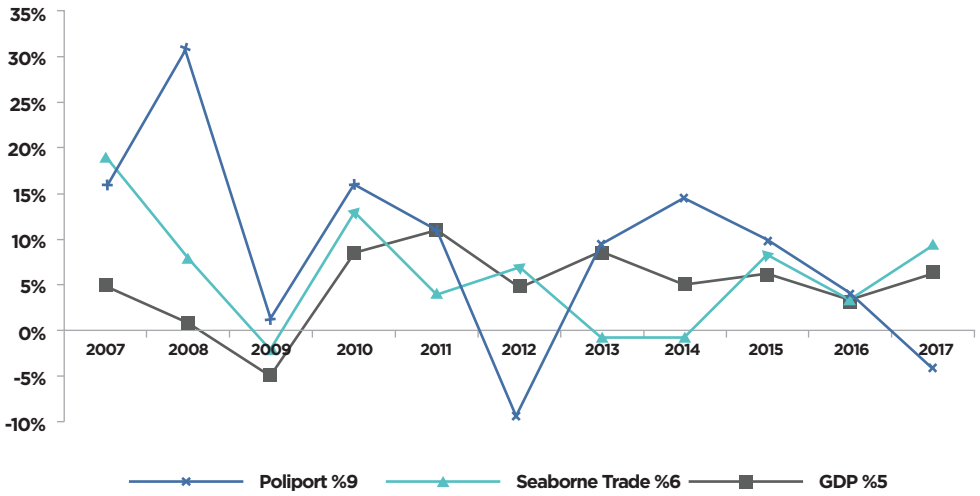
The terminal area has a customs zone and is eligible for import and a full spectrum of transit trade practices.

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

In 2017, cargo stored in A type warehouses was at 377,716 tons with revenue per ton of ~$11.7.

Warehouse services are being carried out on an open and closed area of 43,250 square meters.

POLİPORT OUTPACES GROWTH OF TURKEY'S GDP AND SEABORNE TRADE.



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

Poliport's revenues are not affected by short-term economic contractions.

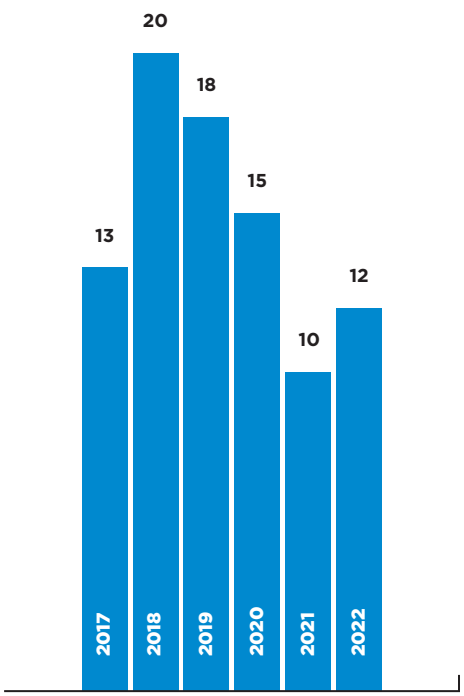
- Since 1990, Poliport has been serving the world's largest producers such as Dow, BASF, Bayer and Shell.
- On the back of high consumer satisfaction and due to the risk of losing their tanks to other companies, customers continue to rent their tanks even in times of short term contraction.
- Service prices increase in proportion to US CPI.
- Poliport's revenues are based on US dollars.

POLİPORT IS A TERMİNAL CAPABLE OF INCREASING CAPACITY AT KOCAELİ PORT.

Poliport increased its bulk liquid storage capacity from 229,000 cubic meters in 2016 to ~237,000 cubic meters in 2017. Having invested ~$13 million in 2017, Poliport plans to invest ~$20 million in 2018.

- Kocaeli Port, which has grown at a CAGR of 4.0% between 2009 and 2017, is expected to require a capacity increase over the coming years.
- Kocaeli Port Administration does not issue permits for the building of new terminals.
- Poliport has idle land for expansion behind the terminal area.
- Poliport realizes its capacity increase investments based on the fill rate of tanks.
- Accordingly, it can offer more competitive prices and grow its customer base.
- 8 electric cranes operating at the port are to provide cost advantages to Poliport, enabling it to maintain its EBITDA margin.
- Some terminals handling their own dry bulk cargo at Kocaeli Port provide services at quite low prices in order to utilize their idle capacity. However, as these terminals approach 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.

POLİPORT INVESTMENT PLAN



Source: Poliport

Increasing Capacity Provides a Competitive Advantage for Poliport.

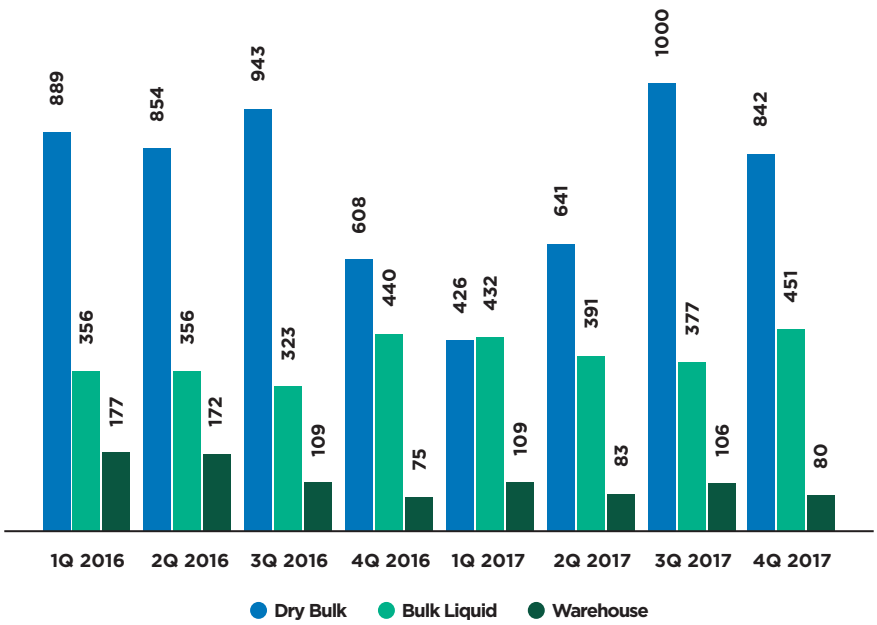
As an important export item for Turkey; chemicals are ranked third among Turkey's export activities at $14 billion. The bulk of the input of exported chemicals is being imported. While Poliport increases its share of exports to Saudi Arabia, which has abundant raw material sources and petrochemical complexes, it will continue to increase its share in products from the 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 services delivered to neighboring industrial corporations, as well as existing and to-be constructed Organized Industrial Zone through the planned railway connection.

POLİPORT POSTED REVENUE GROWTH DESPITE THE CONTRACTION IN COAL IMPORTS IN 1H17.

TRY (million)	2016	2017	2016-2017 (%)	4Q16	3Q17	4Q17	4Q16-4Q17 (%)	3Q17-4Q17 (%)
Revenue	119.0	139.7	17.3%	31.4	37.1	35.7	13.5%	(3.9%)
EBITDA	57.9	65.8	13.6%	14.8	18.6	17.1	15.6%	(7.9%)
EBITDA Margin	48.6%	47.1%	(1.5 p.p.)	47.2%	50.2%	48.1%	0.9 p.p.	(2.1 p.p.)
Net Profit	39.1	37.8	(3.4%)	16.8	8.8	12.9	(23.1%)	47.8%

In 2017, the 2,909,548 tons (2016: 3,293,784 tons) handled at the dry bulk pier and 1,651,405 tons (2016: 1,474,791 tons) handled at the terminal totaled 4,560,953 tons (2016: 4,768,575 tons) representing a 4.4% decline on the previous year. The decline stemmed from the contraction in dry bulk cargo handled due to falling coal imports in the first two quarters of the year. In 2017, 377,716 tons (2016: 532,652 tons) of cargo were stored at A type warehouses.



Source: Poliport

In 2017, Poliport's revenues increased by 17.3% to TRY139.7 million due to the rise in cargo handled at the terminal, and terminal handling prices being indexed to US CPI, despite the decrease in dry cargo handled. EBITDA margin declined 1.5 p.p. to 47.1% due to the fixed operational costs incurred regardless of the contraction in the cargo handled. (In 2016, a TRY2.7 million (excluding tax) one-time payment was realized for the zoning plan and Customs). Net profit stood at TRY37.8 million with a 3.4% slight decline.

While the cargo handled in 4Q 2017 increased by 24.2% compared to the previous year, Poliport's revenues rose 13.5% to TRY35.7 in the same period. The EBITDA margin rose 0.9 p.p. to 48.1% due to other operating income. Net profit in 4Q 2017 was realized at TRY12.9 million.

Based on operational areas, bulk liquid storage, dry bulk, and warehouse services revenues respectively climbed 21%, 4%, and 14% in 2017, compared to 2016.

Having performed slightly below its revised expectations in 2017, Poliport forecasts its revenues rising by 10-15% and its EBITDA margin by a couple of points in 2018.

CHEMICAL ACTIVITIES

Polisan
KİMYA

THE CHEMICALS INDUSTRY

THE CHEMICALS INDUSTRY IS AN IMPORTANT ONE FOR TURKEY WITH A 10% SHARE IN EXPORTS.

The chemicals industry is essential in bringing a wide range of products from medicine to paint, and from plastics to cosmetics to the end user; it 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 is an important branch of industry with a significant share of global trade. Of the Chemical Industry products 30% are consumed 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 due to logistical importance. Most of the chemical companies manufacturing petroleum and petroleum products, detergents, soaps, pharmaceutical chemicals and paint are located in Istanbul, Kocaeli and Sakarya in the Marmara Region; and in Izmir in the Aegean Region; while most fertilizer and petroleum products companies are concentrated in the Mediterranean Region.

As for foreign trade, Chemicals Industry exports in 2016 were realized at $14 billion and had a 10% share in Turkey's overall export. Due to the dependence on imported raw materials, its share in Turkey's imports was 22% at $43 billion.

Per capita sales of the Chemicals Industry in EU countries is approximately €1,860 on average, whereby Turkey lags well behind on €196.

POLİSAN KİMYA SANAYİ A.Ş.

POLİSAN KİMYA IS ONE OF THE PIONEERS AND LEADING MANUFACTURERS OF THE TURKISH CHEMICALS INDUSTRY.

The Bitlis Family was the first to introduce the technology to produce chip board, MDF, plywood, Formica resins, fiber glass and rock wool resins, melamine, urea, and phenol formaldehyde resins in Turkey. Polisan Kimya's first facility was established in Kağıthane in 1968. In 1977, Polisan Kimya relocated its facilities operating in Kağıthane to Dilovası where it still carries out its activities today, due to the need for increased capacity and convenient access to raw material sources. Over time, Polisan Kimya expanded its product range to construction chemicals for use in concrete and cement production, and with Adblue for use in diesel vehicles.

In 2011, Polisan Holding established Polisan Yapı Kimyasalları A.Ş. in order to carry out the sales and marketing of construction chemicals produced by Polisan Kimya. As of March 31, 2017, Polisan Yapı Kimyasalları A.Ş. has been transferred to Polisan Kimya, with all of its assets and liabilities as a result of the restructuring need in construction chemicals to increase efficiency.

Having been established in Dilovası Organized Industrial Zone, Polisan Kimya has a competitive edge due to its logistical advantage with close proximity to the chemical materials port, as well as the highway and railways, and continues its investments to grow both vertically and horizontally.

TURKEY OPERATIONS

POLİSAN KİMYA HAS 3 MAIN OPERATIONAL ACTIVITIES.

FORMALDEHYDE and RESINS

Polisan Kimya is Turkey's First Formaldehyde Resin Manufacturer.

Products and Areas of Use:

Urea Formaldehyde Resin: It has a wide area of use in the furniture industry with wood panel production (MDF, chipboard, plywood, board lining and OSB).

Urea Formaldehyde Concentrate (UFC): It is used in the production of urea formaldehyde and melamine urea formaldehyde resin, as well as for coating in urea processing.

Formaldehyde: It has a wide of usage area ranging from construction chemicals to agriculture, medicine, cleaning supplies and cosmetics.

Phenol Formaldehyde Resin: It is used in the production of marine type plywood, construction molds, OSB, fiber glass and rock wool and laminate, as well as insulation for underground welding.

Market Position:

Polisan Kimya is ranked first with a 40% share in the Turkish Formaldehyde and resins market.

2017 Capacity: 150,000 tons/year

2017 Sales Volume: 94,044 tons/year

2017 Developments:

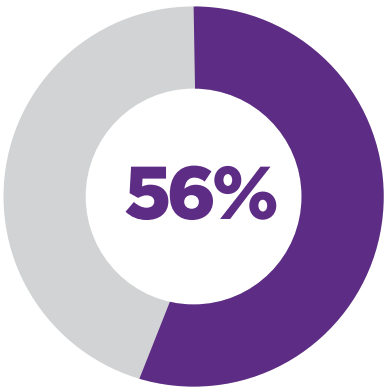
In the formaldehyde and resins product group, certain large resin customers have set up their own resin facilities to reduce costs. Accordingly, sales of UFCs, which are used as semi-finished products, increased. In addition, the share of exports in total production increased to 25% through exports realized for the first time to Italy, Egypt, Moldova, Morocco and the United Arab Emirates. Continuously taking measures to increase operational profitability at its facilities, Polisan Kimya renewed its inventory tanks, adding new ones in 2017. In 2018, the Company plans to renew its resin facilities with an investment of €5 million and is conducting feasibility studies for a new oxide facility. Additionally, Polisan Kimya's R&D Center carries out studies to develop new long-lasting resins for exports.

Growth Potential:

Turkey is the 5th largest consumer in the world's board industry, in which formaldehyde resin is used. The board market realizes approximately 50% of production in the Marmara Region. The demand for board market products is outpacing Turkey's GDP growth, confirming the growth potential of formaldehyde resin.

• Please note that 5% of revenues stem from the sale of other products.

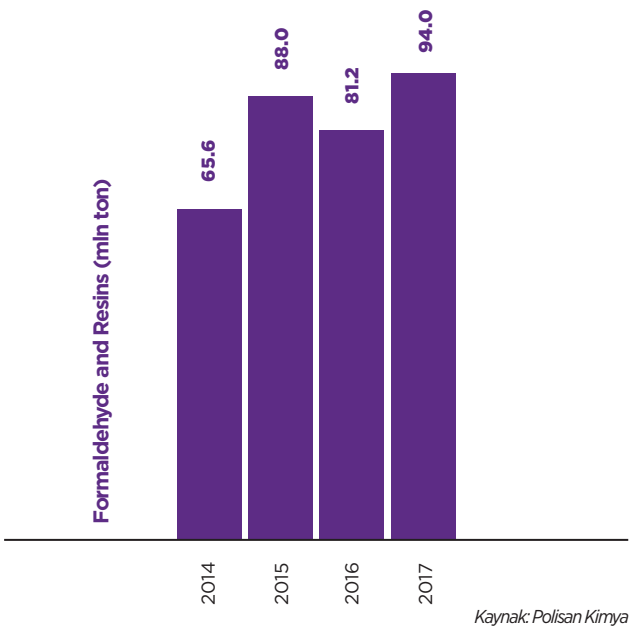
Formaldehyde and Resins Revenue Share*



Source: Polisan Kimya

According to Article 27 of the Regulation on the Protection of Buildings from Fire, issued by the Council of Ministers and published in the Official Gazette dated 09.07.2015, exterior facades should be made of hard combustive materials in buildings with a height of more than 28.5 meters and made from the least flammable material in other buildings. Phenol resin is used in rock wool, which has a "fireproof" feature in the A1 fire category, and increasing rock wool demand is expected to result in a surge in phenol resin demand.

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 a cost decrease by producing PCE, an important raw material for construction chemicals. The Company targets selling the product in domestic and international markets using Polisan Holding subsidiaries' sales channel.



Kaynak: Polisan Kimya

CONSTRUCTION CHEMICALS

POLİSAN KİMYA IS ONE OF THE LEADERS OF THE CONCRETE AND CEMENT ADDITIVES MARKET WITH CONSTRUCTION CHEMICALS PRODUCTS.

Products and Areas of Use:

Concrete chemical additives: These are used as an input in ready mixed concrete production.

Cement chemical additives: These are used as an input in cement production.

Underground chemical additives: High performance additive products, which are developed to mitigate mechanical and geological problems underground, and are used in mining and tunneling projects.

2017 Capacity: 130,000 tons/year

50,000 tons Dilovası, 40,000 tons Adana, 40,000 tons Samsun

2017 Sales Volume: 73,616 tons/year

Market Position:

With an approximately 20% market share, Polisan Kimya became one of the three leading companies in the construction chemicals market, which has 7 foreign and close to 20 domestic companies.

2017 Developments:

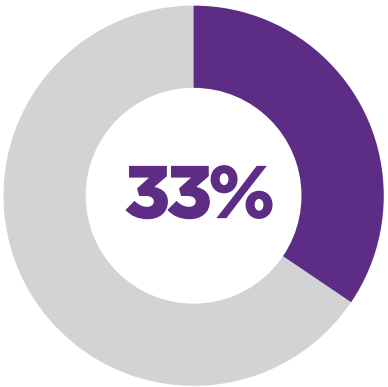
Focusing on growth by expanding its products to new markets, usage areas, and exports, Polisan Kimya commissioned the Adana and Samsun facilities in 2017 in an attempt to spread the sales and production network of construction chemicals in different regions of Turkey, besides the Marmara region. In 2017, a company called Polisan Maroc was established in Morocco for the production of construction chemicals, and exports were realized to Kosovo, Georgia, Northern Cyprus, Syria and Iraq.

Growth Potential:

The concrete additives market in Europe has a volume of approximately 1.2 million tons/year. With 480,000 tons/year, Turkey represents 40% of this market. In the ready mixed concrete market, Turkey ranks 1st in Europe and the 3rd in the world with 110 million cubic meters of production volume per annum.

Turkey is the 4th largest cement producer in the world with an annual production capacity of 66 million tons following, India and the United States.

Construction Chemicals Revenue Share*

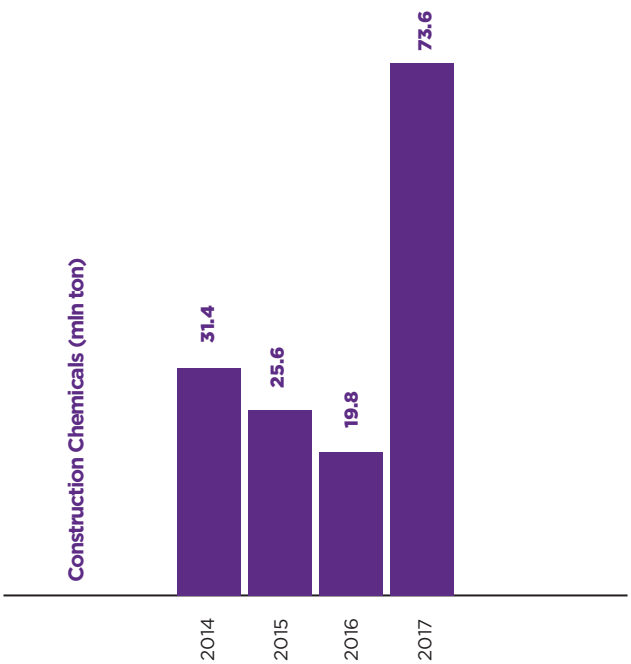


Source: Polisan Kimya

In Turkey, it is mandatory to use ready mixed concrete with Quality Assurance Standard Certification, especially in new buildings. In addition to the urban transformation project, the new airport, high-speed train projects and dam projects are expected to sustain growth in the ready mixed concrete sector.

Parallel to the development of PolyCarboxylate (PC) based products in the concrete chemicals additives group, demand and preference for these products has increased in the market. Polisan Kimya is one of five companies in Turkey producing PC-based chemical additives.

The Polisan Kimya R&D Center is working on new specific concrete additives to be used in tunnels and mines in parallel with developments in shotcrete and tunneling technologies.



Source: Polisan Kimya

• Please note that 5% of revenues stem from the sale of other products.

ADBLUE

Polisan Kimya is the First ADBLUE/AUS 32 Producer in Turkey.

Products and Areas of Use:

Adblue©/AUS 32: Adblue©/AUS 32 additive, which can be used with the German Automotive Foundation's (Verband der Automobilindustrien) VdA license, is a chemical mixture, not toxic for human health. AdBlue©, decreasing NOx exhaust gas emission by 80%, saves up to 4% in diesel consumption and contributes to a cleaner environment. This product is being used by logistics companies; buses and metro buses used in the transportation sector; duty vehicles used in the construction industry; concrete mixers; motor farm vehicles and fuel companies.

2017 Capacity: 50,000 tons/year

2017 Sales Volume: 20,941 tons/year

Market Position:

Being the first AdBlue© manufacturer in Turkey for global giants such as Lukoil, BP, Petrol Ofisi, and Total, Polisan Kimya estimates that it is the market leader with a 16% share in the AdBlue© market.

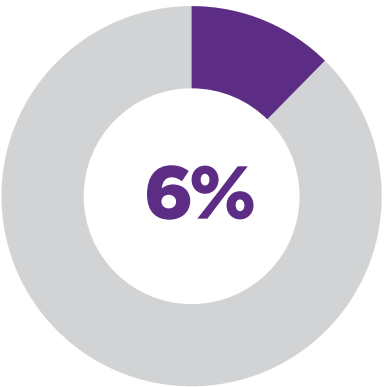
2017 Developments:

In 2017, the number of companies producing under the counter in the AdBlue market has increased, making the market even more competitive. The market is estimated to have reached 125,000 tons in 2017. Having restructured Adblue sales channel after 2015, Polisan Kimya tried to eliminate the adverse effect of domestic competition by exporting Adblue to Italy, Egypt, Moldova, Morocco and the United Arab Emirates.

Growth Potential:

In EU countries, no vehicles except for Euro 6 standard can be sold as of 2014. In Turkey, all vehicles containing Euro 6 diesel engines started to use Adblue as of September 2016. The growing number of vehicles and the obligation to comply with Euro norms points to growth potential for the Adblue market.

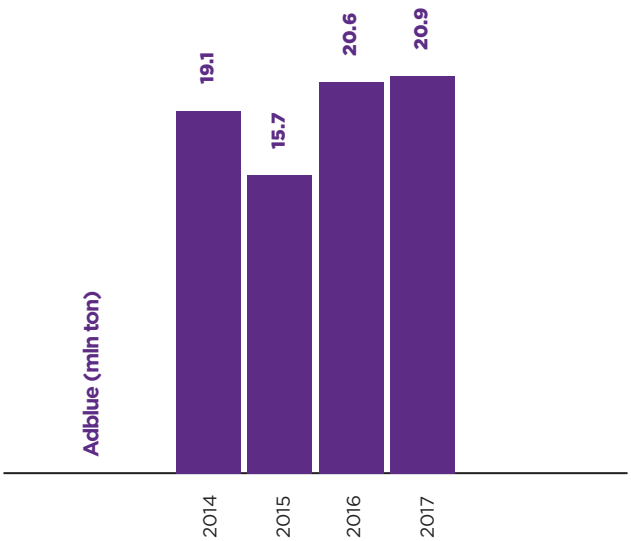
Adblue Revenue Share*



Source: Polisan Kimya

Within the framework of use of AdBlue for all vehicles comprising Euro 6 diesel engines 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, in parallel to the development of environmental legislation and awareness, the Turkish market is expected to reach 200,000 tons by 2020.

In the long run, the use of AUS40 is predicted to become mandatory for sea vessels, with demand for Adblue projected to increase further.



