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

Polisan Holding A.Ş.

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

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

Independent auditors' report on the consolidated financial statements

To the Board of Directors of Polisan Holding Anonim Şirketi;

We have audited the accompanying consolidated statement of financial position of Polisan Holding Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as the ''Group'') as at December 31, 2016 and the related consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Basis of qualified opinion

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

Qualified opinion

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

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 27, 2017.

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

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

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

Ferzan Ülgen, SMMM
Partner

February 27, 2017
İstanbul, Türkiye

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Polisan Holding A.Ş.

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

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

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

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

Polisan Holding A.Ş.

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

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

Polisan Holding A.Ş.

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

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

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

Polisan Holding A.Ş.

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

					Other accumulated comprehensive income/ expense not to be classified to profit or loss		Other accumulated comprehensive income/ expense to be classified to profit or loss							
					Revaluation and measurement gain / loss					Accumulated profit				
	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	Restricted reserves	Other reserves	Retained earnings	Net profit	Equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2016		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**	**25.484.767**	**(208.727.832)**	**305.554.887**	**33.024.205**	**812.635.925**	**19.129.418**	**831.765.343**
Dividends	20	-	-	-	-	-	-	-	-	(13.500.000)	-	(13.500.000)	(1.198.306)	**(14.698.306)**
Transfers to reserves and retained earnings		-	-	-	-	-	-	3.045.486	-	29.978.719	(33.024.205)	-	-	-
Merger/Spin off/Liquidation effect	3	-	-	-	-	(89.151.859)		-	-	89.151.859	-	-	-	-
Total comprehensive income		-	-	-	(4.787.199)	31.757.297	(5.855.399)	-	-	-	472.590.747	493.705.446	1.936.464	**495.641.910**
- Profit for the period		-	-	-	-	-	-	-	-	-	472.590.747	472.590.747	1.936.464	**474.527.211**
- Other comprehensive income/expense		-	-	-	(4.787.199)	31.757.297	(5.855.399)	-	-	-	-	21.114.699	-	**21.114.699**
Balance at December 31, 2016		**370.000.000**	**1.467.266**	**23.130.220**	**(9.214.300)**	**211.952.188**	**(8.072.636)**	**28.530.253**	**(208.727.832)**	**411.185.465**	**472.590.747**	**1.292.841.371**	**19.867.576**	**1.312.708.947**
Balance at January 1, 2015		**370.000.000**	**1.467.