Source: Polisan Kimya

• Please note that 5% of revenues stem from the sale of other products.

POLİSAN KİMYA CONTINUES ITS GROWTH WITH NEW PRODUCTS AND REGIONS

TRY (million)	2016	2017	2016-2017 (%)	4Q16	3Q17	4Q17	4Q16-4Q17 (%)	3Q17-4Q17 (%)
Revenue	165.9	300.1	80.9%	49.5	70.0	89.8	81.4	28.2%
EBITDA	29.8	28.6	(4.1%)	14.3	4.4	9.3	(35.0%)	110.9%
EBITDA Margin	18.0%	9.5%	(8.5 p.p.)	28.8%	6.3%	10.3%	(18.5 p.p.)	4.0 p.p.
Net Profit	(4.1)	(6.6)	n.m	(4.7)	(0.1)	(7.9)	n.m.	n.m.

In 2017, Polisan Kimya's sales totaled 188,601 tons (2016: 121,610 tons); consisting of 94,044 tons (2016: 81,154 tons) of formaldehyde and resins, 73,616 tons (2016: 19,807 tons) of construction chemicals, and 20,941 tons (2016: 20,650 tons) of Adblue.

In 2017; Polisan Kimya's revenues increased by 80.9% to TRY300.1 million, due to the rise in sales volume and price of Formaldehyde and Resins, which were adversely affected by the conjuncture in 2016, as well as restructuring in the construction chemicals segment. However, the EBITDA margin declined by 8.5 p.p. to 9.5% due to the product revenue breakdown changing in favor of construction chemicals, rising raw material costs compared to last year, and a decline in other operating income, which rose in 2016 due to the exchange rate effect. In 2017, a TRY6.6 million net loss was recorded, despite a deferred tax income of TRY2.7 million as a result of a net financial expense of TRY25.9 million.

In 4Q 2017, formaldehyde and resins increased by 22%, construction chemicals by 205%, and Adblue by 4% in terms of sales tonnage, while revenues surged by 81.4% compared to the same period of last year, reaching TRY89.8 million. In the same period, the EBITDA margin fell by 18.5 p.p. due to increased raw material costs, sales and marketing expenses arising from restructuring in the sales channel of construction chemicals, and declining other operating income. The Company recorded a net loss of TRY7.9 million.

Having recorded higher than expected revenues, Polisan Kimya forecasts its revenues rising by 15% with the product diversity and regional expansion in construction chemicals, and its EBITDA margin remaining at similar levels in 2018.

FOREIGN PARTNERSHIP

ROHM AND HAAS KİMYASAL ÜRÜNLER ÜRETİM DAĞITIM ve TİCARET A.Ş.

POLYMERS

THE FIRST POLYMER PRODUCER IN TURKEY

History:
Having initiated the production of emulsion polymers through Polisan Kimya for the first time in Turkey, Polisan Holding established a JV with Rohm and Haas; one of the world's leading companies in this area, in 2004. Following the acquisition of Rohm and Haas in 2009 by Dow Chemical, one of the world's largest chemicals companies, this partnership continues with Dow Chemical, the world's chemical giant. In this partnership, Polisan Holding has 40% and Dow Chemical a 60% share. This partnership leads the way in the introduction of innovative and environmentally sensitive products to the market.

Operating Area:
Emulsion polymers, which are used as input in various industries such as paint, wood, textiles, carpeting and glue, as well as purchasing, selling, marketing and trading of their raw materials.

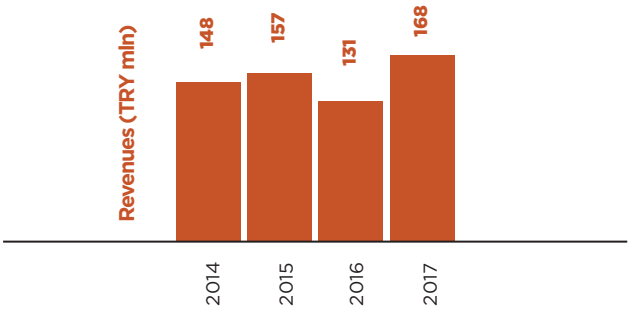
Market Position:
Leads the market in the innovative products category.

2017 Capacity: 65,000 tons/year

2017 Sales Volume: 47,000 tons/year

2017 Developments:
Having experienced a decrease in sales tonnage in 2016 due to a delay in the procurement of raw materials, Dow Chemical preferred to offer its products predominantly in the domestic market in 2017 leading to an increase in revenues and profitability. While supplying its products to various industries, approximately 35% of Dow Chemical's revenues originate from the binders used by Polisan Kansai Boya as input. Developing special products for Polisan Kansai Boya, Dow Chemical formulated a binder in cooperation with Kansai Paint in 2017 for the Exelans Turbo Flex C1, which reduces the destructive effect of earthquakes. The organic-inorganic hybrid and pure acrylic binder was enriched with Nano Silica, which provides buildings flexibility and elasticity. On the other hand, the use of Evoque, which has the great advantage of reducing the use of Titanium Dioxide as well as increasing the external strength of the paint, became widespread. This enabled Polisan Kansai Boya to maintain its leading position.

Growth Potential: The company is pursuing a growth strategy towards increasing the share of innovative products in its product range and production capacity.



Source: Rohm & Haas

INTERNATIONAL INVESTMENT

POLİSAN MAROC

CONSTRUCTION CHEMICALS

History:
Polisan Maroc was established as part of Polisan Kimya's regional growth strategy in construction chemicals and started production in July 2017 in Morocco. Polisan Kimya increased its stake in this partnership, which was originally 60% owned by Polisan Kimya and 40% by a local producer, to 80% in 2018.

Operating Area:
The production and sales of ready mix concrete and underground chemical additives.

Market Position:
Polisan Maroc has just entered into a market, in which four international companies operate.

2017 Capacity: 40,000 tons/year

2017 Sales Volume:
Trial production was realized in 2017.

2017 Developments:
Polisan Maroc started trial production in 2017 and the company soon managed to make its name heard in the market. The company is expected to ensure growth in 2018.

Growth Potential:
In line with Polisan Kimya's target of becoming a global player in the long run, and after assessing progress in Morocco and evaluating the potential of other countries in the region, plans exist to set up new facilities in North Africa, Asia and European markets.

INTERNATIONAL INVESTMENT

POLİSAN HELLAS S.A

PET (POLIETILEN TEREFTALAT)

Polisan Hellas is the sole PET resin producer in Greece and the Balkans.

History:
100% owned by Polisan Holding, Polisan Hellas SA was established with a capital of €24,000 in August 2013 to carry out operations in Greece. In September 2013, Polisan Hellas purchased 100% of the assets owned by Spanish Artenius Hellas. The capital of the Company was increased to €1,400,000 as suggested by the authorities within the framework of the purchasing transaction, fully paid out by Polisan Holding. The total investment amount for Polisan Hellas SA including taxes, all fees and other expenses is €8,675,000. Located on a 15-decare closed area and 75-decare land in total, Polisan Hellas' facility is valued approximately at €70 million. Having ISO 9001, ISO 14001, OHSAS 18001, and ISO 22000 certification, Polisan Hellas quickly completed its integration to Polisan Holding following the acquisition. Polisan Hellas had started to be consolidated into Polisan Holding financials by the end of 2013, and the Company had begun to record meaningful revenues by April 2014.

Operating Area:
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.

Market Position:
The only Polyethylene Terephthalate (PET) granule producer in Greece and the Balkans.

2017 Capacity: 84,000 tons/year

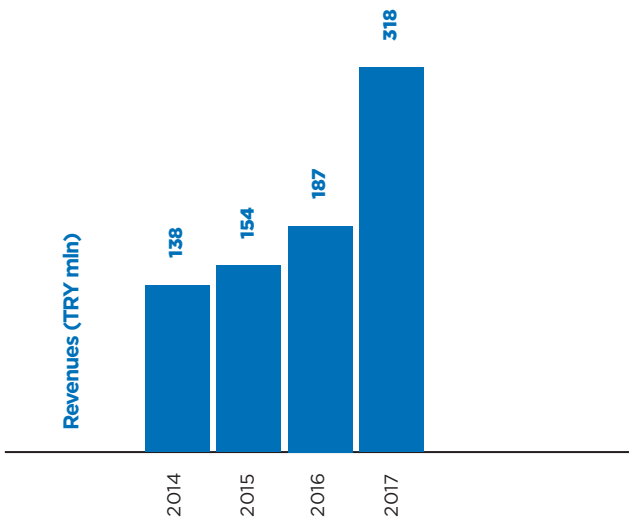
2017 Sales Volume: 77,365 ton/year

2017 Development:
Since 2014, when Polisan Hellas commenced operations, it has been eliminating the contraction in domestic demand stemming from the economic downturn in Greece through exports to the Balkans and Italy. In the meantime, the Company has added the world's leading beverage producers to its customer portfolio. In 2017, demand in the Greek market also started to increase. Polisan Hellas, which makes continuous improvements to increase productivity at its facilities, started to work close to full capacity. And should demand rise further, it is possible to increase capacity for a reasonable investment amount. Polisan Hellas has started to improve its facility in order to recycle PET bottles.

Growth Potential:
The countries with the highest bottled water consumption in the world are located in Western Europe.

Polisan Hellas evaluates different projects with the aim of increasing 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 the product will be able to be sold in Turkey. This will be a factor further increasing the efficiency of Polisan Hellas.



Source: Polisan Hellas

INCREASING DEMAND IN THE GREEK MARKET SUPPORTED PROFITABLE REVENUE GROWTH.

TRY (million)	2016	2017	2016-2017 (%)	4Q16	3Q17	4Q17	4Q16-4Q17 (%)	3Q17-4Q17 (%)
Revenue	186.9	317.9	70.1%	49.5	81.8	76.2	53.8%	(6.9%)
EBITDA	1.8	15.7	n.m.	(1.0)	2.9	6.1	n.m.	111.7%
EBITDA Margin	0.9%	4.9%	4.0 p.p.	(1.9%)	3.5%	8.0%	9.9 p.p.	4.5 p.p.
Net Profit	(5.3)	13.5	n.m.	(4.1)	1.5	8.8	n.m.	n.m.

In 2017, Polisan Hellas' sales revenues increased by 70.1% to TRY317.9 million compared to the previous year, due to increased sales volume and the favorable exchange rate effect. Managing to balance pressure on sales both due to the economic environment in Greece and protectionism in Turkey, which made it impossible to sell the product in the domestic market, Polisan Hellas started to see increased demand from the Greek market in 2017. Working at a 90% capacity utilization rate in 2017, the Company recorded a 4.9% EBITDA margin, which is considered a rational level in the PET business. This resulted from the more profitable and increased productivity and sales of the product in the domestic market. The Company recorded a net profit of TRY13.5 million with the contribution of TRY6.0 million deferred tax income, despite the TRY6.7 million net financial expense recorded due to its financial liabilities related to working capital.

In 4Q 2017, revenues increased by 53.8% compared to the previous year, while the EBITDA margin surged by 9.9 p.p. to 8.0%. The Company posted a TRY8.8 million net profit, due to the TRY6.0 million deferred tax income recorded in the same period, despite a TRY2.9 million net financial expense.

Having performed somewhat better than its targets in 2017, Polisan Hellas forecasts 10% growth in revenues in 2018 by further expanding its customer portfolio. Depending on market conditions, the Company foresees an EBITDA margin at similar levels with a focus on the export-domestic sales balance. The Company is capable of increasing capacity with reasonable capex.

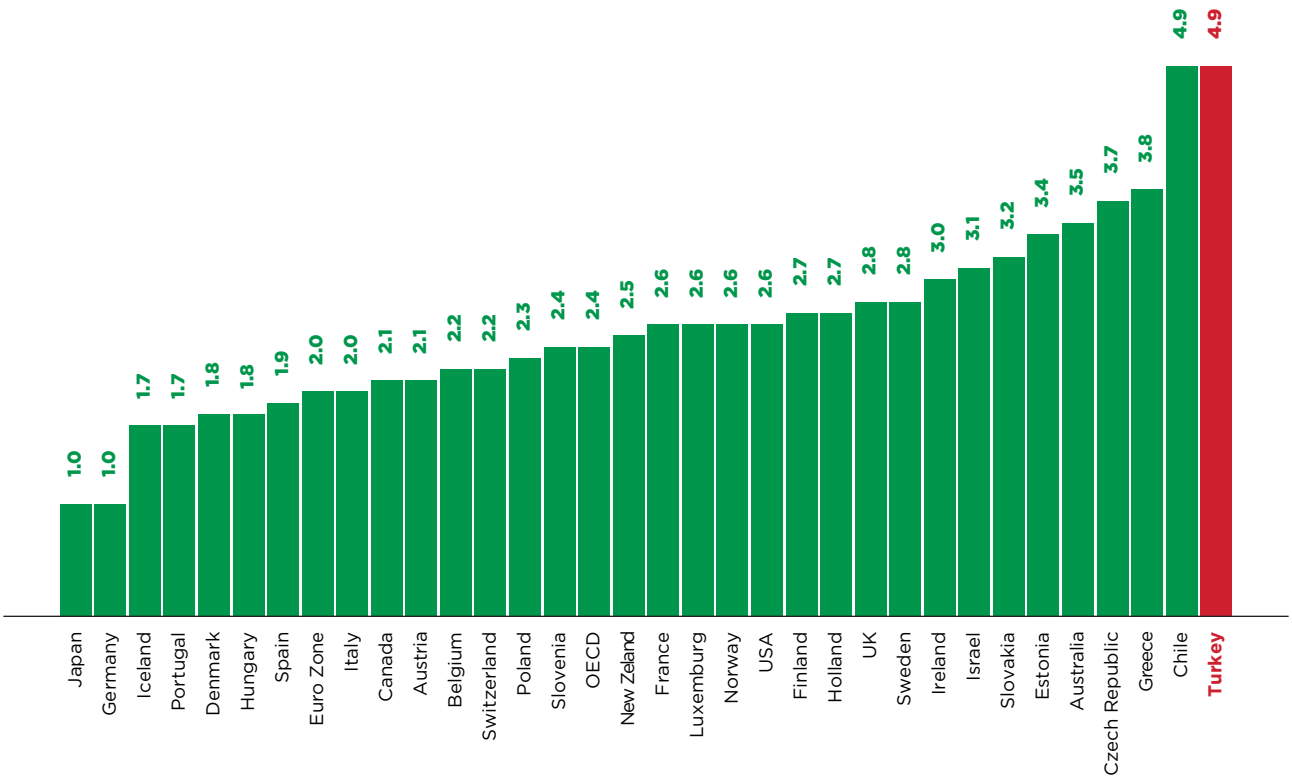
REAL ESTATE

Polisan
YAPI

REAL ESTATE INDUSTRY IN TURKEY

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

TURKISH ECONOMY CONTINUES TO GROW.



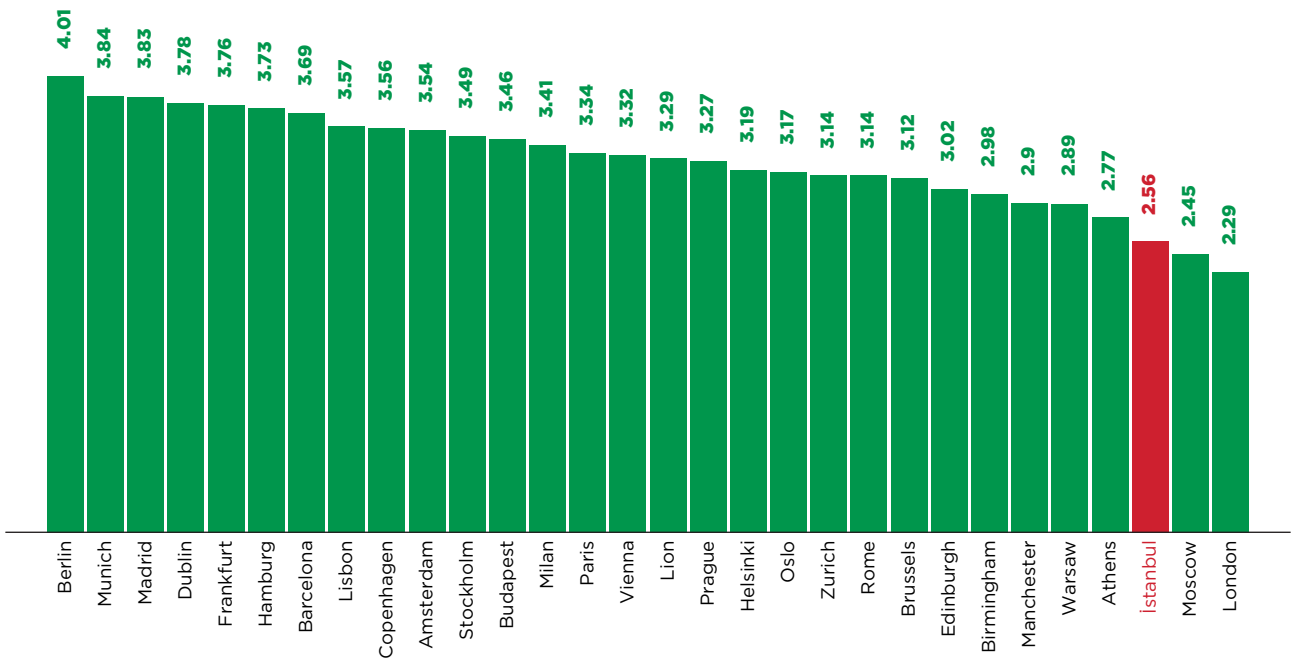
Source: OECD

By means of structural reforms initiated following 2001 crisis, and continuing since 2002 to harmonize the macro economy with the global economy, the focus has particularly been on the liberalization of the Turkish economy, increasing the role of the private sector, enhancing the efficiency/resiliency of the financial sector, and building the social security system on 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, the expansionary or tightening policies of large central banks, and geopolitical risk factors have been the determinants of the economy and real estate sector in Turkey. According to OECD estimates, with real GDP growth at an average ~6% between 2003 and 2016, Turkey is, and will continue to be one of the fastest growing economies among OECD member countries with an annual average growth rate of 4.9% in 2015-2025.

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

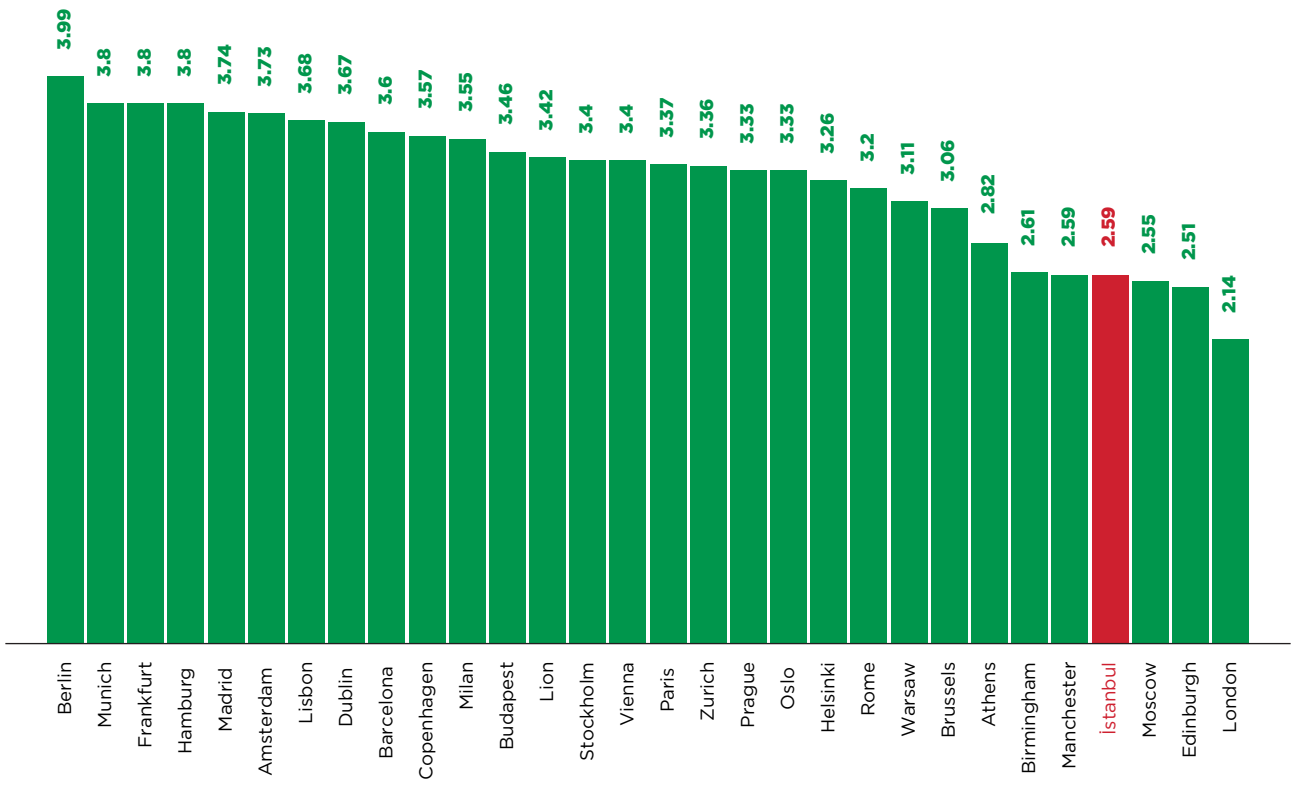
The regulations regarding the Land Registry and Cadaster Law, Mortgage Law, and Tax Laws to preserve and improve the competitive nature of the real estate industry, updates that reduce the investment process to a few simple steps, and the Housing Financing Regulation, which came into force to protect consumer rights have facilitated the entry of investors into the real estate industry in Turkey. According to the Emerging Trends in Real Estate Europe 2017 Report; based on rent income generation and capital value index, Istanbul is among the most attractive investment centers in Europe.

ATTRACTIVE CITIES BASED ON RENT INCOME GENERATION CAPACITY



Source: Emerging Trends in Real Estate Europe 2017

ATTRACTIVE CITIES BASED ON CAPITAL VALUE



Source: Emerging Trends in Real Estate Europe 2017

İstanbul is an important financial, industrial, and logistics center corresponding alone to ~30% of Turkey's total GDP.

- The population of İstanbul, which reached 15.0 million with an average growth rate of 1.8% between 2000 and 2017, is growing faster than the population of Turkey, which increased by 1.3% on average to 80.8 million in the same period.

- Multinational companies, particularly those addressing the Middle East, North Africa (MENA) and Commonwealth of Independent States (CIS) regions establish operational offices in İstanbul, which has become Turkey's financial center. The number of modern shopping centers in Turkey has increased from 44 to 429 between 2000 and 2017. The shopping centers with professional management teams, located in high quality districts have won the attention of leading global brands.

- The İstanbul Financial Center Project will position İstanbul as a regional and global financial hub. 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 a 30,000-person workforce. A diversity of taxation systems, and financial products and services will be provided through the infrastructure to be installed. And İstanbul will be positioned as a financial hub, and one of the operational and regional centers of multinational companies.

- The Urban Transformation Projects in İstanbul are expected to reduce the traffic and population density; positively reflecting on 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 the Black Sea and Marmara Sea,
    - "Two Cities Project": Establishing two cities for a population of 1,000,000; one on İstanbul's European Side at Kemerburgaz, and the other on the Asian Side at Tuzla,
    - 3rd Bridge named Yavuz Sultan Selim,
    - A new airport intersecting the North Marmara Motorway, the 3rd bridge, and the high-speed railway,
    - "Eurasia Tunnel" reducing the distance between Kazlıçeşme and Göztepe to 15 minutes,
    - "Galata Port", which is to serve 3 million passengers and compete with global leader; Barcelona,
    - The "İstanbul-İzmir Motorway Project" reducing travelling time to 3 hours,
    - Other railway, motorway, logistics, and infrastructure projects.

POLİSAN YAPI İNŞAAT TAAHHÜT TURİZM SANAYİ ve TİCARET A.Ş.

Polisan Yapı İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Polisan Yapı") was established in 2006 in order to utilize the assets owned by Polisan Holding and its subsidiaries on a project basis. Polisan Yapı:

Polisan Yapı:

- Is neither a Real Estate Investment Trust, nor a contractor company.
- Does not incur any capital expenditure from the projects.
- Provides the land and obtains residences and/or offices in units upon completion of the projects.
- Records the proceeds from the sale of the projects as net profit.

POLİSAN HOLDİNG and POLİSAN KANSAİ BOYA REAL ESTATE APPRAISAL TABLE

Location	m^2	Appraisal Value TRY 000	Current Status/ Development Plan	Registered Company
İstanbul Pendik	178,720	212,430	To be developed (residences, offices, etc.)	Polisan Yapı
İstanbul Kağıthane	26 shops, 77 offices	54,790	Z Office Project	Polisan Yapı
	TOTAL	**267,220**		
Kocaeli Gebze - GebKim	142,147	124,380	Paint Facility	Polisan Kansai Boya
Kocaeli Dilovası - DOSB	30,150	36,000	Land	Polisan Kimya
Kocaeli Gebze - Farm	195,210	32,495	Land	Polisan Kimya
Other		8,878		
	TOTAL	**201,753**		
Kocaeli Dilovası	154,672	418,000	Poliport Facilities	Poliport
Kocaeli Dilovası	90,142	160,500	Polisan Facilities	Polisan Kimya
Aydın Karacasu	2,485,275	6,775	Agricultural Land	Polisan Kimya
Balıkesir İvrindi - Savaştepe-Soma	4,479,356	8,886	Agricultural Land	Polisan Kimya
	TOTAL	**594,161**		
	TOTAL	**1,063,134**		

Source: Polisan Holding

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 land in Pendik, Kurtköy. The land is spread on an area of approximately 180,000 square meters, and is very close to the TEM Motorway, E-5 Highway, Sabiha Gökçen Airport, and Ankara-İstanbul high-speed railway. On March 5, 2015, Polisan Yapı signed an agreement for the project to be built on this land with the 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, the DAP Yapı – DOP Yapı JV will own 66% of the land, but will not pay any cash. 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. 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 commercial estates in the region. Besides, other business and tourism focused projects are expected to reach the agenda, such as a fair, congress center and techno-park.

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

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 6th most densely populated district, undergoing rapid urbanization. In June 2014, Polisan Yapı received the deeds with construction servitudes for 126 offices and 28 shops that it owns for the Z Office Project, which is 42% owned by Polisan Yapı and 58% by DAP Yapı. Kentsel Hizmetler Yapı ve İşletme Sanayi Ticaret A.Ş. continue activities to sell and lease these offices and shops. As of December 2017, 51 offices and shops were sold and 9 shops leased within the Z Office Project.

AGRICULTURE

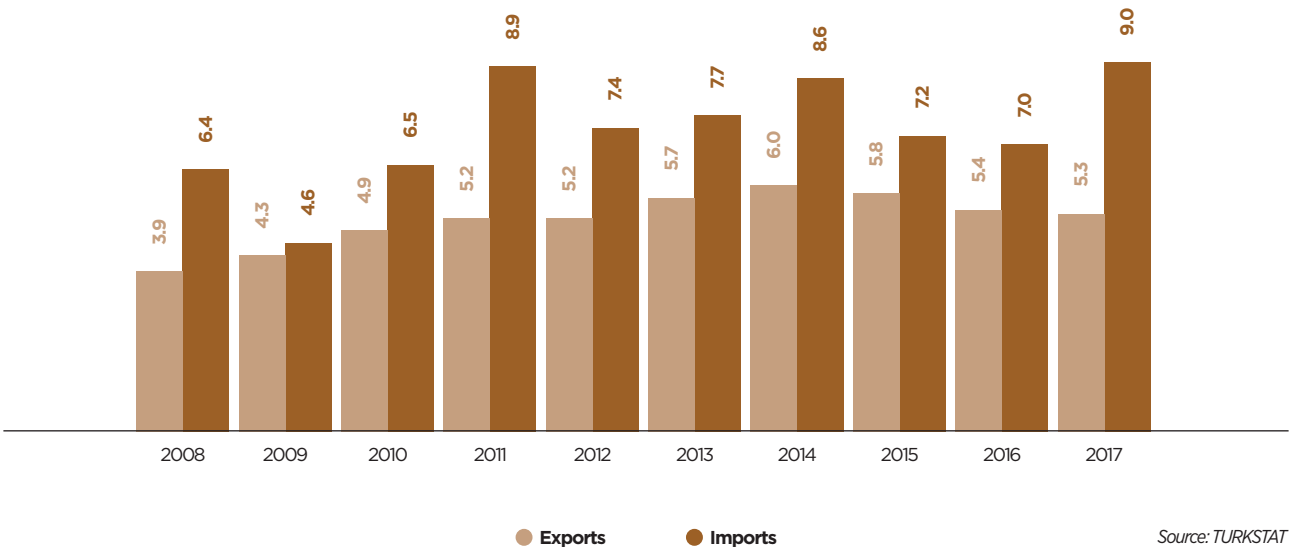
Polisan
TARIM

AGRICULTURE INDUSTRY

Although Turkey is an Agriculture Country, It is a Net Importer of Agricultural and Forestry Products.

Agriculture in Turkey is generally carried out by family run businesses, and largely non-modernized. Land is usually fragmentized due to inheritance issues. Products cannot meet desired standards since operations continue on small tracts of land of low efficiency. Thereby, small businesses cannot develop into a commercial structure. Although Turkey is an agriculture country, it can become a net importer of agricultural products. In 2017, Turkey's exports stood at $157.1 billion, while it recorded $233.8 billion in imports. The exports of agricultural and forestry products were realized at $5.3 billion and imports at $9.0 billion.

AGRICULTURAL AND FORESTRY PRODUCTS FOREIGN TRADE (bln $)



Source: TURKSTAT

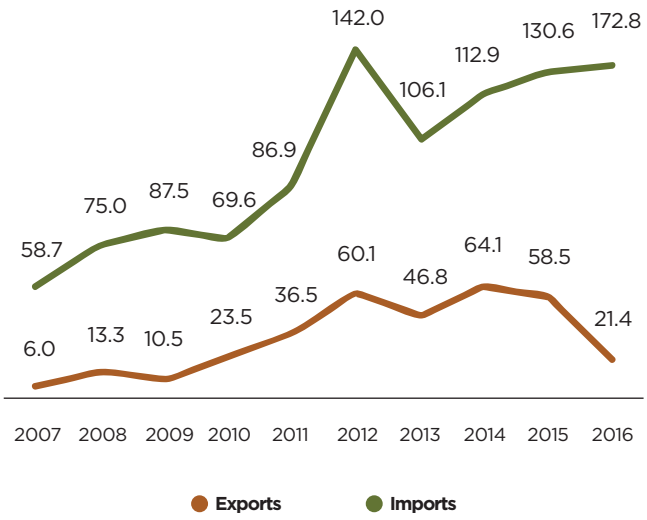
When considering the products themselves, the customs duties that Turkey has imposed on certain agricultural products are quite low, or at zero levels. However, the decisions of the World Trade Organization and Custom Union agreement limit the growth of some agricultural commodities in Turkey, thereby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

Within this context, the Ministry of Forestry and Water Affairs took action in an attempt to decrease Turkey's imports of agricultural and prioritized genus products such as walnut and olive, the fruit, leaf, seed, shell and flower of which 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 Walnut Imports Through Action Plans.

In Turkey, 195,000 tons of walnuts were produced in 2016; walnut exports amounted to $21.4 million and imports amounted $172.8 million.

WALNUT FOREIGN TRADE (mln $)



Source: TURKSTAT

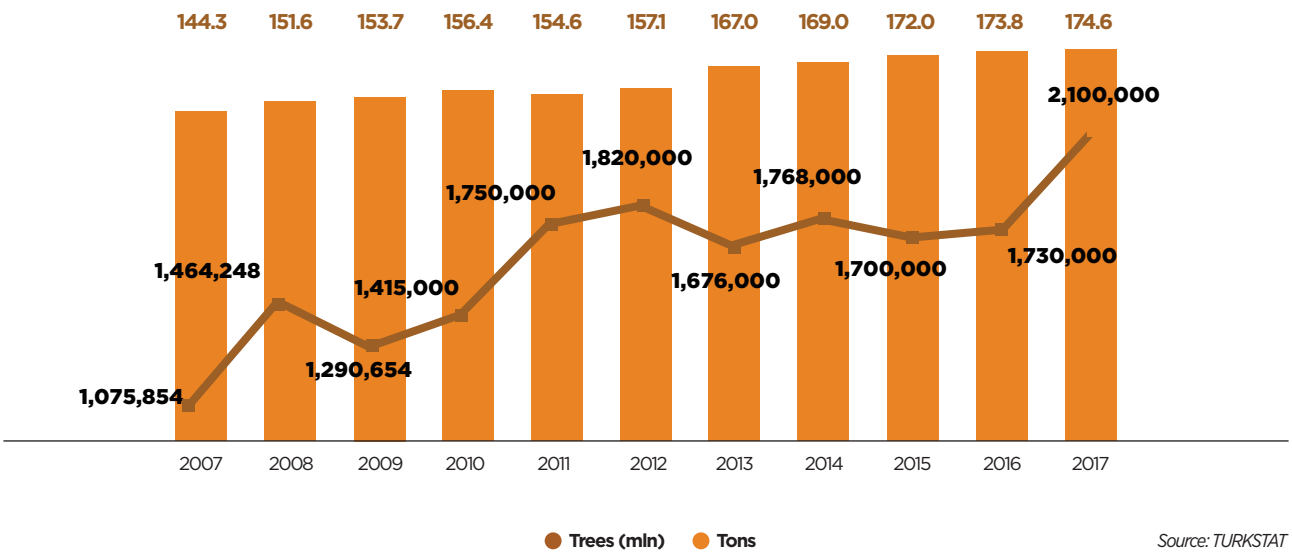
Walnut Action Plan

The Ministry of Forestry and Water Affairs has prepared a "Walnut Action Plan for the Period of 2013-2016" for the crop, which is used by many sectors and thereby is a major economic source of income. For that purpose, it began studies for 5,000,000 walnut seedlings to be planted. Based on the Ministry's declarations, the global market, where total walnut production has 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 annual consumption is met through imports. Thereby, Turkey lags far behind in the global market in terms of production volume. In addition to increasing fruit production, the Walnut Action Plan also aims to establish walnut forests for the first time in order to grow walnut trees suitable for timber.

The Olive is Also Within the Scope of Incentives as per the New Regulation.

The "Regulation on Afforestation and Erosion Control Services", which was prepared in order to increase forested area, develop biodiversity, and recreate the degraded forest ecosystem, was published in the Official Gazette 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 trees and shrub species, including walnut, almond, and olive trees located in poorly forested 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, as well as seed, slip, bud eye and graft, sapling, drip irrigation facility and three-year maintenance and project construction.

As of 2017, there are approximately 175 million olive trees in Turkey, with a total production of roughly 2.1 million tons, of which 460,000 tons is edible and 1.64 million tons is for olive oil. Olive oil is exported to an average of 90 countries including primarily the USA, Japan, Saudi Arabia, Iraq, and the United Arab Emirates, while edible olives are exported to an average of 65 countries including primarily Romania, Bulgaria, USA, Germany and Iraq.



Source: TURKSTAT

POLİSAN TARIMSAL ÜRETİM SANAYİ ve TİCARET A.Ş.

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

In recent years, significant investments are being realized in Turkey's agriculture and stockbreeding sectors. However, Polisan Holding discovered that there remains a major number of agricultural products on Turkey's portfolio of imported items, despite its suitable landscape, and decided to invest in the 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 breed all types of animals; and to provide technology and consulting services on all kinds of agricultural issues and to audit projects and investments. Polisan Tarım targets the implementation of the best agricultural practices by initially finalizing the preparation of the land.

After having received Seedling Producer Certification from the Kocaeli Directorate of Agriculture in 2011, Polisan Tarım grew walnut seedlings on its plantations.

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 rich genetic variability. Walnut is highly demanded as a fruit for its nutritional value, and by the furniture industry for its lumber value. Having several consumption areas, interest in walnut is increasingly rising as it has a long life, does not require frequent disinfection against disease and pests, and as 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 exemplary gardens using the drip irrigation system where modern agricultural technologies are implemented (such as machine harvest, desiccation, etc.); to lead the agricultural sector with closed walnut gardens, and to contribute to the Turkish economy by realizing production on an industrial scale. Polisan Tarım aims to establish a plantation on total land of 10,000 decares in Balıkesir. The Company continues walnut plantation studies on the 4.4 million square meter agricultural land, purchased in Balıkesir thus far.

THE OLIVE

The olive is a very nutritious food. There is abundant vegetable protein, fat, vitamins A, C and E, as well as calcium, phosphorus, sulfur, chlorine, magnesium minerals in olives. The 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 beauty. Olive prevents hair loss and dandruff, strengthens hair, eliminates wrinkles, and reduces the negative effects that make-up chemicals can have, while helping prevent the formation of skin diseases.

Turkey is ranked the 4th among the world olive producer countries in terms of tree number, 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 the top five in olive oil production and first in olive consumption. Trees are intensively found in Ayvalık, Mudanya, the Edremit Gulf, Orhangazi, İznik, Gemlik and Yalova, while the 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.

Polisan Tarım aims to engage in olive cultivation on the 2.5 million square meter land in Karacasu, purchased in previous years, and carries out land preparation studies for this purpose.

STEVIA

Stevia is a plant growing in Paraguay and Brazil. Two French chemists named Bridel and Lavieille conducted studies in 1931 on the essence that they obtained from the leaves of stevia, which was called "sweet herb" and "honeyed leaf" by the Paraguay Indians, in an attempt to solve its mystery. As a result of their research, a pure end product, a white-crystal structure, was extracted named "stevioside", which they found to be 100-300 times sweeter than refined sugar. Stevia has been used in Japan for over thirty years by millions of people as a sweetener, and also as a food additive.

It is considered that the essence of this plant has blood glucose regulation effects. Research indicating that stevia increases insulin sensitivity and secretion, supports its use in the treatment of diabetes. Stevia, which contains natural sweetener glycosides, is a product that food and beverage giants such as Coca Cola & Cargill (Truvia), Pepsi Cola (Pure Circle), Nestle and Danone have made very notable investments in, especially over the past decade.

Polisan Tarım conducts breeding studies

1) To expand and promote Stevia agriculture in our country as an alternative and healthy solution in the face of rapidly increasing diseases due to sugar consumption.

2) To develop and register a 100% domestic species containing high useful glycoside, which can be used in Stevia agriculture.

3) To provide registered and high quality raw material to all the parties processing Stevia since 2016 with the cooperation of the Ataturk University Faculty of Agriculture.

AWARDS

2016

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

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

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

Polisan Kansai Boya has received the Bronze MIXX award in the Digital & Mobile Division, Social Media Category with its viral film "Woman With No Voice", produced 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, a branch of the IAB, operating in 43 countries in the field of digital advertising.

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

Polisan Kansai Boya has received 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 to be acknowledged in the international arena, being accredited by the World Packaging Organization and Asia Packaging Federation.

Polisan Kansai Boya Received Environment Award.

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

2015

"Every Voice One Breath" Social Responsibility Project Received 3 Awards in the Crystal Apple Contest.

The viral film named "Woman With No Voice", prepared for the publicity of the "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 Awards, regarded as one of the most prestigious in the advertising industry.

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

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

2014

Polisan Kansai Boya Received the Supply Chain Transformation (SAP SCM) of the Year Award.

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

2013

Polisan Kansai Boya Received 2 Awards at the Crescent and Stars of Packaging Contest.

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

Polisan Holding Conscientiously Serves Its Society, Employees and the Environment.

Policies

Polisan Holding invests in people, information and technology with a sustainable growth principle, an environmentally sensitive approach, and an understanding of quality for its society, stakeholders, and employees. As an exemplar and pioneer in the paint, chemical products, terminal and port management industries, the Holding applies Sustainability, Energy, Information Security, and anti Bribery and Corruption Policies at all its companies. Additionally, Polisan Kansai Boya, Polisan Kimya and Poliport carry out their operations through the Quality, Health, Safety, Environment and Customer Satisfaction Policies determined, while Polisan Kimya and Poliport Kimya also have Prevention Policies regarding Large Industrial Accidents.

Management Systems

While Polisan Holding companies provide superior quality products and services, they carry out all activities with a view to ensuring a healthy environment for future generations, while working to a zero accident principle in occupational health and safety, maintaining the highest level of customer satisfaction and effectively guiding energy policy. Holding Companies undertake their operations in accordance with the requirements of national and international legislation within the framework of the following Management Systems:

- ISO 9001 Quality Management System
- ISO 14001 Environment Management System
- OHSAS 18001 Work Health and Safety Management System
- ISO 10002 Customer Satisfaction 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 Environment Activities in Line with 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 carry out their activities related to health, safety, and environmental matters in line with these principles.

Among Polisan Holding companies, Polisan Kansai Boya, Polisan Kimya and Poliport Kimya hold ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Work Health and Safety Management System, ISO 10002 Customer Satisfaction Management System, ISO 50001 Energy Management System, and ISO 27001 Information Security Management System Certification.

Additionally, Polisan Kansai Boya has ISO 17025 Laboratory Accreditation; Polisan Kimya has TSE Documentation, Adblue VDA Certification, Ultraline Anti-Freeze TSE Documentation and Urea Formaldehyde Resin TSE Documentation; Poliport Kimya has International Shipping and Port Security (ISPS) Certification, Responsible Care Commitment Documentation, CDI-T Certification, and Shore Facility Hazardous Material Conformity Certification.

Testimonials

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

Since 2012, Polisan Holding Companies; Polisan Kansai Boya, Polisan Kimya, and Poliport have had their Carbon Foot Print calculated to assess their effect and make improvement studies on their carbon emission, and a report has been prepared in compliance with ISO 14064-1 Standards. Holding subsidiaries, which have their greenhouse gas emissions calculated regularly every year, observe the impact of emission reduction measures developed on emission reduction efficiency. With its environmentally sensitive approach, Polisan Kansai Boya has already decreased the Volatile Organic Carbon (VOC) content in all its water-based paints to rates defined by EU directives, and continues R&D studies to further decrease these levels.

Polisan Kansai Boya is the First Paint Manufacturer in Turkey and the Third in Europe to Receive Environmental Product Declaration Certification.

Life Cycle Assessment ("LCA") initiated in 2013 by Polisan Kansai Boya, which emphasizes society, environment, and an innovative approach, was finalized in 2015. In that year, studies were initiated with the outcome of these assessments to obtain EPD (Environmental Product Declaration) Certification. Consequently, Polisan Kansai Boya received Environmental Product Declaration ("EPD") Certification for 4 products (Elegans Extra Semi Matt and Natura Ambians interior paints; Exelans Macro and Natura A1 Silicon exterior paints). Having pioneered many firsts in its sector, Polisan Kansai Boya became the first paint manufacturer in Turkey, and the third in Europe, to have registered to the ECO Platform, established by Construction Products Europe, and have published EN 15804 norm compliant construction products with EPD certification in Europe. With ISO 14040/44 LCA studies and ISO 14025 EPD Certification in place, Polisan Kansai Boya products are to contribute to sustainable buildings within the Green Building Certification System.

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

In September 2017, the Holding published its GRI-Approved Sustainability Report prepared using Global Reporting Initiative (GRI) Sustainability Version 4 Reporting Principles, the internationally accepted sustainability reporting standard, as a guideline. In its Sustainability Report, the Holding presented its sustainability practices and performance in a transparent manner for the operating period between January 1, 2016 and December 31, 2016. With the second report, the Holding became one of the 75 companies to publish the "GRI Version 4" compatible sustainability report in Turkey in 2017.

Polisan Holding on its Way to Becoming a Global Brand with the 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 Turkish products to become international trademarks and to strengthen the image of products made in Turkey. TURQUALITY® is the one and only government-supported "brand-building program" for companies with a product portfolio wherein 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; that they become institutionalized; and that they improve to become a global player in the international markets with their own brands, whereby their brands strengthen the image of products made in Turkey. Within the scope of TURQUALITY®, 50% of expenses, which are determined on a 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 a desired level, a further five-year support period is provided.

Research and Development Activities

Having pioneered products and practices in the Turkish Chemicals and Paint Industry as global firsts, Polisan Holding's development and its competitive edge over the competition stems from the importance given to R&D. Additionally, the experienced technical staff is composed of knowledgeable individuals with long years of experience within the sector; each specialized in their area of expertise. The R&D Department conducts its studies with an innovative structure and differentiates the product mix day by day by combining modernity with experience. It also embraces new sectors with fresh products developed in line with customer expectations and market foresight. The R&D Department embraces all customer projects with equal seriousness and a professional perspective; identifies customers' needs effectively, and offers the most appropriate products to meet their expectations within the shortest period. By solving all of its customers' technical problems, it also provides solution partnership.

Polisan Kansai Boya Received R&D Center Certification in 2014.

Polisan Kansai Boya received R&D Center Certification and status as of June 4, 2014. As Turkey's 159th R&D Center, the incentives and exemptions utilized by Polisan Kansai Boya totaled TRY5.7 million in 2017. In 2017, the Company's R&D spending was at 1.9% of total unique product revenue. This ratio is close to the average for developed countries. Believing in university-industry cooperation, the R&D Center has successfully received approval for 3 new TUBITAK TEYDEB projects this year and presented 11 new products in total; 4 in the furniture group, 5 in the industrial group and 2 in the decorative group, to customers. Another key R&D study in 2017 was the placement of the Rapid Group Solvent Based products in the Mix system. Thus, the colors of these products on RAL and Rapid color chart can now be produced in desired quantities.

Polisan Kansai Boya R&D Center Received International Accreditation Certificate in 2016.

Polisan Kansai Boya's main research laboratories, which have been conducting chemical test and quality measurements for 30 years, obtained "International Validity" accreditation certification in October 2016 from TURKAK, which has a Mutual Recognition Agreement with the International Laboratory Accreditation Cooperation (ILAC). The Main Research Laboratory, which increases the number of accreditation tests each year, has been accredited by a total of 10 new tests in 2017.

Polisan Kimya Received R&D Center Certification in 2017.

Polisan Holding's subsidiary Polisan Kimya, has received R&D Center Certification and status as of June 6, 2017. The Certificate has been granted by the Ministry of Science, Industry and Technology following inspections, which concluded that the R&D Department had met the necessary qualifications, ability and criteria. The Polisan Kimya R&D Center carries out studies aimed at the production of specific concrete additives, which can be used in metro systems, tunnels and mines.

Incentives:

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

Company	Incentive	Incentive No	Incentive Amout (TRY)	Incentive Expensed (as of December 31, 2017 - TRY)	Incentive Certificate Date	Status
Poliport	Crane	B/104761	15,092,285	15,092,285	29/03/13	Completed
Poliport	Tank	B/112076	167,745,861	147,295,413	31/08/16	Continues
Polisan Kansai Boya	Gebkim Facility	D/122296	218,678,372	135,173,101	06/12/17	Continues
Polisan Kimya	Adana Facility	A/127763	3,100,000	2,516,127	03/02/17	Continues
Polisan Kimya	Samsun Facility	A/131376	2,140,000	2,030,178	21/07/17	Continues
Polisan Kimya	Oxide Facility	D/112337	16,259,209	16,259,209	21/07/16	Completed

Employee and Worker Flow

Polisan Holding and its constituent Companies' total number of employees increased to 1,543 as of December 31, 2017. (December 31, 2016: 1,422)

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

Donations Realized During The Period

Polisan Holding realized TRY397,779 in donations and aid in total as of December 31, 2017. The aforementioned amount is mainly composed of the donations made to educational institutions and institutions carrying out educational support activities.

The Relationship Between the Parent Company and Subsidiaries as Per Article 199 of the Turkish Commercial Code:

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

CORPORATE PROFILE

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 - İSTANBUL
Trade Registry :	Gebze Chamber of Commerce – 5769 / İstanbul Chamber of Commerce – 615757
Subjected Legal Regulations :	Laws of Republic of Turkey
Telephone Number :	00 90 216 578 56 00
Fax Number :	00 90 216 573 77 92
Internet Address :	www.polisanholding.com.tr
Capital :	TRY370,000,000
Registered Capital:	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

The Holding's Headquarters 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:

The name of the Branch	Address
Polisan Holding A.Ş. (İstanbul Branch)	Ali Nihat Tarlan Cad. No:86 İçerenköy, Ataşehir - İSTANBUL
Polisan Kimya Sanayii A.Ş. (Adana Branch)	Adana Hacı Sabancı OSB, Acıdere OSB Mah. Atatürk Blv. No:13 SARIÇAM – ADANA
Polisan Kimya Sanayii A.Ş. (Samsun Branch)	19 Mayıs OSB MAH. Yaşardoğu Cad. No:9/1 TEKKEKÖY – SAMSUN
Polisan Kansai Boya San. ve Tic.A.Ş. (İstanbul Branch)	Ali Nihat Tarlan Cad. No:86 İçerenköy, Ataşehir - İSTANBUL
Polisan Kansai Boya San. ve Tic.A.Ş. (İstanbul Branch)	Osmangazi Mahallesi, Ziya Gökalp Caddesi, No: 1 Kat: 6/7 Kıraç Esenyurt/İSTANBUL
Polisan Kansai Boya San. ve Tic.A.Ş. (Adana Branch)	Yeni Mah. İncirlik Blv. No:163/B, B1, B2, B3, B4 Sarıçam / ADANA
Polisan Kansai Boya San. ve Tic.A.Ş. (Afyonkarahisar Branch)	Veysel Karani Mah. Mareşal Fevzi Çakmak Blv. No:109 / A Merkez /AFYONKARAHİSAR
Polisan Kansai Boya San. ve Tic.A.Ş. (Ankara Branch)	Rüzgarlı Celal Atik Sokak. Köseoğlu İşhanı D:63 Ulus / ANKARA
Polisan Kansai Boya San. ve Tic.A.Ş. (Antalya Branch)	AOSB Birinci Kısım Mah. Atatürk Bulvarı No: 49 Döşemealtı / ANTALYA
Polisan Kansai Boya San. ve Tic.A.Ş. (Bursa Branch)	Yalova yolu 14. km, Ovaakça Çeşmebaşı mh. 1. Karasu cd. No:27 Osmangazi /BURSA
Polisan Kansai Boya San. ve Tic.A.Ş. (Denizli Branch)	İlbade Mah. İzmir Blv. No:135/2 Merkezefendi - DENİZLİ
Polisan Kansai Boya San. ve Tic.A.Ş. (Diyarbakır Branch)	Topraktaş Mah. Topraktaş Küme Evleri Küçük Sanayi Sitesi Yapı Kooperatifi Sitesi A Blok 74A/1,2,3,4,5,6,7,8,9,10 - B Blok 74B/1,2,7,8 Bağlar/DİYARBAKIR
Polisan Kansai Boya San. ve Tic.A.Ş. (Gaziantep Branch)	İncilipınar Mah. Nişantaşı Sk. Tekerekoğlu İş Merkezi No:3/87 Şehitkamil - GAZİANTEP
Polisan Kansai Boya San. ve Tic.A.Ş. (İstanbul 2 Branch)	İçerenköy Mah. Değirmenyolu Cad. Gür İş Merkezi No:31 /10-11 Ataşehir - İSTANBUL
Polisan Kansai Boya San. ve Tic.A.Ş. (İzmir Branch)	Cumhuriyet Mah. Çanakkale Asfaltı Cad. No: 80/A Menemen - İZMİR
Polisan Kansai Boya San. ve Tic.A.Ş. (Kayseri Branch)	Hacı Saki Mah. Alpay Sk. Lifos Tower İş Merkezi No:15/18 Kocasinan / KAYSERİ
Polisan Kansai Boya San. ve Tic.A.Ş. (Konya Branch)	Şükran Mah. Furgandede Cad. Lalezar Apt. No:33/2 Meram /KONYA
Polisan Kansai Boya San. ve Tic.A.Ş. (Muğla Branch)	Salihpaşalar Mah. Köyiçi Sok. No:242-1 /9 Menteşe/MUĞLA
Polisan Kansai Boya San. ve Tic.A.Ş. (Samsun Branch)	Toybelen Mah. 1197 Sok. No:6/1 İlkadım /SAMSUN
Polisan Kansai Boya San. ve Tic.A.Ş. (Tekirdağ Branch)	Eskicami-Ortacami Mah. Sabri Çıtak Sk. Prestij Plaza No:2/ 5-6 Süleymanpaşa /TEKİRDAĞ
Polisan Kansai Boya San. ve Tic.A.Ş. (Trabzon Branch)	Kaşüstü Mah. Şehit İstikam Uzman Çavuş Mustafa Aliyazıcıoğlu Cad. No:109/Z01-B01 Yomra / TRABZON

POLİSAN HOLDİNG 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") 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 2017, the Holding continued its studies, which were initiated along with its IPO, into the compliance of Corporate Governance Principles in line with Capital Markets Board ("CMB") regulations. The Holding complies in general terms with the principles, which appear in the CMB's Corporate Governance Communiqué II-17.1 ("Communiqué") dated January 3, 2014, and are mandatory.

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

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

The Holding monitors regulatory developments so as to comply with Corporate Governance Principles and continue its studies into the necessary improvements in practice.

Section II – Shareholders

2.1 Investor Relations Department

The 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 mutual trust; realizes all activities to raise the Holding's recognition; and improves relations with 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 to shareholders' information requests, face to face or through communication channels, in line with the Disclosure Policy,
- Ensuring that 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 information in line with CMB regulations and the Holding's Disclosure Policy.

As per the CMB's Communiqué, the Holding's Investor Relations Manager is the Accounting Manager Varol Ürel, who directly reports to the CEO and is also a member of the Corporate Governance Committee. The other officer in charge of Investor Relations is Burhan Kurt. Varol Ürel has the Corporate Governance Rating Licenses.

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

Varol Ürel
Accounting Manager/ Investor Relations Manager
Tel:00902165785611
Fax:00902165737792
E-mail: yatirimciiliskileri@polisanholding.com.tr
investorrelations@polisanholding.com.tr

Burhan Kurt
Investor Relations Officer
Tel:00902165785619
Fax:00902165737792
E-mail: yatirimciiliskileri@polisanholding.com.tr
investorrelations@polisanholding.com.tr

In 2017, compliance studies continued as per the Communiqué in order to regulate relations between the shareholders and the Holding, in line with Capital Markets Law, CMB regulations, and the Holding's Articles of Association. 2016 year-end and 3 quarterly financial reports were announced to the public within the set deadline. The Holding realized its 2016 Ordinary General Assembly Meeting in line with CMB regulations, and complied with public disclosure requirements by announcing related General Assembly documents, and 9 material disclosures in regards to developments that may impact investor decisions. The Holding's website was also updated subsequent to the announcements. As part of improving the website to meet the requirements of foreign investors, the English translation of all disclosures made has also been available on the website since 2015. The website is continuously being organized and updated in line with Investor Relations Best Practices.

In 2017, 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 the Electronic General Assembly System was made available for active use. With a commitment letter signed on February 6, 2017, the Holding has been included in the valuation process of the Sustainability Index of the Istanbul Bourse and consequently, became entitled to listing on the BIST Sustainability Index as of November 1, 2017.

The 2017 Investor Relations Annual Activity Report was prepared to inform the Holding BoD, and was presented to the BoD on February 28, 2018.

2.2 Use of Shareholders Rights to Obtain Information

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

Throughout 2017, the meeting and information requests on several subjects delivered by shareholders and beneficiaries have been clearly and directly replied to in a timely manner in line with the Holding's Disclosure Policy. The information disclosed excluded that deemed confidential and a commercial secret; namely, data already in the public realm.

To the best of the Holding's knowledge, there were no written/verbal complaints or administrative/legal proceedings regarding the exercising of shareholders' rights in 2017.

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

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 appears under the heading of "General Assembly" on the Investor Relations pages of the website. Under the same heading, information with regards to the General Assembly, the Agenda of the General Assembly, invitation letters and proxy forms were also published.

The Holding's 2016 Ordinary General Assembly Meeting was held at the Headquarters, addressed at Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7, Dilovası-Kocaeli on April 13, 2017, at 14:00. The meeting invitation, containing the date and agenda as stipulated in law and the Articles of Association, was published on the Turkish Trade Registry Gazette dated March 21, 2017, No: 9288 and in Gebze Yenigün Gazette dated March 22, 2017. The 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.

The 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 shareholder review.

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

Of the 370,000,000 shares representing the Holding's TRY370,000,000.00 total capital; the total number of shares represented at the meeting was 365,811,934.12; 139,439,307.12 being represented by proxy and 226,372,627.00 being present in person. The Ordinary Assembly was held with a participation ratio of 98.87%.

The main agenda items of the meeting were informing shareholders regarding: the 2016 Annual Report, Independent Audit Report and the Financial Tables; the release of the members of the Board of Directors and Independent Auditor; the dividend Policy, and use of 2016 profit; approval of the Independent External Audit Company; the appointment of the members of the Board of Directors and Independent Board Members and determination of the duration of their duties; the remuneration policy and the determination of the wages for the members of the Board of Directors and senior management; Related Party Transactions realized in 2016; donations and aid provided, and determining an upper limit for the donations to be provided in 2017; the granting of permission to the Chairman and the Members of the Board for the fulfillment of written transactions pursuant to Article 395 and 396 of the Turkish Commercial Code; as well as pledges, collaterals, and mortgages granted in favor of the third Parties.

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, totaling TRY230,980 in 2016. The upper limit for the donations to be provided in 2017 was unanimously decided at TRY5,000,000.

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 in electronic voting.

The minutes of the General Assembly were made available for shareholder 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 in the most convenient manner possible, so as not to cause any inequalities among the shareholders.

2.4 Voting Rights and Minority Rights

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

There is no representative of minority shareholders or 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.

The Holding has 6 subsidiaries as of December 31, 2017. Additionally, it has an associate (Rohm and Haas), and a joint venture (Polisan Kansai Boya). However, there is no cross ownership or situation that would require the freezing of votes during the General Assembly due to this relationship.

There are no privileged voting rights 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 legislation, and the related article of the Holding's Articles of Association. The 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 General Assembly approval.

The Holding may distribute a cash dividend and/or bonus shares while evaluating a 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 according to 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, is presented to the shareholders at the General Assembly and disclosed to the public on the Holding website.

In 2017, the Holding paid out 4.7297297% (TRY0.0472973) per share and a TRY17,500,000 gross cash dividend in total, and 4.0202703% (TRY0.0402027) per share and TRY14,875,000 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

The Holding's website (www.polisanholding.com.tr) is prepared as 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 updated by the Investor Relations Department.

The Investor Relations pages of the Holding's website provide access to information, and the documentation required to be on the website as set forth by the Communiqué as well as 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, in which 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 on the website in Turkish. Besides, Social Responsibility, Sponsorship, and Sustainability topics take place under a separate heading. As of 2015, English versions of all announcements made in Turkish also became available on the website.

3.2 Annual Report

The 2017 Annual Report is prepared based on Corporate Governance Principles. The wages and all other benefits provided to the BoD and Senior Executives within the report are not disclosed per person, but rather, on a cumulative basis.

Section IV – Stakeholders

4.1 Informing Stakeholders

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

The Holding informs its stakeholders (employees, vendors, business partners, shareholders, etc.) on matters that concern them via appropriate communication media 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 other travel. Group employees are generally informed via the QDMS System and e-mail, and shareholders through General Assembly meetings, the annual report, and the website, which are open to all stakeholders.

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

Customers, vendors, and business partners can communicate their written or oral complaints via the Polisan Call Center 444 83 80 or through legal institutions and organizations. After being evaluated by related people or departments, complaints are concluded by the Executive Committee.

4.2 Stakeholders' Participation in Management

There is no particular arrangement for the participation of the Holding's stakeholders in the management. However, the Holding improves its processes based on the feedback provided by employees at communication meetings, by customers at sales points and customer service lines, and by vendors and business partners during purchasing processes, or meetings. The representation of shareholders and other stakeholders in the management is realized 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 results-oriented human resources are being employed in line with the Holding's targets and strategies; contributing to the productivity of the Holding through performance-based wage management; strengthening corporate culture by preparing the employees, who become experts in their career for managerial positions within the organization; supporting employees' personal development with continuous training and increasing the value-added to the Holding by improving their profession; and creating an effective and motivated organization that ensures employee satisfaction through proactive human resources practices.

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

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

The Human Resources Directorate ensures that Human Resources Policy and Rules of Business Ethics are adopted throughout the Holding, and that employees improve as potential leaders, internalizing their responsibilities for society, the 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.

The Holding has procedures relating to Human Resources processes regarding recruitment; training; performance evaluation; domestic and international travel; appointment and promotion; as well as discipline; personal loans and 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, employees are automatically notified by the system.

During the recruitment process, the Holding evaluates candidates who are reliable, sensitive to others, possessed of ethical values, open to change, market oriented, capable of long-term thinking, as well as 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 always interviews the applicant.

Trainee programs and policies are set in order to improve the information, skill and manners of Holding employees. Within this context, the training sessions provided to 6,378 employees on SEÇ (SEÇ stands for Health, Security, and Environment in Turkish), quality, sales, and management totaled 35,193 hours in 2017. The average number of employees in 2017 is 1,372 and the average number of training hours per person is 24.9.

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. The Holding takes all legal measures and continuously improves working conditions in order to prevent occupational risks; protect health and security; and eliminate risk and accidental factors, in line with the Labor Health and Security Directive. The 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, or gender discrimination. No complaints were filed by employees in 2017 relating to 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, the guidelines of which were published in the Investor Relations section of the Holding website under the Corporate Governance heading.

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

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

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

All managers and officers are informed regarding ethical rules and their responsibilities concerning these rules. The Holding management carries out all kinds of studies or else has these done in order for the ethical culture and ethical principles to take root and become widespread. The management leads, contributes, and tracks the results of all studies undertaken in this regard.

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

Social Responsibility and Sponsorships

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

Integrated Management Systems, providing management in accordance with national and international standards, have been established in Holding Companies. In order to achieve strategic objectives, and to manage business risks including social and environmental concerns with a holistic approach, activities are carried out in line with ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001

Occupational Health and Safety Management System, ISO 10002 Customer Satisfaction Management System, ISO 17025 Polisan Kansai Boya Laboratory Accreditation, ISO 50001 Energy Management System and ISO 27001 Information Security Management System standards. At the same time, since 1997, the Holding has participated in 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. Besides, with its four 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 Certification in 2015.

In order to leave a habitable world for future generations, the environmental effects arising from the activities of Polisan Holding and its group companies are monitored and evaluated, with studies being conducted in accordance with the law to minimize them. In addition to production activities, the Holding focuses on the efficient use of natural resources throughout the value chain, as well as a reduction of waste in its resources, and effective water and emission management practices.

In order to see the effects of greenhouse gas emissions throughout the Holding and make a reduction in carbon emission, Scope 1 and Scope 2 emissions have been calculated since 2012, in accordance with the "Greenhouse Gas Protocol Enterprise Calculation and Reporting Standards", which belong to the ISO 14064-1 Standard and the GHG Protocol. A 30% reduction in carbon footprint has been achieved within this time frame.

The Polisan Holding Sustainability Report, which emphasizes economic, social and especially environmental performance, and which was prepared for the second time this year, has been evaluated based on the standards of the globally accepted Global Reporting Initiative (GRI) and approved for conformity. Thus, Polisan Holding has become one of the 75 companies entitled to add the "GRI" logo to its name and publish a "GRI Version 4" compliant sustainability report in Turkey.

For the first time this year, Polisan Holding has been included in the Climate Change Program of the CDP (Carbon Disclosure Project) Platform, which is one of the most prestigious and respected environmental initiatives in the world. In June, the Holding presented a report on its performance under the topics of Emission Management, Governance and Strategy, Risk and Opportunity Management. Consequently, due to its efforts towards implementation, the Holding was ranked at C (Awareness) level, ahead of D level, where only performance is declared.

Polisan Holding has also become one of the 44 companies eligible for listing on the BIST (Bourse İstanbul) Sustainability Index, in which companies are included according to their performance in environment, climate change, biodiversity, human rights, board structure, efforts against bribery, supply chain, occupational health and safety issues.

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

100,000 trees on land of 2,000 decares in Dilovası

Necmettin Bitlis, who could not remain insensitive to logging around his 50 decare land in the Dilovası Region at the beginning of the 1990's, contacted the Ministry of Forestry, which proposed that he take over the forest proximate to his land based on a "protect and use" method. Since then, the Holding has volunteered to protect 2,000 decares; and spent approximately TRY20 million.

Besides, the Holding had the forest area surrounded by wire fence and protective walls; prevented the logging; and planted 100,000 trees within the framework of the "Afforestation Law".

Polisan Schools

The Holding has founded two Polisan Schools; one in Malatya and another in Dilovası. Serving since 1988, the Mehmet Emin Bitlis Secondary School was constructed with an investment of approximately TRY700,000 at current prices. The 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. Open since 1991, the Polisan Secondary School was constructed with an investment of approximately TRY4,000,000 at current prices, and has 80 graduates each year. Polisan Holding regularly meets Polisan Secondary School's Turkish Folk Dance, paint, and attendee expenses.

Polisan Education, Culture, and Indoor Sports Facility

The Holding encourages the biggest sports facility built in Dilovası, Kocaeli to contribute to the fit and healthy growth of the younger generation. The construction of the complex, erected on 16 decare land, is ongoing. Boasting the latest technology in 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 public housing on the 16 decare land. There is also going to be a 6 decare landscape design solely for the sports facility. The Polisan Indoors Sports Facility will be built on a 5,130 m² land with 2,500 m² closed area and feature 3 floors. There will be volleyball and basketball courts in the complex. 1,300 people will be able to watch races at the sports facility, which will have tribunes on three sides.

İstanbul Carbon Summit

Carrying out Carbon Footprint calculations and reporting activities since 2012 within the context of the fight against carbon, one of the world's most pressing problems, the Holding also contributed to the Istanbul Carbon Summit as a silver sponsor in 2017. The Summit has been organized by the Sustainable Production and Consumption Association (SPCA) and Energy Efficiency Association for the fourth time.

KALDER Quality Congress

With the sustainable growth principle for its society, stakeholders and employees, as well as environmentally friendly approach, and understanding of quality, Polisan Holding provided support to the 26th Quality Congress in 2017 as an event sponsor.

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 whereby the street is beautified. Then, Polisan Kansai Boya provides ease of payment terms such as discounts on listed prices and installments on credit cards to the residents of the province/city. Polisan Kansai Boya has carried out Joint Painting Projects for approximately 10 years. Thus far, Joint Painting Projects have changed appearance of living spaces in many provinces and cities such as Mardin, Malatya, Erzurum, Isparta, Bitlis, Burhaniye, Kütahya, Kadıköy, Pendik, Beyoğlu, Fatih, and Safranbolu, pleasing local residents. 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 is a 20% paint grant available to those licensed buildings that have 80% of their exterior walls painted in white.

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

Polisan Kansai Boya has realized the "Every Voice One Breath" Project for six years now to enhance social awareness in Turkey by drawing attention to women's tragedies caused by violence, and women's problems encountered in society. The Social Responsibility Project, which aims to raise awareness that the solution can be reached through collective efforts, rather than individual solutions, came to life for the first time in 2012 with the support of 58 renowned women. The Project brings together renowned female performers, who are appreciated for their professional success and resolute stance, for a photo shoot with a different concept selected each year. The photographs have reached out to masses through exhibitions organized in many cities throughout Turkey and drawn attention to the problems faced by women in the country. Additionally, the Project has contributed to capacity improvement, and the renewal of the Central Cooperation Office and Women's Shelters of Mor Çatı (Purple Roof in English) Women's Shelter Foundation as well as the Young Girl's Shelter Association's Counseling Center and Young Girl Shelters. In 2015, the project undersigned a first and included male performers. In 2016, Turkish Non-Disabled People's Culture Art and Education Center (TEKSEM) performers staged a play, while exhibition photos were also presented to theatergoers in the foyer during the show's tour. In 2017, the Every Voice One Breath project continued to raise public awareness through a viral film and remained the voice of women's issues pertaining to violence and inequality.

International İstanbul Biennial Official Sponsorship

Polisan Kansai Boya has become the Official Paint Sponsor with a remit to paint 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 during the street art activities realized by graffiti artists within the scope of the 3rd Istanbul Design Biennial Creative Neighborhood Program.

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 studying at fine art faculties, as well as new graduates to exhibit their works by showcasing them to art lovers. All proceeds from the sale of the works on exhibition are granted to art students as awards and scholarships. Polisan Kansai Boya awarded the Every Voice One Breath Special Prize to the artists during the exhibition, which has been realized by Yeniköy Rotary Club since 2011.

7 Colors of Turkey

Polisan Kansai Boya has been among the sponsors of Turkey's 7 Colors Project, which has been organized for the 10th time in 2017. Within the scope of the project, 56 successful students with limited means from 7 cities took the opportunity to see İstanbul for the first time, and also engaged in science, technology, art, and sports activities. The Robert College Undergraduate Committee of the Robert College Alumni Association (UNIRC) chose students with the support of the Association for Supporting Contemporary Life.

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 correcting 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.

Middle East Technical University and Yıldız Technical University Chemistry Congress Sponsorship

As a reflection of our investment in young people, one of the cornerstones of our R&D strategy since our foundation, we supported METU's 29th National Chemistry Congress and Yıldız Technical University's 8th National Chemistry Congress as Polisan Kansai Boya.

Section IV – Stakeholders

5.1 Structure and Composition of the Board of Directors:

As stated in the Holding's Articles of Association, the 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.
The 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 without prejudice.

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

The table below presents the information with regards to the Board members elected during the General Assembly meeting dated April 13, 2017. 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 2017 operations. The Curriculum Vitaes 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 Ertuğrul Bitlis*	Member
Ahmet Faik Bitlis	Member
Fatma Nilgün Kasrat	Member
Erol Mizrahi	Member
Ali Fırat Yemeniciler	Member
Yahya Mehmet İzzet Özberki	Independent Member
Ahmet Temizyürek	Independent Member

• Due to the loss of Mr. Necmettin Bitlis, who served as Chairman of the Board of Directors of Polisan Holding, as well as the Chairman of Polisan Group Companies, on 23.10.2017, the Board of Directors decided that Vice Chairman Mehmet Emin Bitlis would act as the Chairman, with Board member Ahmet Ertuğrul Bitlis taking over the vacant Vice Chairman position, until the first General Assembly is held.

The duties of the members of the Holding BoD, within 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	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	Board Member of Turkish Industry and Business Association Board Member of Turkish Chemical Manufacturers Association Board Member of Istanbul Rotary Club Board Member of Malatya Education Fund
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	
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	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 General Manager of Polisan Kansai Boya Chairman of Polisan Kansai Boya BoD Member of Polisan Kimya BoD Member of Poliport BoD Member of Polisan Yapı 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 on the Board members being assigned to other duties beyond the Holding.

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

5.2 Principles of Activity of the Board of Directors:

The 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, with a frequency that enables it to effectively carry out its duties. The Chairman of the BoD determines the meeting agenda in discussion with other Board members and the CEO. The members pay attention to attend all meetings and express their opinion. Each Board member can request the Chairman to convene the meeting with a written request. BoD meetings are organized at the Holding Headquarters. However, the meetings can convene elsewhere upon 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 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 obtaining written approval from at least the majority of all members.

The Chairman of the BoD is responsible for conducting the BoD meeting announcements and discussions in a proper manner, and for having 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, a decision upon the proposal by a member can also be made, by obtaining 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 rights and/or negative veto rights. Those members who do not attend the meeting cannot cast a vote in writing, by appointing a proxy, or in any other manner. It is essential for the Board members to attend the meetings in person. It is also possible for the members to attend 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 writing, these opinions are submitted for the information of the other members. The BoD has taken 20 decisions in 2017 during meetings of physical participation. There was no dissenting opinion in 2017. The shareholders were informed regarding the related party transactions realized in 2016, during the General Assembly Meeting held in 2017. 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 the BoD:

Audit Committee

Based on the Holding BoD's decision dated December 19 2017; the duties of the Audit Committee, established as per BoD 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 for 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 for the execution of the matters specified below:

- To audit and approve the financial statements and the footnotes to be made public, for compliance with legislation and international accounting standards,
- To monitor the Holding's accounting system; the disclosure of financial statements; the functioning and effectiveness of independent auditing; and the Holding's internal control system,
- To examine and resolve complaints regarding the 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 inappropriate use of the trade secrets of the Holding.

In 2017, the Audit Committee held 4 meetings.

Corporate Governance Committee

The members of the Corporate Governance Committee, which was established as per the Holding BoD decision dated May 4, 2012, were renewed based on a BoD decision dated December 19, 2017.

Name - Surname	Duty	Essence of the Board Membership
Yahya Mehmet İzzet Özberki	Corporate Governance Committee Chairman	Independent Board Member
Mehmet Emin Bitlis	Corporate Governance Committee Member	Vice Chairman of Polisan Holding BoD
Varol Ürel	Corporate Governance Committee Member	Accounting Manager/Investor Relations Manager

The Corporate Governance Committee identifies whether or not Corporate Governance Principles are applied within the Holding; determines conflict of interests that stem 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 the 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 2017, the Corporate Governance Committee held 2 meetings.

Candidate Nomination Committee and Compensation Committee

On December 19, 2017; the Holding reiterated its decision dated June 24, 2014, not to establish a Candidate Nomination Committee and Compensation Committee; and to carry out the duties of the aforementioned committees through the Corporate Governance Committee.

5.4 Risk Management and Internal Control Mechanism

The Early Detection of Risk Committee

The members of the Early Detection of Risk Committee, which has been established based on the Holding BoD decision dated June 24, 2014, have been re-determined based on a BoD decision dated December 19, 2017.

Name - Surname	Duty	Essence of the Board Membership
Ahmet Temizyürek	Early Detection of Risk Committee Chairman	Independent Board Member
Mehmet Emin Bitlis	Early Detection of Risk Committee Member	Vice Chairman of Polisan Holding BoD
Burhan Kurt	Early Detection of Risk Committee Member	Investor Relations Officer

The Early Detection of Risk Committee detects, evaluates, and measures the impact and possibilities of strategic, operational, financial, legal, and all other risks, which may jeopardize the existence, development, and continuity of the Company; it 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 to such risks; implements measures and does reporting, thereby supporting the BoD in effective risk management.

The Early Detection of Risk Committee is responsible for ensuring the integration of the risk management and internal control systems with the Company's corporate structure; monitoring whether 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 CMB legislation and the Turkish Commercial Code, and acknowledging the final decision maker BoD in writing or verbally regarding its evaluation and advice.

In 2017, The Early Detection of Risk Committee held 4 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 at its production facilities;
- The effect of the use of external sources for investments, on the financial structure of the Holding;
- The competitive and tax regulations in the operational areas;
- Its portfolio of real estates, which is composed of illiquid investments;
- Development in 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 The Holding's Strategic Priorities

The Holding's long term strategy in order to maximize shareholder value is to sustain the profitable growth of existing businesses; maximize intra-group synergies within Holding companies; form strategic alliances to expand in high margin, new business lines; utilize the 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 a high level of corporate governance standards with the professional management.

The Holding's BoD, which has two Executive Committee members, sets annual targets in line with the Holding's long-term strategies. The Executive Committee guides the Holding's 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 the Holding's Articles of Association, Board members receive a certain remuneration decided upon by the General Assembly on a monthly, annual, or per meeting basis. The remuneration of the Board, including independent members; the General Managers and Deputy General Managers is based on the Capital Markets Board's Corporate Governance Principles and other applicable law.

The Holding executives are 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 paid for by the Holding.

The company has a lending policy for all employees and except for that there are no transactions that might lead to conflict of interest such as lending money to an executive; providing loan facilities; having them use credits through third parties under the name of a personal loan; or providing collateral for their benefit.

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

2017 Consolidated Financial Statements and Independent Audit Report

Polisan
HOLDİNG

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

Polisan Holding A.Ş.

Consolidated financial statements for the year ended December 31, 2017 together with independent auditors' report

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Polisan Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Polisan Holding A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

2) Basis for Qualified Opinion

Financial statements of the Group's associate, which is owned by the Group at a ratio of 40% as of December 31, 2017 and titled as Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. ("Rohm and Haas"), are prepared in accordance with U.S. generally accepted accounting principles (US GAAP) as of and for the year ended December 31, 2017 and 2016, which are accounted using the equity method, are not audited. Therefore, a sufficient and appropriate audit evidence cannot be provided regarding TL 7.488.506 (2016 – TL 7.546.382) carried in "Investments accounted using the equity method" account in consolidated statement of financial position dated December 31, 2017 and TL 57.876 (2016 – TL 579.528) 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, 2017 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, 2017 and 2016.

As mentioned in Note 17.2 in detail, relevant government authority sent a payment order of USD 9.339.736 that arose from an oil spill to Poliport Kimya Sanayi ve Ticaret AS ("Poliport"), a subsidiary of the Company and the Group went to court to object to these charges and legal process is ongoing. Since the Group believes that the case will result in favour of , they did not make a calculation for a reliable estimate of the amount of outflow of resources that will be required to settle the obligation that in our judgment met the provision recognition criteria in TMS 37 for the remaining balance after deducting the advances received until December 31,2017 from insurance companies amounting to TL 3.887.300 and quittance amounting to USD 997.609 including VAT as mentioned in Note 32, consequently no provision was booked by the Group.

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	**Audit procedures in relation to key audit matter**
Valuation of property, plant and equipment, and investment properties	
As stated at note 14 and 15, the valuation of the some property, plant and equipment, and investment properties is significant to our audit since they are highly dependent on a range of estimates involved in forecasting and discounting future cash flows with many of the key underlying assumptions, and therefore we determined these valuations as a key audit matter. The assessment of these judgments is a key focus area of our audit.	• We have assessed key assumptions such cash flow forecasts, discount rate and foreign exchange rate assumptions used by the management and in the external appraisers' reports, by involving valuation experts of another firm in our audit network, • We have considered the objectivity, independence and expertise of the external appraisers, • We have validated the mathematical accuracy of cash flow models and agreeing relevant data to the latest business plans and approved budgets, • We examined the related disclosures in the financial statements.

Key audit matter	Audit procedures in relation to key audit matter
Finalization of provisional accounting for sale of Polisan Kansai shares	
Polisan Holding transferred its 50% shares in Polisan Kansai Boya Sanayi ve Ticaret A.Ş.("Polisan Kansai Boya"), 100% subsidiary of Polisan Holding, to Kansai Paint Co. LTD.("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. The transaction has resulted in the recognition of TL 218.394.588 goodwill. Due to both the timing of when the acquisition was completed and the size and scale of the acquisition, the allocation of the purchase price and the determination of the fair values of identifiable assets acquired and liabilities assumed were only provisional as of 31 December 2016. Under TFRS 3 Business Combinations, Polisan Holding is permitted to revise its preliminary purchase price allocation during the 12 month measurement period following the date of the acquisition. Because of the significant scale of this transaction, the finalization of the provisional accounting adjustments to the purchase price allocation and the opening balance sheet assets and liabilities is a key audit matter.	• We audited the final opening balance sheet and purchase price allocation for material adjustments, • We assessed to key judgments, assumptions and calculations made by management. We obtained an understanding of the adjustments identified by management and management's specialists and we assessed the reasonableness of the adjustments by way of reference to TFRS 3, • We have considered the objectivity, independence and expertise of the external appraisers, • In respect of the fair value adjustments, we performed an evaluation of valuation methodologies, assessed the appropriateness of the underlying data used, and tested significant assumptions in conjunction with valuation experts of another firm in our audit network, • We also determined whether adjustments to the preliminary opening balance sheet and preliminary purchase price allocation fell within the measurement period as defined under TFRS 3.

4) Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and 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 March 5, 2018.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations, except the matters explained in Basis of the qualified opinion section, and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

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

Ferzan Ülgen, SMMM
Partner

March 5, 2018
İstanbul, Türkiye

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Polisan Holding A.Ş.

Consolidated statement of financial position as of December 31, 2017

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

			Restated (Note 2.7)	*Restated (Note 2.7)*
		Current period	*Prior period*	*Prior period*
		Audited	*Audited*	*Audited*
Assets	**Notes**	**December 31, 2017**	**December 31, 2016**	**January 1, 2016**
Current assets		**416.007.205**	**363.591.954**	**626.569.239**
Cash and cash equivalents	4	18.972.561	91.206.315	103.196.750
Financial investments	5	199.998	-	-
Trade receivables	7	240.663.237	141.102.207	390.299.326
- Trade receivables from related parties	29	*9.317.387*	*10.871.744*	*699.185*
- Trade receivables from third parties		231.345.850	*130.230.463*	*389.600.141*
Other receivables	8	55.332.398	54.686.543	1.838.908
- Other receivables from related parties	*29*	*51.096.024*	*51.130.369*	-
- Other receivables from third parties		*4.236.374*	*3.556.174*	*1.838.908*
Inventories	9	88.172.132	65.149.588	109.402.528
Prepaid expenses	10	9.480.628	8.772.602	7.993.857
Current income tax assets	11	6.339	3.986	2.919.296
Other current assets	19	3.179.912	2.670.713	10.918.574
Non-current assets		**1.566.176.708**	**1.366.790.422**	**1.030.047.151**
Trade receivables	7	808.574	1.550.317	13.445.390
-Trade receivables from third parties		*808.574*	*1.550.317*	*13.445.390*
Other receivables	8	506.045	452.648	418.790
- Other receivables from third parties		*506.045*	*452.648*	*418.790*
Investments accounted using the equity method	13	435.032.812	406.112.982	8.125.910
Investment properties	14	270.849.274	259.771.203	244.706.712
Tangible assets	15	759.980.174	623.323.097	700.074.686
Intangible assets	16	3.051.516	2.448.600	4.840.083
Prepaid expenses	10	40.900.155	33.598.533	28.942.048
Deferred tax assets	27	55.048.158	39.533.042	29.493.532
Total assets		**1.982.183.913**	**1.730.382.376**	**1.656.616.390**

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

Polisan Holding A.Ş.

Consolidated statement of financial position as of December 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

Liabilities	Notes	*Audited* December 31, 2017	*Restated (Note 2.7)* *Audited* December 31, 2016	*Restated (Note 2.7)* *Audited* January 1, 2016
Current liabilities		**315.688.185**	**228.308.859**	**597.741.357**
Short term borrowings	6	52.927.918	6.185.430	37.899.135
Short term portion of long term borrowings	6	147.022.888	106.531.915	393.777.419
Derivative instruments		91.904	-	-
Trade payables	7	91.361.925	91.222.798	145.618.019
- Trade payables to related parties	29	*217.089*	*115.310*	*11.434.458*
- Trade payables to third parties		91.144.836	*91.107.488*	*134.183.561*
Employee benefit obligations	18	5.483.774	4.598.585	5.323.081
Other payables	8	4.143.738	804.840	1.824.720
- Other payables to related parties	*29*	*170.556*	*6.208*	*6.208*
- Other payables to third parties		*3.973.182*	*798.632*	*1.818.512*
Deferred income	10	6.139.363	3.781.550	3.886.262
Current income tax liabilities	27	4.373.898	8.135.928	4.162.807
Short term provisions	17	558.062	599.463	1.299.188
- Other short term provisions		*558.062*	*599.463*	*1.299.188*
Other current liabilities	19	3.584.715	6.448.350	3.950.726
Non-current liabilities		**186.988.626**	**201.525.543**	**247.573.576**
Long term borrowings	6	39.847.667	82.853.158	124.340.822
Long term provisions	18	10.203.729	8.526.458	12.968.300
- Provisions for employee termination benefits		*10.203.729*	*8.526.458*	*12.968.300*
Deferred income	10	99.705	465.000	-
Deferred tax liabilities	27	136.837.525	109.680.927	110.264.454
Equity		**1.479.507.102**	**1.300.547.974**	**811.301.457**
Equity holders of the parent		**1.452.878.576**	**1.279.341.797**	**791.562.408**
Paid-in share capital	20	370.000.000	370.000.000	370.000.000
Adjustment to share capital	20	1.467.266	1.467.266	1.467.266
Share premium/discounts		23.130.220	23.130.220	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss	20	302.629.367	202.737.888	264.919.649
- Revaluation and measurement gain / loss		302.629.367	202.737.888	264.919.649
Defined benefit plans re-measurement gain / (loss)		*(10.270.784)*	*(9.214.300)*	*(4.427.101)*
Tangible assets revaluation		312.900.151	*211.952.188*	*269.346.750*
Other comprehensive income or expense to be reclassified to profit/(loss)		(15.865.646)	(8.072.636)	(2.217.237)
- Currency translation differences		*(15.865.646)*	(8.072.636)	*(2.217.237)*
Restricted reserves		40.062.818	28.530.253	25.484.767
Other reserves	20	(208.727.832)	(208.727.832)	(208.727.832)
Retained earnings		841.551.111	390.111.948	284.481.370
Profit for the period		98.631.272	480.164.690	33.024.205
Non-controlling interests	20	**26.628.526**	**21.206.177**	**19.739.049**
Total liabilities and equity		**1.982.183.913**	**1.730.382.376**	**1.656.616.390**

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

Polisan Holding A.Ş.

Consolidated statement of profit or loss
for the period between January 1 - December 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	*Audited* January 1- December 31, 2017	*Restated (Note 2.7) Audited* January 1- December 31, 2016
Profit and loss			
Revenue	21	749.621.708	470.331.288
Cost of sales (-)	21	(631.448.052)	(383.317.447)
Gross profit from commercial activities		**118.173.656**	**87.013.841**
Research and development expenses (-)	22	(2.336.718)	(1.697.973)
Marketing expenses (-)	22	(29.990.845)	(18.271.947)
General administrative expenses (-)	22	(23.148.201)	(21.180.542)
Other operating income	24	9.833.943	10.861.515
Other operating expenses (-)	24	(6.965.196)	(7.954.596)
Profit/Loss from investments accounted using the equity method	13	22.899.344	(579.528)
Operating profit		**88.465.983**	**48.190.770**
Income from investment activities	25	13.136.811	457.919.209
Expense from investment activities (-)	25	(1.456.555)	(40.220)
Operating profit before financial income/expense		**100.146.239**	**506.069.759**
Financial income	26	17.024.567	3.966.228
Financial expenses (-)	26	(18.873.327)	(31.092.925)
Profit before tax from continuing operations		**98.297.479**	**478.943.062**
Continuing operations tax income/expense			
- Current tax expense	27	(11.744.737)	(16.640.994)
- Deferred tax income/expense	27	14.593.732	9.568.783
Profit for the period from continuing operations		**101.146.474**	**471.870.851**
Profit for the period from discontinued operations		**-**	**10.959.273**
Profit for the period		**101.146.474**	**482.830.124**
Attributable to:			
Non-controlling interests		2.515.202	2.665.434
Equity holders of the parent		98.631.272	480.164.690
Earnings per share	28	**0,267**	**1,298**
-Earnings per share from continuing operations		0,267	1,268
-Earnings per share from discontinuing operations		-	0,030

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

Polisan Holding A.Ş.

Consolidated statement of other comprehensive income for the period between January 1 - December 31, 2017

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

	Notes	*Audited* January 1- December 31, 2017	*Audited* January 1- December 31, 2016
Profit for the period		**101.146.474**	**482.830.124**
Other comprehensive income:			
Items not to be reclassified to profit or loss		**103.105.664**	**26.970.098**
- Defined benefit plans re-measurement gain / (loss)	18	(877.590)	(5.983.999)
- Defined benefit plans re-measurement gain / (loss), tax effect		*175.518*	*1.196.800*
- Tangible assets revaluation gain		120.275.116	33.525.460
- Tangible assets revaluation gain, tax effect		*(22.487.866)*	*(1.768.163)*
- Defined benefit plans re-measurement gain/(loss) of investments accounted by equity method	13	(443.015)	-
- Tangible assets revaluation gain of investments accounted by equity method	13	8.721.000	-
- Shares not to be classified in profit or loss from other comprehensive income of investments accounted by equity method, tax effect	*13*	*(2.257.499)*	-
- Defined benefit plans re-measurement gain(loss) of investments accounted by equity method, tax effect		88.603	-
- Tangible assets revaluation gain of investments accounted by equity method, tax effect		(2.346.102)	-
Items to be reclassified to profit or loss		**(7.793.010)**	**(5.855.399)**
- Gain / (losses) from currency translation differences		(7.793.010)	(5.855.399)
Other comprehensive income		**95.312.654**	**21.114.699**
Total comprehensive income		**196.459.128**	**503.944.823**
Attributable to:			
Non-controlling interest		5.422.349	2.665.434
Equity holders of the parent		191.036.779	501.279.389

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 between January 1- December 31, 2017
(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, 2017 (Previously reported)		**370.000.000**	**1.467.266**	**23.130.220**	**(9.214.300)**	**211.952.188**	**(8.072.636)**
Restatement effect (Note 2.7)		-	-	-	-	-	-
Balance at January 1, 2017 (Restated)		**370.000.000**	**1.467.266**	**23.130.220**	**(9.214.300)**	**211.952.188**	**(8.072.636)**
Dividends	20	-	-	-	-	-	-
Transfers to reserves and retained earnings		-	-	-	-	(307.038)	-
Total comprehensive income		-	-	-	(1.056.484)	101.255.001	(7.793.010)
- Profit for the period		-	-	-	-	-	-
- Other comprehensive income/expense		-	-	-	(1.056.484)	101.255.001	(7.793.010)
Balance at December 31, 2017		**370.000.000**	**1.467.266**	**23.130.220**	**(10.270.784)**	**312.900.151**	**(15.865.646)**
Balance at January 1, 2016 (Previously reported)		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**
Restatement effect (Note 2.7)		-	-	-	-	-	-
Balance at January 1, 2016 (Restated)		**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		-	-	-	-	-	-
Transactions with non-controlling interests		-	-	-	-	(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)**

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 between January 1- December 31, 2017
(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
28.530.253	**(208.727.832)**	**411.185.465**	**472.590.747**	**1.292.841.371**	**19.867.576**	**1.312.708.947**
-	-	(21.073.517)	7.573.943	(13.499.574)	1.338.601	**(12.160.973)**
28.530.253	**(208.727.832)**	**390.111.948**	**480.164.690**	**1.279.341.797**	**21.206.177**	**1.300.547.974**
-	-	(17.500.000)	-	(17.500.000)	-	**(17.500.000)**
11.532.565	-	468.939.163	(480.164.690)	-	-	**-**
-	-	-	98.631.272	191.036.779	5.422.349	**196.459.128**
-	-	-	98.631.272	98.631.272	2.515.202	**101.146.474**
-	-	-	-	92.405.507	2.907.147	**95.312.654**
40.062.818	**(208.727.832)**	**841.551.111**	**98.631.272**	**1.452.878.576**	**26.628.526**	**1.479.507.102**
25.484.767	**(208.727.832)**	**305.554.887**	**33.024.205**	**812.635.925**	**19.129.418**	**831.765.343**
-	-	(21.073.517)	-	(21.073.517)	609.631	**(20.463.886)**
25.484.767	**(208.727.832)**	**284.481.370**	**33.024.205**	**791.562.408**	**19.739.049**	**811.301.457**
-	-	(13.500.000)	-	(13.500.000)	(1.198.306)	**(14.698.306)**
3.045.486	-	29.978.719	(33.024.205)	**-**	-	**-**
-	-	89.151.859	-	-	-	**-**
-	-	-	480.164.690	501.279.389	2.665.434	**503.944.823**
-	-	-	480.164.690	480.164.690	2.665.434	**482.830.124**
-	-	-	-	21.114.699	-	**21.114.699**
28.530.253	**(208.727.832)**	**390.111.948**	**480.164.690**	**1.279.341.797**	**21.206.177**	**1.300.547.974**

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

Polisan Holding A.Ş.

Consolidated statement of cash flows
for the period between January 1- December 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited January 1 – December 31, 2017	*Restated (Note 2.7)* Audited January 1 – December 31, 2016
A. Cash flows from operating activities:		**(31.428.213)**	**205.433.225**
Profit/loss for the period		**101.146.474**	**482.830.124**
- Profit for the period from continuing operations		101.146.474	471.870.851
- Profit for the period from discontinued operations		-	10.959.273
Adjustment for reconciliation of profit/loss for the period		**14.807.610**	**(416.235.473)**
Adjustments for depreciation and amortization expenses	15,16	45.870.872	36.938.173
Adjustments related to provisions		2.122.979	(2.283.504)
-Adjustments related to provisions for benefits provided to employees (cancellations)	*18*	*2.164.380*	*(888.992)*
-Adjustments to lawsuits and / or penalty provisions (cancellations)	*17*	*(41.401)*	*(699.725)*
-Adjustments related to other provisions (cancellations)		-	*(694.787)*
Adjustments for profit/ loss on sale of tangible assets	25	(765.765)	(14.601)
Adjustments related to impairment *(cancellations)*		153.077	1.451.597
-Adjustments related to impairment of trade receivables (cancellations)	*7*	*(124.172)*	*2.167.735*
-Adjustments related to impairment of inventories (cancellations)	*9*	*277.249*	*(716.138)*
Adjustments related to undistributed profit/losses of investments accounted using the equity method	13	(22.899.344)	579.528
Adjustments to tax expense/income	27	(2.848.995)	7.072.211
Adjustments for interest income and expense		7.858.710	15.655.946
-Adjustments related to interest income	*26*	*(7.975.110)*	*(261.035)*
-Adjustments related to interest expenses	*26*	*14.153.802*	*16.017.352*
- Deferred financial expense from deferred payment purchase	*24*	*3.397.888*	*1.629.689*
-Deferred financial income from deferred payment sale	*24*	*(1.717.870)*	*(1.730.060)*
Adjustments for profit/loss related to sale of subsidiaries and joint operations		-	(436.789.176)
Increase in fair value of investment property		(10.912.667)	(19.629.057)
- Adjustments related to fair value loss (gain) of investment property	*25*	*(11.004.571)*	*(19.629.057)*
- Adjustments related to fair value loss (gain) of derivative financial instruments		*91.904*	-
Adjustment related to unrealized foreign currency translation differences		(3.771.257)	(19.216.590)
Changes in working capital		**(130.510.829)**	**168.242.365**
Adjustments for increase/decrease in trade receivables		(102.093.002)	126.665.887
Adjustments for increase/decrease in financial investments		(199.998)	-
Adjustments for increase/decrease in inventories		(23.299.793)	(11.055.255)
Adjustments for increase in other operational receivables		(699.252)	(21.945.462)
Adjustments for increase/decrease in prepaid expenses		(8.919.552)	29.654.228
Adjustments for increase/decrease in other assets related to operations		(509.198)	6.910.396
Adjustments for increase/decrease in trade payables		1.856.997	36.104.073
Adjustments for increase in other operational payables		3.338.898	(5.274.707)
Adjustments for increase/decrease in employee benefit obligations		885.189	1.298.690
Adjustments for increase/decrease in deferred income		1.992.518	3.344.702
Adjustments for increase/decrease in other operational liabilities		(2.863.636)	2.539.814
Cash flows from operating activities		**(14.556.745)**	**234.837.017**
Employee termination benefits paid	18	(1.364.699)	(1.703.156)
Tax payments/refunds	27	(15.506.769)	(10.183.079)
Net cash flows from discontinued operations		-	(17.517.557)

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

Polisan Holding A.Ş.

Consolidated statement of cash flows
for the period between January 1- December 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited January 1 – December 31, 2017	*Restated (Note 2.7)* Audited January 1 – December 31, 2016
B. Cash flows from investing activities		**(47.654.759)**	**(3.776.191)**
Purchase of tangible/intangible assets	15,16	(76.313.747)	(82.364.479)
Proceeds from sale of tangible/intangible assets		19.724.894	14.316.487
Purchase of investment properties	14	(341.000)	(237.690)
Proceeds from sale of investment properties		390.080	4.599.001
Advances and debts given		-	(68.352.833)
- *Advances and debts given to related parties*		-	*(51.130.369)*
- *Advances and debts given to third parties*		-	*(17.222.464)*
Interest received		7.975.110	261.035
Cash inflows from sale of the subsidiary resulting in loss of control		-	172.946.370
Other cash advances and repayments of debts		909.904	-
Net cash flows from discontinued operations		-	(44.944.082)
C. Cash flows from financing activities		**6.849.218**	**(213.647.469)**
Dividends paid	20	(17.500.000)	(14.698.306)
Cash inflows from borrowings obtained		534.613.894	359.565.154
Cash outflows related to loan repayment		(493.942.095)	(587.451.870)
Interest paid		(16.322.581)	(15.650.765)
Net cash flows from discontinued operations		-	44.588.318
Net increase/decrease in cash and cash equivalents		**(72.233.754)**	**(11.990.435)**
Cash and cash equivalents at the beginning of the period	4	91.206.315	103.196.750
Cash and cash equivalents at the end of the period	4	18.972.561	91.206.315

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

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 Içerenköy Mah. Ali Nihat Tarlan Cad. No:86 Ataşehir-Istanbul.

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.*
- *Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş.*
- *Polisan Hellas S.A.*
- *Polisan Rus Ltd.*
- *Polisan Maroc S.A.*

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

Polisan Hellas S.A. was established on July 29, 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.

Polisan Maroc S.A. (Maroc):

Polisan Maroc S.A. was established on July 5, 2017 in Morocco. Polisan Maroc operating in construction chemicals industry.

The average number of employees of the Company, it's subsidiaries and joint ventures for the year ended December 31, 2017 is 1.543 (31 December 2016 - 1.422). 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 Içerenköy Mah. Umut Sok. No: 10/12 Kat: 3 Ataşehir / Istanbul. As of December 31, 2017 the average number of personnel employed by Rohm and Haas is 65 (December 31, 2016: 53).

Approval of the financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 5, 2018. 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 functional currency of Polisan Maroc S.A. operating in Morocco is Moroccan Dinar.

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, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

- TAS 7 Statement of Cash Flows (Amendments)
- TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- Annual Improvements to TFRSs - 2014-2016 Cycle

The Group is in the process of assessing the impact of the amendments on 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
- TFRS 4 Insurance Contracts (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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.

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements – 2015–2017 Cycle

The Group is in the process of assessing the impact of the amendments 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, 2017 and 2016 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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
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
Polisan Hellas	100,00	100,00	100,00	100,00
Polisan Rus Ltd. (**)	90,00	90,00	90,00	90,00
Polisan Maroc (***)	60,00	-	60,00	-

(*) Extraordinary general assembly was held on March 28, 2017 for the merger of Polisan Yapıkim (Mergee), a subsidiary %100 owned by Polisan Holding A.Ş., with Polisan Kimya (Merger), a subsidiary %100 owned by Polisan Holding A.Ş.. Consequently, all the assets and liabilities of Polisan Yapıkim has been merged with Polisan Kimya, the registration process was completed on March 31, 2017.

(**) The subsidiary is inactive.

(***) Polisan Kimya, 100% of shares owned by Polisan Holding, was established Polisan Maroc SA as of July 5, 2017 and has 60% of voting right.

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, 2017 and 2016:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership rate (%)	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Polisan Kansai Boya	Joint venture	50,00	50,00	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 3). 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.

2. Basis of presentation of financial statements (continued)

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.
(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	3-15 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, 2017	December 31, 2016
USD	3,7719	3,5192
Euro	4,5155	3,7099
GBP	5,0803	4,3189

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.

2.5 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:

2. Basis of presentation of financial statements (continued)

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.

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 427.544.306 (December 31, 2016: 398.566.600 TL) as of December 31, 2017 for possible impairment in every reporting period. The impairment analysis includes significant assumption of company's cash flow projections (Note 13).

2. Basis of presentation of financial statements (continued)

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.

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.

IAS 1 requires that in case of a company makes retrospective amendments in its financial statements, the opening balances of the financial statements which is comparatively presented the earliest period, should also present comparatively as it has been amended. Therefore the Group presents the opening statement of financial position which includes the effects of the following restatements;

Adjustments on previous period consolidated financial statements:

	Note	January 1, 2016 (restated)	January 1, 2016 (previously reported)	Difference
Deferred tax assets	A	29.493.532	17.074.309	12.419.223
Deferred tax liabilities	A	110.264.454	77.381.345	(32.883.109)
Retained earnings	B	284.481.370	305.554.887	(21.073.517)
Non-controlling interests	B	19.739.049	19.129.418	609.631

	Note	December 31, 2016 (restated)	December 31, 2016 (previously reported)	Difference
Deferred tax assets	A	39.533.042	16.151.858	23.381.184
Deferred tax liabilities	A	109.680.927	74.138.770	(35.542.157)
Retained earnings	B	390.111.948	411.185.465	(21.073.517)
Profit for the period	B	480.164.690	472.590.747	7.573.943
Non-controlling interests	B	21.206.177	19.867.576	1.338.601

	Note	December 31, 2016 (restated)	December 31, 2016 (previously reported)	Difference
Deferred tax income/expense	A	9.568.783	1.265.870	8.302.914
Profit for the period	B	480.164.690	472.590.747	7.573.943
Non-controlling interests	B	2.665.434	1.936.464	728.970

A: The Group, which belong to its subsidiaries, has not generated deferred tax asset based on investment incentive certificates, and has recognized future tax benefits with respect to related incentives as deferred tax assets in its review, made in 2017.

B: Consists of the effect of described adjustments above.

3. 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, 2017 and December 31, 2016, total assets and liabilities are as follows:

Assets	December 31, 2017	*(Restated)* December 31, 2016
Paint	960.064.697	667.135.311
Chemical products	758.216.291	547.330.536
Port	473.249.250	403.364.845
Services	878.340.517	856.754.269
Real estate	265.349.851	257.014.554
Combined	**3.335.220.606**	**2.731.599.515**
Less: Joint ventures (Note 13)	(960.064.697)	(667.135.311)
Add: Carrying values of Joint Ventures (Note 13)	427.544.306	398.566.600
Less: Eliminations	(820.516.302)	(732.648.428)
Consolidated	**1.982.183.913**	**1.730.382.376**

Liabilities	December 31, 2017	December 31, 2016
Paint	520.604.497	306.791.287
Chemical products	589.874.621	428.198.065
Port	72.820.280	66.520.764
Services	24.849.438	21.418.173
Real estate	58.853.023	55.228.312
Combined	**1.267.001.859**	**878.156.601**
Less: Joint ventures (Note 13)	(520.604.497)	(306.791.287)
Less: Eliminations	(243.720.551)	(141.530.912)
Consolidated	**502.676.811**	**429.834.402**

3. Segment reporting (continued)

Statement of profit or loss reporting for the period between January 1 – December 31, 2017:

	Paint	Chemical products	Port	Services
Revenue	624.656.272	618.031.875	139.672.603	118.280.990
- Intra segment revenue	586.828.580	584.885.285	125.755.168	38.969.119
- Inter segment revenue	37.827.692	33.146.590	13.917.435	79.311.871
Cost of sales (-)	(402.910.772)	(540.235.353)	(96.257.746)	(104.643.282)
Gross profit	**221.745.500**	**77.796.522**	**43.414.857**	**13.637.708**
Operational expenses/income, net	(149.760.119)	(48.741.572)	(7.127.162)	6.934.027
Loss from investments accounted using the equity method	-	(57.876)	-	-
Operating profit	**71.985.381**	**28.997.074**	**36.287.695**	**20.571.735**
Income from investment activities	(471.120)	1.571.498	(861.693)	983.715
Operating profit before financial income/expense	**71.514.261**	**30.568.572**	**35.426.002**	**21.555.450**
Financial expenses	(46.327.632)	(32.536.575)	(627.344)	21.835.664
Profit before tax from continuing operations	**25.186.629**	**(1.968.004)**	**34.798.658**	**43.391.114**
Depreciation and amortization	10.691.235	15.257.607	29.491.445	1.558.237
Investment expenditures	168.084.226	29.980.243	51.655.582	2.955.991
Finance income	444.418	53.433	68.189	7.853.488
Finance expense	24.796.004	23.439.660	97.086	95.669

Real estate	Combined	Less: Joint venture	Plus: Joint Venture Sharing profits and loses	Consolidation adjustments	Total
12.136	**1.500.653.876**	(624.656.272)	-	(126.375.896)	**749.621.708**
12.136	**1.336.450.288**	(586.828.580)	-	-	**749.621.708**
-	**164.203.588**	(37.827.692)	-	(126.375.896)	**-**
(31.052)	**(1.144.078.205)**	402.910.772	-	109.719.381	**(631.448.052)**
(18.916)	**356.575.671**	**(221.745.500)**	**-**	**(16.656.515)**	**118.173.656**
(1.625.384)	**(200.320.211)**	149.760.119	-	(2.046.925)	**(52.607.017)**
-	**(57.876)**	-	22.957.220	-	**22.899.344**
(1.644.300)	**156.197.584**	**(71.985.381)**	**22.957.220**	**(18.703.440)**	**88.465.983**
9.986.736	**11.209.136**	471.120	-	-	**11.680.256**
8.342.436	**167.406.720**	**(71.514.261)**	**22.957.220**	**(18.703.440)**	**100.146.239**
(1.612.906)	**(59.268.793)**	46.327.632	-	11.092.401	**(1.848.760)**
6.729.530	**108.137.927**	**(25.186.629)**	**22.957.220**	**(7.611.039)**	**98.297.479**
-	**56.998.524**	(10.691.235)	-	(436.417)	**45.870.872**
341.000	**253.017.042**	(168.084.226)	-	(8.278.069)	**76.654.747**
-	**8.419.528**	(444.418)	-	-	**7.975.110**
1.613.788	**50.042.207**	(24.796.004)	-	(11.092.401)	**14.153.802**

3. Segment reporting (continued)

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

	Paint	Chemical products	Port
Revenue	478.381.539	377.984.336	119.023.205
- Intra segment revenue	466.584.916	339.489.090	109.391.554
- Inter segment revenue	11.796.623	38.495.246	9.631.651
Cost of sales (-)	(296.660.176)	(330.846.425)	(78.326.303)
Gross profit	**181.721.363**	**47.137.911**	**40.696.902**
Operational expenses	(125.517.019)	(29.778.202)	(6.302.156)
Loss from investments accounted using the equity method	-	(579.528)	-
Operating profit	**56.204.344**	**16.780.181**	**34.394.746**
Income from investment activities	(153.627)	(23.052)	19.045
Operating profit before financial income/expense	**56.050.717**	**16.757.129**	**34.413.791**
Financial expenses	(42.335.827)	(28.693.803)	587.582
Profit before tax from continuing operations	**13.714.890**	**(11.936.674)**	**35.001.373**
Depreciation and amortization	11.773.066	13.479.605	23.504.036
Investment expenditures	27.902.280	34.135.996	58.234.821
Finance income	697.438	49.758	132.717
Finance expense	25.063.380	15.873.035	18.535

Services	Real estate	Combined	Less: Joint venture	Consolidation adjustments	Total
112.568.042	4.385.937	**1.092.343.059**	(478.381.539)	(143.630.232)	**470.331.288**
28.861.330	4.385.937	**948.712.827**	(466.584.916)	-	**482.127.911**
83.706.712	-	**143.630.232**	(11.796.623)	(143.630.232)	**(11.796.623)**
(97.043.347)	(4.599.000)	**(807.475.251)**	296.660.176	127.497.628	**(383.317.447)**
15.524.695	**(213.063)**	**284.867.808**	**(181.721.363)**	**(16.132.604)**	**87.013.841**
(2.607.413)	(1.431.767)	**(165.636.557)**	125.517.019	1.875.995	**(38.243.543)**
-	-	**(579.528)**	-	-	**(579.528)**
12.917.282	**(1.644.830)**	**118.651.723**	**(56.204.344)**	**(14.256.609)**	**48.190.770**
451.463.392	19.258.298	**470.564.056**	153.627	(12.838.694)	**457.878.989**
464.380.674	**17.613.468**	**589.215.779**	**(56.050.717)**	**(27.095.303)**	**506.069.759**
775.976	(1.085.780)	**(70.751.852)**	42.335.827	1.289.328	**(27.126.697)**
465.156.650	**16.527.688**	**518.463.927**	**(13.714.890)**	**(25.805.975)**	**478.943.062**
1.855.852	-	**50.612.559**	(11.773.066)	(1.901.320)	**36.938.173**
850.931	625.986	**121.750.014**	(27.902.280)	(10.857.268)	**82.990.466**
77.388	1.172	**958.473**	(697.438)	-	**261.035**
329.905	1.085.205	**42.370.060**	(25.063.380)	(1.289.328)	**16.017.352**

4. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash in hand	81.771	53.293
Banks	18.890.790	91.153.022
- Demand deposits	12.905.671	7.079.942
- Time deposits	5.985.119	84.073.080
Total	**18.972.561**	**91.206.315**

No blockage exists on the cash and cash equivalents of the Group as of December 31, 2017 (December 31, 2016 – None).

As of December 31, 2017 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
Euro	1,00%	3 days	491.709	2.220.311
USD	2,10%	3 days	562.000	2.119.808
TL	13%	3-10 days	1.645.000	1.645.000
Total				**5.985.119**

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

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

5. Financial investments

	December 31, 2017	December 31, 2016
Financial investments-time deposits	199.998	-
Total	**199.998**	**-**

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
TL	%15,53	147-154 days	199.998	199.998
Total				**199.998**

6. Financial borrowings

	Interest rate	December 31, 2017	Interest rate	December 31, 2016
Short-term borrowings				
Bank borrowings				
- Euro	0%-2,15%	11.346.454	3 %	4.303.484
- TL	14,50%	41.581.464	10,75%-10,80%	1.881.946
Total		**52.927.918**		**6.185.430**

	Interest rate	December 31, 2017	Interest rate	December 31, 2016
Short term portion of long term borrowings				
Bank borrowings				
- Euro	2,75%-3,10%	147.022.888	2,45%-4,60%	89.016.346
- USD	-	-	3,55%-3,60%	16.285.972
- TL	-	-	10,75%-10,80%	1.229.597
Total		**147.022.888**		**106.531.915**

	Interest rate	December 31, 2017	Interest rate	December 31, 2016
Long-term borrowings				
Bank borrowings				
- Euro	2,75%	39.847.667	2,45%-4,60%	82.853.158
Total		**39.847.667**		**82.853.158**

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

Maturity	December 31, 2017	December 31, 2016
0 - 3 months	79.154.858	42.889.750
Between 3 - 6 months	59.887.224	15.332.537
Between 6 - 12 months	60.908.724	54.495.058
Between 1 – 2 years	38.041.467	82.853.158
More than 2 years	1.806.200	-
Total	**239.798.473**	**195.570.503**

6. Financial borrowings (continued)

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

	December 31, 2017			
Type of guarantee	TL	USD (TL Equivalent)	Euro (TL Equivalent)	Total
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayii A.Ş.	226.501.405	323.440.425	-	549.941.830
-Polisan Hellas	95.550.000	112.214.025	258.286.600	466.050.625
-Poliport Kimya San. A.Ş.	151.105.000	279.395.949	7.140.134	437.641.083
-Polisan Holding A.Ş.	33.210.000	122.586.750	-	155.796.750
-Polisan Yapı İnşaat	22.000.000	37.247.513	-	59.247.513
-Polisan Tarım	-	1.508.760	-	1.508.760
Total	**528.366.405**	**876.393.422**	**265.426.734**	**1.670.186.561**

	December 31, 2016			
Type of guarantee	TL	USD (TL Equivalent)	Euro (TL Equivalent)	Total
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayii A.Ş	229.150.000	291.759.276	78.835.375	599.744.651
-Polisan Hellas	14.300.000	116.485.520	411.613.405	542.398.925
-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 İnşaat	22.000.000	10.557.600	-	32.557.600
Total	**400.430.000**	**735.811.932**	**510.486.877**	**1.646.728.809**

7. Trade receivable and payables

As of December 31, 2017 and December 31, 2016 the Group's trade receivables are as follows:

Trade receivables	December 31, 2017	December 31, 2016
Trade receivables	155.127.295	101.157.023
Receivables from related parties (Note 29)	9.317.387	10.871.744
Notes and cheques receivables	96.312.521	47.458.069
	260.757.203	**159.486.836**
Allowance for doubtful receivables (-)	(17.108.754)	(17.245.085)
Deferred financial expense (-)	(2.985.212)	(1.139.544)
Total	**240.663.237**	**141.102.207**

7. Trade receivable and payables (continued)

Long-term trade receivables	December 31, 2017	December 31, 2016
Notes and cheques receivables	988.336	1.839.083
	988.336	**1.839.083**
Deferred financial expense (-)	(179.762)	(288.766)
Total	**808.574**	**1.550.317**

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, 2017 and December 31, 2016 are as follows:

	2017	2016
January 1	**17.245.085**	**27.466.116**
Provisions for doubtful receivables	285.903	7.091.164
Written offs	(12.159)	(3.707.990)
Provisions no longer required	(410.075)	(966.141)
Disposal within scope of consolidation	-	(12.638.064)
December 31	**17.108.754**	**17.245.085**

As of December 31, 2017 and December 31, 2016 the aging of trade receivables are as follows:

Maturity	December 31, 2017	December 31, 2016
Past due	40.982.312	18.065.296
0-3 months	167.032.830	84.720.270
3-6 months	34.095.273	30.380.117
6-9 months	1.386.597	7.127.842
9-12 months	151.437	1.948.226
1-2 years	988.336	1.306.747
2-3 years	-	532.336
Total	**244.636.785**	**144.080.834**

As of December 31, 2017 letter of guarantees amounting to TL 1.110.000 (December 31, 2016: TL 310.000) has been received for the past due but not impaired trade receivables amounting to TL 40.892.312 (December 31, 2016: TL 18.065.296). Doubtful receivables are not included into the maturity details.

7. Trade receivable and payables (continued)

As of December 31, 2017 and December 31, 2016 the aging of the overdue but not impaired trade receivables are as follows:

	December 31, 2017	December 31, 2016
1-30 days past due	17.361.149	14.637.440
1-3 months past due	10.706.435	2.881.687
3-12 months past due	12.189.232	544.585
1-5 years past due	725.496	1.584
Total	**40.982.312**	**18.065.296**

Trade payables	December 31, 2017	December 31, 2016
Short term trade payables		
Trade payables	83.390.635	82.965.088
Notes and cheques payables	7.963.418	8.281.398
Payables to related parties (Note 29)	217.089	115.310
Deferred financial income (-)	(209.217)	(138.998)
Total	**91.361.925**	**91.222.798**

8. Other receivable and payables

Short term other receivables	December 31, 2017	December 31, 2016
Other receivables from related parties (Note 29)	51.096.024	51.130.369
VAT and SCT receivables	4.125.392	3.362.173
Receivables from employees	61.649	50.496
Deposits and guarantees given	46.190	24.965
Work advances given to personnel	3.143	12.801
Other	-	105.739
Total	**55.332.398**	**54.686.543**

Long term other receivables	December 31, 2017	December 31, 2016
Deposits and guarantees given	506.045	452.648
Total	**506.045**	**452.648**

Short term other payables	December 31, 2017	December 31, 2016
Taxes and funds payable	3.971.704	777.682
Due to related parties (Note 29)	170.556	6.208
Deposits and guarantees taken	1.478	1.340
Other	-	19.610
Total	**4.143.738**	**804.840**

9. Inventories

	December 31, 2017	December 31, 2016
Raw materials and supplies	43.105.538	23.242.708
Work in process	3.009.206	1.455.568
Finished goods	15.677.433	15.876.859
Merchandise	397.969	326.912
Goods in transit	26.256.884	24.390.358
Other inventories	877.400	732.232
Total	**89.324.430**	**66.024.637**
Provision for impairment of inventories (-)	(1.152.298)	(875.049)
Total	**88.172.132**	**65.149.588**

Movement of provision for impairment of inventories for the year ended December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
1 January	**875.049**	**1.384.867**
Provisions booked during the period (Note 24)	521.245	867.386
Provisions no longer required (-)	(243.996)	(522.166)
Disposal within scope of consolidation	-	(855.038)
Total	**1.152.298**	**875.049**

As of December 31, 2017, the Group has no pledged inventory against its liabilities (31 December 2016: None).

10. Prepaid expenses and deferred income

Prepaid expenses:

	December 31, 2017	December 31, 2016
Short term prepaid expenses		
Prepaid expense for the following months	7.321.665	5.703.735
Advances given for inventories	2.158.963	3.068.867
Total	**9.480.628**	**8.772.602**

	December 31, 2017	December 31, 2016
Long term prepaid expenses		
Advances given for tangible and intangible assets	40.900.155	33.598.533
Total	**40.900.155**	**33.598.533**

Deferred income:

	December 31, 2017	December 31, 2016
Short term deferred income		
Advances taken	4.634.633	3.172.847
Short term deferred income	1.504.730	608.703
Total	**6.139.363**	**3.781.550**

	December 31, 2017	December 31, 2016
Long term deferred income		
Advances taken	99.705	465.000
Total	**99.705**	**465.000**

11. Current income tax assets

As of December 31, 2017 and December 31, 2016 the Group's current income tax assets are as follows:

	December 31, 2017	December 31, 2016
Current income tax assets		
Prepaid taxes	6.339	3.986
Total	**6.339**	**3.986**

12. Discontinued operations

Current and prior year operating results of Polisan Kansai Boya are accounted as discontinued operations since 50% share sale transaction in 2016 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 25).

Statement of discontinued profit or loss:

	January 1-December 31, 2017	January 1-December 31, 2016
Profit and loss		
Revenue	-	478.381.539
Cost of sales (-)	-	(296.660.176)
Gross profit from commercial activities	**-**	**181.721.363**
Research and development expenses (-)	-	(7.429.222)
Marketing expenses (-)	-	(90.998.334)
General administrative expenses (-)	-	(21.078.069)
Other operating income	-	13.420.611
Other operating expenses (-)	-	(19.432.005)
Operating profit	**-**	**56.204.344**
Income from investment activities	-	27.666
Expense from investment activities (-)	-	(181.293)
Operating profit before financial income/expense	**-**	**56.050.717**
Financial income	-	4.565.513
Financial expenses (-)	-	(46.901.340)
Profit before tax from continuing operations	**-**	**13.714.890**
Continuing operations tax income/expense		
- Current tax expense	-	(3.618.975)
- Deferred tax income/expense	-	863.358
Profit from discontinuing operations for the period		**10.959.273**

Net cash flows from discontinued operations:

	January 1-December 31, 2017	January 1-December 31, 2016
Cash flows from operating activities	-	(17.517.557)
Cash flows from investing activities	-	(44.944.082)
Cash flows from financing activities	-	44.588.318
Net increase/decrease in cash and cash equivalents	**-**	**(17.873.321)**

13. Investments accounted using the equity method

As of December 31, 2017 and 2016, the Group's investments accounted using equity the method are as follows:

	December 31, 2017		December 31, 2016	
	%	TL	%	TL
Joint venture				
Polisan Kansai Boya	50	427.544.306	50	398.566.600
Associate				
Rohm And Haas	40	7.488.506	40	7.546.382
Total		**435.032.812**		**406.112.982**

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.

For the periods ended December 31, 2017 and 2016, the movements of the investments accounted using the equity method are as follows:

	2017	2016
January 1	**406.112.982**	**8.125.910**
Profit/(loss) from investments accounted using the equity method	22.899.344	(579.528)
Other comprehensive income	6.020.486	-
Joint venture accounted with fair value	-	398.566.600
December 31	**435.032.812**	**406.112.982**

13. Investments accounted using the equity method (continued)

As of December 31, 2016, the Group provisionally recognized the sale of 50% of the shares of Polisan Kansai Boya which was held on 21 December 2016. Completed provisional accounting records as of December 31, 2017. As a result of this accounting, goodwill calculation carried out at Group level is as follows:

	Carrying value	Adjustment	Fair value
Current assets	**489.577.873**	**16.525.176**	**506.103.049**
Cash and cash equivalents	67.598.230	-	67.598.230
Trade receivables	325.332.075	-	325.332.075
Other receivables	712.051	-	712.051
Inventories	77.444.312	16.525.176	93.969.488
Prepaid expenses	6.835.475	-	6.835.475
Current income tax assets	6.599.381	-	6.599.381
Other current assets	5.056.349	-	5.056.349
Non-current assets	**177.557.438**	**271.365.000**	**448.922.438**
Trade receivables	1.790.736	-	1.790.736
Other receivables	25.363	-	25.363
Investment properties	388.296	-	388.296
Property, plant and equipment	160.493.718	34.785.000	195.278.718
Intangible assets	2.290.804	236.580.000	238.870.804
Prepaid expenses	12.568.521	-	12.568.521
Total assets	**667.135.311**	**287.890.176**	**955.025.487**
Current liabilities	**248.480.156**	**-**	**248.480.156**
Short term borrowings	70.042.582	-	70.042.582
Short term portion of long term borrowings	91.585.904	-	91.585.904
Trade payables	78.210.313	-	78.210.313
Employee benefit obligations	3.922.183	-	3.922.183
Other payables	290.590	-	290.590
Deferred revenue	3.174.255	-	3.174.255
Short term provisions	1.246.613	-	1.246.613
Other short term liabilities	7.716	-	7.716
Other long term liabilities	**58.311.131**	**57.578.000**	**115.889.131**
Long term borrowings	46.379.101	-	46.379.101
Long term provisions	10.246.582	-	10.246.582
Deferred tax liabilities	1.685.448	57.578.000	59.263.448
Net assets	**360.344.024**	**230.312.176**	**590.656.200**
Net asset share of the Group (%50)			**295.328.100**
Cash received			**398.566.600**
Goodwill			**103.238.500**

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, 2017 and 2016 prepared in accordance with TFRS are as follows:

December 31, 2017 – Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	580.859.552	70.910.232
Cash and cash equivalents	*28.341.157*	*130.712*
Non-current assets	651.595.760	27.576.578
Total assets	**1.232.455.312**	**98.486.810**
Short term liabilities	292.034.736	79.404.766
Financial borrowings	*169.153.447*	-
Long term liabilities	291.808.964	360.778
Total liabilities	**583.843.700**	**79.765.544**
Net assets	**648.611.612**	**18.721.266**
Reconciliation of carrying value:		
Ownership of the Group	50%	40%
Net asset share of the Group	324.305.806	7.488.506
Goodwill carried at Group level	103.238.500	-
Carrying value	**427.544.306**	**7.488.506**

December 31, 2016 – Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	506.103.049	55.154.704
Cash and cash equivalents	*67.598.230*	*7.369.250*
Non-current assets	448.922.438	11.016.202
Total assets	**955.025.487**	**66.170.906**
Short term liabilities	248.480.156	46.925.275
Financial borrowings	*161.628.486*	-
Long term liabilities	115.889.131	379.675
Total liabilities	**364.369.287**	**47.304.950**
Net assets	**590.656.200**	**18.865.956**
Reconciliation of carrying value:		
Ownership of the Group	%50	40%
Net asset share of the Group	295.328.100	7.546.382
Goodwill carried at Group level	103.238.500	-
Carrying value	**398.566.600**	**7.546.382**

13. Investments accounted using the equity method (continued)

December 31, 2017 – Condensed income statement information	Polisan Kansai Boya(*)	Rohm and Haas
Revenue	624.656.272	168.294.481
Depreciation and amortisation	10.691.235	1.782.509
Interest income	444.418	3.981
Interest expense	(24.796.004)	(3.401.424)
Net profit / loss for the period	45.914.440	(144.689)
Ownership of the Group	50%	40%
Net profit share of the Group	**22.957.220**	**(57.876)**

December 31, 2017 – 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.

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 427.544.306 as of December 31, 2017 (December 31, 2016 TL 398.566.600) 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, 2018 and December 31, 2022. 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, 15% 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		
		5,30%	**5,50%**	**5,80%**
Weighted average cost of capital	**14,75%**	0,85%	3,87%	7,07%
	15,00%	(2,85)%	-	3,01%
	15,25%	(6,37)%	(3,67)%	(0,84)%

14. Investment properties

	January 1, 2017	Additions	Disposals	Transfers	Fair value increase	Disposal within scope of consolidation	December 31, 2017
Cost							
Land	203.263.321	-	(98.000)	962.800	10.474.153	-	214.602.274
Buildings	56.507.882	341.000	(169.500)	(962.800)	530.418	-	56.247.000
Total	**259.771.203**	**341.000**	**(267.500)**	**-**	**11.004.571**	**-**	**270.849.274**

	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**

There is a deed restriction of rent of Türkiye Elektrik Kurumu A.Ş. on the land located 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, 2017	December 31, 2016
Pendik plant	Sales price comparison	2	212.430.580	202.462.111
Kağıthane Z Office Building	Sales price comparison	2	54.790.000	54.218.000
Other	Sales price comparison	2	3.628.694	3.091.092
			270.849.274	**259.771.203**

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, Kağıthane Z-Office Building and other are appraised by Asal Real Estate Appraisal Company which is a CMB licensed real estate appraisal company in the 2017. 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.

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Other	Sales price comparison	2	3.628.694	3.091.092
			270.849.274	**259.771.203**

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15. Property, plant and equipment

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

	January 1, 2017	Addition	Disposal
Cost:			
Land	64.408.624	3.668.337	(326.126)
Land improvements	11.320.782	1.263.124	-
Buildings	187.005.714	1.248.125	(1.748.504)
Machinery, equipment and moulds	70.044.803	11.453.946	(1.846.522)
Port facility (*)	398.302.050	43.814.056	(1.773.770)
Motor vehicles	4.950.679	2.728.965	(2.358.732)
Furniture and fixtures	9.509.222	1.151.272	(115.043)
Other tangible assets	1.859.578	151.551	-
Leasehold improvements	3.490.835	126.217	-
Construction in progress	41.146.279	10.360.395	(14.110.712)
Total	**792.038.566**	**75.965.988**	**(22.279.409)**
Accumulated depreciation:			
Land improvements	10.398.049	1.325.582	-
Buildings	62.514.198	5.565.196	(1.423.283)
Machinery, equipment and moulds	34.703.687	8.306.061	(15.457)
Port facility (*)	46.853.098	27.676.829	(575.521)
Motor vehicles	2.700.807	877.436	(1.155.515)
Furniture and fixtures	8.075.681	707.958	(36.405)
Other tangible non-current assets	1.852.038	81.678	-
Leasehold improvements	1.617.911	584.709	-
Total	**168.715.469**	**45.125.449**	**(3.206.181)**
Net value	**623.323.097**		

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 properties 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.

(*) 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.

(**) This transfer relates to the elimination of the accumulated depreciation amount at the revaluation date from the gross carrying amount.

(***) The Group's assessments of land and buildings in 2017 were made by Asal Gayrimenkul Değerleme Şirketi, a real estate appraisal company licensed by CMB.

15. Property, plant and equipment

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

Foreign currency translation differences	Transfers	Revaluation(***)	Transfers(**)	December 31, 2017
908.717	-	23.253.389	-	91.912.941
-	612.044	2.849.629	(11.523.806)	4.521.773
2.449.826	876.494	47.012.953	(66.424.778)	170.419.830
2.764.103	4.234.975	-	-	86.651.305
-	4.452.925	47.159.145	(73.954.406)	418.000.000
30.395	-	-	-	5.351.307
101.305	372.805	-	-	11.019.561
-	19.269	-	-	2.030.398
-	64.747	-	-	3.681.799
188.915	(11.642.320)	-	-	25.942.557
6.443.261	**(1.009.061)**	**120.275.116**	**(151.902.990)**	**819.531.471**
-	-	-	(11.523.806)	199.825
249.732	-	-	(66.424.778)	481.065
489.740	-	-	-	43.484.031
-	-	-	(73.954.406)	-
13.574	-	-	-	2.436.302
66.504	-	-	-	8.813.738
-	-	-	-	1.933.716
-	-	-	-	2.202.620
819.550	**-**	**-**	**(151.902.990)**	**59.551.297**
				759.980.174

15. Property, plant and equipment (continued)

	January 1, 2016	Addition	Disposal
Cost:			
Land	132.915.184	2.428.884	(117.134)
Land improvements	10.560.761	1.325.962	(210.580)
Buildings	182.332.117	4.474.551	(1.432.057)
Machinery, equipment and moulds	129.406.881	14.131.217	(270.544)
Port facility (*)	350.220.427	56.540.293	(9.121.236)
Motor vehicles	5.847.415	5.929.918	(247.437)
Furniture and fixtures	15.439.612	1.498.890	(155.796)
Other tangible assets	3.878.973	266.219	(19.237)
Leasehold improvements	4.214.766	2.185.446	(273.039)
Construction in progress	42.972.487	20.580.946	(4.504.145)
Total	**877.788.623**	**109.362.326**	**(16.351.205)**
Accumulated depreciation:			
Land improvements	10.552.593	28.183	-
Buildings	55.361.299	8.216.485	(1.158.847)
Machinery, equipment and moulds	61.722.327	15.294.125	(179.845)
Port facility (*)	26.100.000	20.798.906	(45.808)
Motor vehicles	2.875.774	1.644.979	(55.011)
Furniture and fixtures	13.445.044	991.738	(105.816)
Other tangible non-current assets	3.916.624	58.546	-
Leasehold improvements	3.740.276	512.437	-
Total	**177.713.937**	**47.545.399**	**(1.545.327)**
Net value	**700.074.686**		

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

15. Property, plant and equipment (continued)

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)

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, 2016 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	Equity effect on fair value (TL)	Equit effect on fair value (TL)
Discount rate	0,25%	(14.589.883)	13.690.127

Valuation of land and buildings

As of December 31, 2017, the fair value of the related land and buildings has been realized by Asal Gayrimenkul Değerleme which is a CMB licensed real estate appraisal company, with comparative approach and / or direct income capitalization methods. Generally, the reduction rate is 11% and the capitalization rate is 7%.

16. Intangible assets

The movement of intangible assets and related amortizations for the periods ended December 31, 2017 and December 31, 2016 is as follows:

	January 1, 2017	Addition	Transfers	Disposals	December 31, 2017
Cost					
Rights	1.413.383	-	-	-	1.413.383
Other intangible assets (*)	3.615.745	347.759	1.009.061	(8.918)	4.963.647
Total	**5.029.128**	**347.759**	**1.009.061**	**(8.918)**	**6.377.030**
Accumulated amortization					
Rights	187.659	94.187	-	-	281.846
Other intangible assets (*)	2.392.869	651.236	-	(437)	3.043.668
Total	**2.580.528**	**745.423**	-	**(437)**	**3.325.514**
Net Value	**2.448.600**				**3.051.516**

	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**

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

17. Provisions, contingent assets and liabilities

17.1 Debt provisions

	December 31, 2017	December 31, 2016
Lawsuit provisions	558.062	599.463
Total	**558.062**	**599.463**

17.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

As of December 31, 2017 total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 40.763.371 (December 31, 2016: TL 34.863.459). The Group has booked an allowance amounting to TL 17.108.754 (December 31, 2016: TL 17.245.085) 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, 2017, total amount of the ongoing lawsuits filed against the Group is TL 1.177.749 (December 31, 2016: TL 1.397.289).

Ongoing major cases:

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. 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 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.

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 and TL 301.100 due to the damage to marine life on 18 January 2017. The Group management has been paid this administrative penalty. In addition, some of the losses of the Company due to this leakage have been compensated from insurance companies. The total amount paid by insurance companies is amounting to TL 6.288.400. All cleaning operations have been completed in the port area and the business activity continues uninterruptedly.

17. Provisions, contingent assets and liabilities (continued)

The result of high fuel oil spillage to the sea on January 12, 2017, the pollution has occurred around marine across the Kocaeli Gulf Region. It has been notified in an official letter that the responsible side of the incident is determined to be Poliport and a penalty amounting to USD 9.359.736 including VAT was charged to the Poliport by the Damage Assessment Commission established in the Kocaeli Governor's Office in order to determine the responsibility for the pollution. The Company's management believes that it is the unfair decision and filed a lawsuit for the cancellation. The case is ongoing and the case is being investigated by the local court (Note 32).

17.3 Pledges and guarantees given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given by the Company (TL)	December 31, 2017	December 31, 2016
A. Total amount of CPMB's given in the name of its own legal personality	1.670.186.561	1.646.728.809
B. Total amount of CPMB's given on behalf of the fully consolidated companies **(1)**	153.252.170	145.667.113
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.	-	-
	1.823.438.731	**1.792.395.922**

The ratio of other CPMB's given by the Group to its equity is 0%, as of December 31, 2017. (December 31, 2016 - 0%)

(1) Consists guarantees given for bank loan agreements.

17. Provisions, contingent assets and liabilities (continued)

As of December 31, 2017 and December 31, 2016 the details of the CPMB's given by the Group is listed below;

					December 31, 2017
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantees	232.348.000	58.781.250	1.141.820.156	528.366.405	1.670.186.561
Letter of guarantee	10.000.000	3.631.500	54.117.038	99.135.132	153.252.170
Total	**242.348.000**	**62.412.750**	**1.195.937.194**	**627.501.537**	**1.823.438.731**

					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
Total	**219.085.000**	**141.201.250**	**1.294.846.449**	**497.549.473**	**1.792.395.922**

2) CPMBs received

					December 31, 2017
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Mortgages	-	-		3.992.555	3.992.555
Letter of guarantee	-	9.000.000	40.639.500	8.042.130	48.681.630
Guarantee notes	-	27.300	123.273	2.909.983	3.033.256
Total	**-**	**9.027.300**	**40.762.773**	**14.944.668**	**55.707.441**

					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
Total	**72.168**	**9.040.000**	**33.791.470**	**10.484.157**	**44.275.627**

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 2016: None).

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, 2017:

Endorsee	Real Estate	Annotation Description	Date
Polisan Holding:			
Türkiye Elektrik Kurumu	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Servitude	24.10.1973
Türkiye Elektrik Kurumu	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	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.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	26.02.2016
Gebze 1.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	12.11.2015
Gebze 1.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	15.05.2014
Gebze 2.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	27.08.2013
Gebze 2.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	17.07.2014
Gebze 2.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	28.10.2016
Gebze 1. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	25.07.2017
Gebze 1. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of precautionary measure	11.01.2001
Gebze 2. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	30.11.2016
Gebze 4. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	30.03.2017
Gebze 4. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	30.11.2016
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	21.04.2016
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	18.07.2014
İzmit Su ve Kanalizasyon İdaresi	Land- Tavşanlı/Gebze/Kocaeli	Servitude	27.04.2017
Türkiye Elektrik İletim A.Ş.	Land- Tavşanlı/Gebze/Kocaeli	Servitude	27.05.2008
Karayolları Genel Müdürlüğü	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	19.01.2017
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
Botaş A.Ş.	Land- Çerkeşli, Dilovası/Kocaeli	Deed of restriction of expropriation	05.09.1986
Kocaeli-Gebze (Kimya) İhtisas OSB	Land- Demirciler/ Dilovası/Kocaeli	Deed of right of withdrawal	21.10.2015
Dilovası Belediyesi	Land-Muallim-2/Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Dilovası Belediyesi	Land-Muallim-2/ Dilovası/Kocaeli	Deed of restriction of expropriation	30.01.2009
Rohm and Haas Kimya Sanayi Ltd.Şti.	Factory Building and Land - Muallim-2/ Dilovası/Kocaeli	Servitude	05.10.2007
Türkiye Elektrik İletim A.Ş.	Land - Savaştepe/Balıkesir	Servitude	25.08.2008
Türkiye Elektrik Kurumu	Land - Savaştepe/Balıkesir	Servitude	-
Türkiye Elektrik Kurumu	Land - Savaştepe/Balıkesir	Servitude	17.12.1981

17. Provisions, contingent assets and liabilities (continued)

Endorsee Polisan Yapı	Real Estate	Annotation Description	Date
İstanbul Su ve Kanalizasyon İdaresi	Building- District of Kağıthane/İstanbul	Servitude - Indefinite, Free of charge	17.07.2014
Türkiye Elektrik Kurumu Genel Md.	Building-District of Kağıthane /İstanbul	Deed of restriction of rent	03.07.1987
Türkiye Elektrik Kurumu Genel Md.	Building-District of Kağıthane /İstanbul	Deed of restriction of rent	06.08.2012
Türkiye Elektrik Kurumu Genel Md.	Building-District of Kağıthane /İstanbul	Deed of restriction of rent	03.04.2014
Türkiye Elektrik Kurumu	Land- Şeyhli/District of Pendik/ İstanbul	Deed of right of withdrawal	14.07.1977
İstanbul Anadolu 11.Asliye Hukuk Mahkemesi	Land - Şeyhli/District of Pendik/ İstanbul	Deed of restriction of law, Uncertain Court Decision	18.07.2017
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Land - Şeyhli/District of Pendik/ İstanbul	Sale on flat for land method	30.03.2015
TOKİ	Land - Şeyhli/District of Pendik/ İstanbul	Pre-emptive purchase right	09.02.2010
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Land - Yayalar/District of Pendik/ İstanbul	Sale on flat for land method	30.03.2015

December 31, 2016:

Endorsee Polisan Holding:	Real Estate	Annotation Description	Date
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 Pendik/İstanbul	Pre-emptive purchase right	09.02.2010
TOKİ	Land-Şeyhli Disctrict of Pendik/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Pendik/İstanbul	Right of expropriation	14.07.1977
TOKİ	Land-Şeyhli Disctrict of Pendik/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, 2017	December 31, 2016
Employee benefit obligations		
Social security premiums payable	2.515.730	2.046.986
Payables to personnel	1.990.190	1.748.020
Taxes and duties payable	977.854	803.579
Total	**5.483.774**	**4.598.585**

Long term provisions for employee benefits

Long term employee benefits	December 31, 2017	December 31, 2016
Provisions for employee termination benefits	8.178.078	6.951.025
Provisions for unused vacation pay	2.025.651	1.575.433
Total	**10.203.729**	**8.526.458**

The movements of provision for unused vacation pay are as follows:

	2017	2016
January 1	**1.575.433**	**2.814.050**
Provision expense/income for the current period, net	450.218	805.862
Disposal within scope of consolidation	-	(2.044.479)
December 31	**2.025.651**	**1.575.433**

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 4.732,48 as of December 31, 2017 (December 31, 2016: TL 4.297,21).

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, 2017, 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, 2017, the provision has been calculated by taking into consideration an real discount rate of 4,67% (December 31, 2016: 4,21 % real discount rate) based on the assumption of an annual 7% inflation rate and 12% 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, 2016: 92.60%) and discounted employee termination benefit is calculated based on this rate.

Provision of Polisan Hellas S.A.has been calculated based on assumptions of an annual inflation rate of 1.75% and a discount rate of 1,30%.

The movement of the severance payment provision of the Group for the periods ended December 31, 2017 and December 31, 2016 is as follows:

	2017	2016
January 1	**6.951.025**	**10.127.250**
Payments	(1.364.699)	(2.768.992)
Interest cost	833.832	818.085
Current year service cost	880.330	965.786
Actuarial loss	877.590	5.983.999
Disposal within scope of consolidation	-	(8.175.103)
December 31	**8.178.078**	**6.951.025**

Sensitivity analysis of significant assumptions used in the calculation of provision for employee termination benefits as of 31 December 2017 is as follows:

	Interest rate	
	1% increase	1% decrease
Changes in provisions for employee termination benefits	(516.304)	596.028
	Inflation rate	
	1% increase	1% decrease
Changes in provisions for employee termination benefits	619.833	(543.425)

19. Other assets and liabilities

Other current assets of the Group as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Other current assets		
Deferred VAT	3.037.143	2.616.762
Other	142.769	53.951
Total	**3.179.912**	**2.670.713**

19. Other assets and liabilities (continued)

	December 31, 2017	December 31, 2016
Short term other liabilities		
Accrued expenses	3.570.441	3.673.389
Taxes payable	14.274	2.774.961
Total	**3.584.715**	**6.448.350**

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, 2017 and December 31, 2016 the Group's partnership structure is as follows:

	December 31, 2017		December 31, 2016	
	Share (%)	Amount	Share (%)	Amount
Mehmet Emin Bitlis	24,48	90.575.350	16,89	62.493.625
Ahmet Ertuğrul Bitlis	24,48	90.575.350	16,89	62.493.625
Ahmet Faik Bitlis	10,2	37.756.717	10,2	37.756.717
Fatma Nilgün Kasrat	10,2	37.756.717	10,2	37.756.717
A.Melike Bitlis (Bush)	10,2	37.756.717	10,2	37.756.717
Selahaddin Bitlis	2,21	8.161.175	2,21	8.161.175
Erol Mizrahi	1,89	7.005.000	1,89	7.005.000
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Güldal Akşit	1,50	5.673.700	1,15	4.255.275
Serdar Demirel	1,50	5.535.768	1,11	4.117.343
Alaattin Bitlis	1,40	5.018.350	1,36	5.018.350
Ali Fırat Yemeniciler	0,95	3.502.500	0,95	3.502.500
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
Necmettin Bitlis	-	-	15,1	56.163.449
Galip Demirel	-	-	0,77	2.836.850
Şark Mensucat	-	-	0,04	137.932
Publicly traded (*)	8,40	31.201.357	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, 2017, the shareholding rate of Şark Mensucat Fabrikaları AŞ, a related party the Group, in the listed shares of the Company is 7,11%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 535.899 in listed shares of the Company (As of December 31, 2016, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., a related party of the Group, in the listed shares of the Company was 6,36%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 719.096 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, 2016.

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 2017; it's been decided to make dividend payment amounting to TL 17.500.000, based on the net distributable profit after deduction of TL 6.503.322 legal reserves calculated over legal records and addition of TL 22.886 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1. (2016 – TL 13.500.000).

20. Capital, reserves and other equity items (continued)

Other comprehensive income or expenses not to be reclassified to profit or loss

	December 31, 2017	December 31, 2016
Tangible asset revaluation fund	391.125.189	264.940.235
- tax effect	(78.225.038)	(52.988.047)
Employment termination benefits actuarial gain/(loss) fund	(12.838.480)	(11.517.875)
- tax effect	2.567.696	2.303.575
Share of equity holders of the parent	**302.629.367**	**202.737.888**
Non-controlling interest		
Employment termination benefits actuarial gain/(loss) fund	45.387	39.968
- tax effect	(9.077)	(7.993)
	36.310	**31.975**
Total	**302.665.677**	**202.769.863**

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	2017	(Restated) 2016
January 1	**21.206.177**	**19.739.049**
Share of total comprehensive income	2.515.202	2.665.434
Revaluation effect	2.907.147	-
Dividend payments	-	(1.198.306)
December 31	**26.628.526**	**21.206.177**

Other reserves:

The Company acquired shares of Poliport (2012) and Polisan YapıKim (2016) 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, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Domestic sales	581.801.850	370.700.662
Foreign sales	173.162.142	101.552.834
Gross sales	**754.963.992**	**472.253.496**
Sales returns	(4.658.961)	(1.658.543)
Sales discounts	(298.739)	(215.556)
Other discounts	(384.584)	(48.109)
Sales deductions (-)	**(5.342.284)**	**(1.922.208)**
Net sales	**749.621.708**	**470.331.288**

Cost of sales	January 1 - December 31, 2017	January 1 - December 31, 2016
Direct raw material and supply expenses	430.736.097	201.575.151
Direct labour expenses	9.842.451	7.258.839
Production overheads	27.068.583	28.729.832
Depreciation and amortization	10.319.498	6.805.092
Changes in work in process inventory		
- Opening inventories	1.455.568	1.633.905
- Closing inventories	(3.009.206)	(1.455.568)
Changes in finished goods inventory		
- Opening inventories	15.876.859	12.991.321
- Closing inventories	(15.677.433)	(15.876.859)
Cost of goods sold	**476.612.418**	**241.661.713**
- Inventories at the beginning of the period	326.912	450.026
- Purchases during the period	11.969.025	29.199.538
- Inventories at the end of the period	(397.969)	(326.912)
Cost of merchandise sold	**11.897.968**	**29.322.652**
Personnel expenses	45.588.437	44.959.254
Other service expenses	66.531.960	41.592.572
Depreciation and amortization	30.786.769	25.724.282
Cost of services rendered	**142.907.166**	**112.276.108**
Cost of other sales	**30.500**	**56.974**
Total cost of sales	**631.448.052**	**383.317.447**

22. General administrative, marketing, research and development expenses

The Group's operating expenses for the periods ended December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Research and development expenses		
Personnel expenses	1.375.769	933.866
Depreciation expenses	642.246	269.400
Repair and maintenance costs	141.088	81.398
Office expenses	55.568	57.553
Travel expenses	36.315	12.879
Provision for severance pay	23.603	62.449
Other	62.129	280.428
Total	**2.336.718**	**1.697.973**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Marketing expenses		
Shipping and freight costs	20.280.237	12.257.232
Personnel expenses	3.409.153	2.216.054
Consultation expenses	2.059.837	657.781
Depreciation expenses	1.252.279	881.395
Vehicle expenses	532.139	376.652
Travel expenses	395.302	274.239
Hospitality expenses	247.557	160.312
Advertising, exhibitions, organizations, stands and promotional expenses	182.265	119.313
Office expenses	86.178	153.924
Taxes, duties and charges	65.986	22.480
Rent expenses	47.880	27.318
Communication expenses	38.487	53.126
Provision for severance pay	10.995	97.149
Other	1.382.550	974.972
Total	**29.990.845**	**18.271.947**

22. General administrative, marketing, research and development expenses (continued)

	January 1 - December 31, 2017	January 1 - December 31, 2016
General administrative expenses		
Personnel expenses	10.137.322	9.034.984
Taxes, duties and charges	4.162.935	3.736.507
Depreciation expenses	2.870.080	3.258.004
Consulting and legal expenses	1.146.583	1.230.381
Insurance expenses	1.443.852	1.308.632
Subscriber fees and expenses	609.153	501.523
Rent expenses	540.063	373.721
Travel expenses	368.782	272.602
Office expenses	316.572	80.122
Vehicle expenses	302.020	290.739
Repair and maintenance costs	189.125	185.335
Hospitality expenses	139.378	124.723
Provision for severance pay	133.781	442.144
Communication expenses	107.437	99.582
Contributions and donations	45.460	22.886
Other	635.658	218.657
Total	**23.148.201**	**21.180.542**

23. Expenses by nature

	January 1 - December 31, 2017	January 1 - December 31, 2016
Depreciation and amortization		
Cost of goods and services rendered	30.786.769	25.724.282
Cost of goods sold	10.319.498	6.805.092
General administrative expenses	2.870.080	3.258.004
Marketing expenses	1.252.279	881.395
Research and development expenses	642.246	269.400
Total	**45.870.872**	**36.938.173**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Personnel expenses		
Cost of goods sold and services rendered	45.588.437	44.959.254
General administrative expenses	10.137.322	9.034.984
Cost of goods sold	9.842.451	7.258.839
Marketing expenses	3.409.153	2.216.054
Research and development expenses	1.375.769	933.866
Total	**70.353.132**	**64.402.997**

24. Other income and expenses from operations

The Group's other income / expenses from operations for the periods ended December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Other operating income		
Foreign exchange gains	4.229.347	7.158.381
Deferred financial income	1.717.870	1.730.060
Rent income	846.225	803.833
Provisions no longer required	696.262	30.119
Scrap sales	648.509	415.415
Incentive income	557.935	288.256
Insurance income	386.289	29.326
Other	751.506	406.125
Total	**9.833.943**	**10.861.515**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Other operating expenses		
Deferred financial expense	3.397.888	1.629.689
Foreign exchange losses	1.820.816	2.748.011
Provision for inventory impairment (Note 9)	521.245	397.911
Allowance for doubtful receivables (Note 7)	285.903	1.084.137
Allowance for other receivables	-	1.113.717
Other	939.344	981.131
Total	**6.965.196**	**7.954.596**

25. Income and expenses from investment activities

The Group's income and expenses from investing activities for the periods ended December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Income from investment activities		
Gain on revaluation of investment property (Note 14)	11.004.571	19.629.057
Gain on sale of fixed assets	2.009.660	21.512
Gain on sale of subsidiary shares	-	436.789.176
Other	122.580	1.479.464
Total	**13.136.811**	**457.919.209**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Expenses from investment activities		
Loss on sale of fixed assets	1.366.475	6.911
Other	90.080	33.309
Total	**1.456.555**	**40.220**

26. Financial income and expenses

The Group's financial income and expenses for the periods ended December 31, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Financial income		
Foreign exchange gains	9.049.457	3.705.193
Interest income (*)	7.975.110	261.035
Total	**17.024.567**	**3.966.228**

(*) Consist of time deposit interest income and interest income from Group's related party Şark Menscuat.

	January 1 - December 31, 2017	January 1 - December 31, 2016
Financial expenses		
Interest expenses	14.153.802	16.017.352
Foreign exchange losses	3.090.319	14.077.130
Letters of guarantee commission expenses	1.319.555	791.210
Bank charges and pos expenses	309.651	207.233
Total	**18.873.327**	**31.092.925**

27. Income taxes (including deferred tax assets and liabilities)

Corporate tax

The accompanying financial statements of the Group include relevant provisions for the estimated tax obligations of current year financial results.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2017 and 2016, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Corporate income tax liability accounted in statement of the financial position as of December 31, 2017 and December 31, 2016 is as below:

Current income tax liability	December 31, 2017	December 31, 2016
Provision for corporate taxes	11.744.737	16.640.994
Prepaid taxes and funds	(7.370.839)	(8.505.066)
Corporate tax payable	**4.373.898**	**8.135.928**

27. Income taxes (including deferred tax assets and liabilities) (continued)

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2017 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.

27. Income taxes (including deferred tax assets and liabilities) (continued)

Current and deferred income tax

As of December 31, 2017 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided 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 at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

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.

TL") unless otherwise indicated	December 31, 2017	
	Cumulative differences	Asset/ (liability)
Property, plant and equipment and intangible assets	666.976.871	(129.754.237)
Deferred finance income	114.964	(25.292)
Deferred finance expense	(3.164.637)	696.220
Provision for employee termination benefits	(8.178.078)	1.681.090
Unused vacation pay liability	(2.025.651)	405.130
Allowance for doubtful receivables	(630.661)	155.738
Adjustment for inventories	(1.199.548)	336.904
Impairment of subsidiary and associate	(291.295)	14.565
Tax losses carry forwards	(36.956.887)	10.300.301
Investment incentive income	(165.842.738)	33.168.548
Litigation provision	(558.062)	111.612
Other	(4.200.309)	1.120.054
Deferred tax liability, net	**451.150.200**	**(81.789.367)**
Deferred tax asset		55.048.158
Deferred tax liability		(136.837.525)
Deferred tax liability, net		**(81.789.367)**

(*) The Group's subsidiaries has five investment incentive certificates including, Poliport Kimya tank incentive (B / 112076), Poliport Kimya crane incentive (B / 104761), Polisan Kimya oxide incentive (D / 112337), Polisan Kimya Samsun facilities incentive (A / 131376) and Polisan Kimya Adana facilities (A / 127763).

27. Income taxes (including deferred tax assets and liabilities) (continued)

	(Restated) December 31, 2016		(Restated) January 1, 2016
Cumulative differences	Asset/ (liability)	Cumulative differences	Asset/ (liability)
520.560.688	(102.174.635)	540.807.839	(109.346.510)
138.998	(27.800)	653.536	(130.707)
(1.508.654)	287.075	(9.722.659)	1.944.532
(6.951.025)	1.417.504	(10.127.250)	2.025.450
(1.575.433)	315.087	(2.841.050)	568.210
(684.984)	167.564	(3.618.008)	744.051
(922.298)	227.402	(3.616.845)	756.329
(291.295)	14.565	(291.295)	14.565
(15.189.160)	3.780.864	(36.356.852)	7.992.770
(124.567.741)	24.913.548	(69.892.523)	13.978.505
(599.463)	119.893	(268.988)	53.798
(3.154.890)	811.048	(2.746.768)	628.085
365.254.743	**(70.147.885)**	**401.979.137**	**(80.770.922)**
	39.533.042		29.493.532
	(109.680.927)		(110.264.454)
	(70.147.885)		**(80.770.922)**

27. Income taxes (including deferred tax assets and liabilities) (continued)

The movements of Group's deferred tax assets/liabilities are as follows;

	2017	(Restated) 2016
January 1	(70.147.885)	(80.770.922)
Tax expense of continuing operations	14.593.732	9.568.783
Tax expense of discontinuing operations	-	863.358
Deferred tax effect of tangible asset revaluation	(22.487.866)	(1.768.163)
Deferred tax effect of actuarial gain/loss	175.518	1.196.800
Currency translation differences	(3.922.866)	3.769.014
Disposal within scope of consolidation	-	(3.006.755)
December 31	**(81.789.367)**	**(70.147.885)**

The tax income/ (expense) of the Group recognized in statement of profit or loss is as follows;

Tax expense/(income)	January 1 - December 31, 2017	(Restated) January 1 - December 31, 2016
Tax expense for the period	(11.744.737)	(16.640.994)
Deferred tax income/(expense)	14.593.732	9.568.783
Total	**2.848.995**	**(7.072.211)**

The tax reconciliation of the Group as of December 31, 2017 and 2016 is as below;

	January 1 - December 31, 2017	(Restated) January 1 - December 31, 2016
Profit before tax	98.297.479	478.943.062
Tax expense calculated using 20% local tax rate	(19.659.496)	(95.788.612)
Tax effect:		
- Effect of non-tax deductible expenses	(232.725)	(443.021)
Effect of non-taxable income	4.853.472	82.029.413
Investment incentive income	8.255.000	10.961.961
Current period tax income for which deferred tax asset is not recognized	(609.244)	(1.413.722)
Tax losses carry forwards	6.519.437	-
Tax rate change and other	3.722.551	(2.418.230)
Tax expense	**2.848.995**	**(7.072.211)**

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, 2017 and 2016, earnings per share of the Group are as follows:

	January 1 - December 31, 2017	(Restated) January 1 - December 31, 2016
Profit from continuing operations for the period(TL) (parent)	98.631.272	469.205.417
Profit from discontinuing operations for the period (TL)	-	10.959.273
Weighted average of ordinary shares issued	370.000.000	370.000.000
-Earnings per share from continuing operations	0,261	1,268
-Earnings per share from discontinuing operations	-	0,030
Earnings per share (TL)	**0,267**	**1,298**

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 3.449.969 for the period January 1 - December 31, 2017. The TL 2.786.769 of related amount is comprised from wage and salaries, TL 663.200 of the related amount is comprised of bonuses (January 1 - December 31, 2016: TL 2.965.792). Key management of the Group is identified as Board members, general manager and vice general managers.

b) Trade receivables from related parties

	December 31, 2017	December 31, 2016
Trade receivables from related parties		
Polisan Kansai Boya (***)	6.287.052	10.125.143
Rohm and Haas (*)	3.124.253	710.254
Şark Mensucat Fabrikası A.Ş. (**)	-	116.691
	9.411.304	**10.952.088**
Deferred financial expense (-)	(93.917)	(80.344)
Total	**9.317.387**	**10.871.744**

c) Other receivables from related parties

	December 31, 2017	December 31, 2016
Other receivables from related parties		
Şark Mensucat Fabrikası A.Ş (**)	50.997.500	50.997.500
Rohm and Haas (*)	98.524	132.869
Total	**51.096.024**	**51.130.369**

29. Related party disclosures (continued)

d) Trade payables to related parties

	December 31, 2017	December 31, 2016
Trade payables to related parties		
Polisan Kansai Boya(***)	138.880	-
Rohm and Haas (*)	78.209	115.310
Total	**217.089**	**115.310**

e) Other payables to related parties

	December 31, 2017	December 31, 2016
Other payables to related parties		
Volkan Toplu	164.348	-
Mehmet Haluk Sevel	3.104	3.104
Recep Haldun Sevel	3.104	3.104
Total	**170.556**	**6.208**

(*) Associate
(**) Company owned by the parent company
(***) Joint venture

f) Sales/purchases transaction with related parties

Purchases:

	January 1 – December 31, 2017			January 1- December 31, 2016	
	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas	Şark Mensucat Fabrikası A.Ş	Rohm and Haas
Raw material	-	-	66.645.491	-	43.484.156
Rent	2.783.465	-	-	-	-
Foreign exchange differences	-	-	633.189	-	203.462
Services	1.619.531	-	201.920	-	1.575.640
Total	**4.402.996**	**-**	**67.480.600**	**-**	**45.263.258**

29. Related party disclosures (continued)

Sales:

	January 1 – December 31, 2017			January 1- December 31, 2016	
	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas	Şark Mensucat Fabrikası A.Ş	Rohm and Haas
Finished goods	3.795.517	-	-	6.273	251.473
Services	30.553.291	734.912	10.600.686	461.224	5.643.296
Rent	1.861.850	10.302	-	9.609	-
Foreign exchange differences	-	-	25.576	-	160.324
Credit finance income	-	7.200.564	-	57.488	-
Total	**36.210.658**	**7.945.778**	**10.626.262**	**534.594**	**6.055.093**

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, 2017. 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, 2017 there is no impairment on trade receivables from related parties. (December 31, 2016: 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.

30. Nature and level of risk derived from financial instruments (continued)

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.

The balances of financial instruments of the Group that are exposed to credit risk are as below;

	Receivables			31 December 2017	
	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)	**9.317.387**	**232.154.424**	**51.096.024**	**4.742.419**	**18.890.790**
- The portion of the maximum risk secured with guarantees etc.	-	55.707.441	-	-	-
A.Net book value of neither past due nor impaired financial assets	9.317.387	190.396.459	51.096.024	4.742.419	18.890.790
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	-	40.982.312	-	-	-
- The portion secured with guarantees etc	-	(1.110.000)	-	-	-
D. Net book value of assets impaired	-	775.653	-	-	-
-Past due (gross book value)	-	17.884.407	-	-	-
-Impairment (-)	-	(17.108.754)	-	-	-
-The portion secured with guarantees	-	775.653	-	-	-
-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, 2017 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 activities 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, 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 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 activities 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, 2017 (December 31 2016: 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.

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.

30. Nature and level of risk derived from financial instruments (continued)

The liquidity risk tables of the Group is as follows:

31 December 2017

Maturities of the contract	Carrying value	Contractual cash-outflows	Less than 3 months	3-6 months	6-12 months	1-2 years
Financial liabilities	239.798.473	240.268.244	79.415.192	60.095.701	60.909.685	39.847.666
Trade payables	91.361.925	91.571.142	77.134.511	14.367.671	68.960	-
Employee benefit obligations	5.483.774	5.483.774	5.483.774	-	-	-
Other payables	4.413.738	4.413.738	4.413.738	-	-	-

31 December 2016

Maturity of the contract	Carrying value	Contractual cash-flows	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	-	-	-

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.

30. Nature and level of risk derived from financial instruments (continued)

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 foreign currency position of the Group is as follows:

1. Trade receivables
2a. Monetary financial assets (Including cash, banks)
2b. Non-monetary financial assets
3. Other
4. Current assets (1+2+3)
5. Trade receivables
6a. Monetary financial assets
6b. Non-monetary financial assets
7. Other
8. Non-current assets (5+6+7)
9. Total assets (4+8)
10. Trade payables
11. Borrowings
12a. Monetary liabilities
12b. Non- monetary liabilities
13. Current liabilities (10+11+12)
14. Trade payables
15. Borrowings
16 a. Other monetary liabilities
16 b. Other non- monetary liabilities
17. Non-current liabilities (14+15+16)
18. Total liabilities (13+17)
19. Off-balance sheet derivative instruments net position (19a-19b)
19a. Derivative assets
19b. Derivative liabilities
20. Net foreign currency position(9-18+19)
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)

30. Nature and level of risk derived from financial instruments (continued)

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 foreign currency position of the Group is as follows:

	December 31, 2017				
	TL Equivalent	USD	Euro	GBP	Other
	10.260.422	1.795.831	772.168	-	-
	4.924.428	915.891	323.837	1.475	-
	-	-	-	-	-
	25.027	6.635	-	-	-
	15.209.877	**2.718.357**	**1.096.005**	**1.475**	**-**
	-	-	-	-	-
	-	-	-	-	-
	40.639.500	-	9.000.000	-	-
	-	-	-	-	-
	40.639.500	**-**	**9.000.000**	**-**	**-**
	55.849.377	**2.718.357**	**10.096.005**	**1.475**	**-**
	36.030.231	8.919.397	473.510	49.017	-
	12.729.552	-	2.819.079	-	-
	1.478	300	77	-	-
	-	-	-	-	-
	48.761.261	**8.919.697**	**3.292.666**	**49.017**	**-**
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
	48.761.261	**8.919.697**	**3.292.666**	**49.017**	**-**
	(76.770)	**(20.353)**	-	-	-
	-	-	-	-	-
	76.770	**20.353**	-	-	-
	7.011.346	**(6.221.692)**	**6.803.339**	**(47.542)**	**-**
	(33.576.411)	**(6.207.975)**	**(2.196.661)**	**(47.542)**	**-**

30. Nature and level of risk derived from financial instruments (continued)

	TL equivalent
1. Trade receivables	7.102.631
2a. Monetary financial assets (Including cash, banks)	80.457.992
2b. Non-monetary financial assets	-
3. Other	897.600
4. Current assets (1+2+3)	**88.458.223**
5. Trade receivables	-
6a. Monetary financial assets	-
6b. Non-monetary financial assets	33.389.100
7. Other	-
8. Non-current assets (5+6+7)	**33.389.100**
9. Total assets (4+8)	**121.847.323**
10. Trade payables	22.315.708
11. Borrowings	46.324.555
12a. Monetary liabilities	14.863.029
12b. Non- monetary liabilities	-
13. Current liabilities (10+11+12)	**83.503.291**
14. Trade payables	-
15. Borrowings	10.445.016
16 a. Other monetary liabilities	-
16 b. Other non- monetary liabilities	-
17. Non-current liabilities (14+15+16)	**10.445.016**
18. Total liabilities (13+17)	**93.948.307**
19. Off-balance sheet derivative instruments net position (19a-19b)	-
19a. Derivative assets	-
19b. Derivative liabilities	-
20. Net foreign currency position(9-18+19)	**27.899.016**
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(6.387.684)**

30. Nature and level of risk derived from financial instruments (continued)

			December 31, 2016
USD	**Euro**	**GBP**	**Other**
1.281.164	699.199	-	-
22.733.470	119.101	2.897	-
-	-	-	-
255.058	-	-	-
24.269.692	**818.300**	**2.897**	-
-	-	-	-
-	-	-	-
-	9.000.000	-	-
-	-	-	-
-	**9.000.000**	**-**	-
24.269.692	**9.818.300**	**2.897**	-
4.673.547	1.524.882	48.948	-
4.626.648	8.097.915	-	-
4.223.330	77	-	-
-	-	-	-
13.523.525	**9.622.874**	**48.948**	-
-	-	-	-
-	2.815.444	-	-
-	-	-	-
-	-	-	-
-	**2.815.444**	**-**	-
13.523.525	**12.438.318**	**48.948**	-
-	-	-	-
-	-	-	-
-	-	-	-
10.746.167	**(2.620.018)**	**(46.051)**	-
10.491.109	**(11.620.0188)**	**(46.051)**	-

30. Nature and level of risk derived from financial instruments (continued)

Sensitivity analysis:

As of December 31, 2017 and December 31, 2016 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, 2017	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	(2.341.586)	2.341.586	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**(2.341.586)**	**2.341.586**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(991.902)	991.902	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(991.902)**	**991.902**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(24.153)	24.153	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(24.153)**	**24.153**	**-**	**-**
Total (3+6+9)	**(3.357.641)**	**3.357.641**	**-**	**-**

30. Nature and level of risk derived from financial instruments (continued)

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	3.692.031	(3.692.031)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**3.692.031**	**(3.692.031)**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(4.310.910)	4.310.910	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(4.310.910)**	**4.310.910**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(19.889)	19.889	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(19.889)**	**19.889**	**-**	**-**
Total (3+6+9)	**(638.768)**	**638.768**	**-**	**-**

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, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Fixed interest rate financial instruments		
Time deposits	5.985.119	84.073.080
Total	**5.985.119**	**84.073.080**
Fixed interest rate financial instruments		
Financial liabilities	239.798.473	195.570.503
Total	**239.798.473**	**195.570.503**
Floating interest rate financial instruments		
Financial liabilities	-	-
Total	**-**	**-**

30. Nature and level of risk derived from financial instruments (continued)

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, 2017	December 31, 2016
Total financial liabilities	239.798.473	195.570.503
Less: Cash and cash equivalents (Note 5)	(18.972.561)	(91.206.315)
Net financial liabilities	**220.825.912**	**104.364.188**
Total equity	1.479.507.102	1.300.547.974
Invested capital	1.700.333.014	1.404.912.162
Net financial liabilities/invested capital ratio	**%13**	**%7**

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.

31. Financial instruments (fair value and hedge accounting disclosures) (continued)

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. Subsequent events

As stated in Note 17.2, a declaration has been signed with respect to the amount of USD 1.587.609 including the VAT included in the damage compensation amount of USD 9.359.736 including VAT determined by the loss investigation delegation, for USD 590.000 including VAT on 03.01.2018 (net decrease of USD 997.609 including VAT).

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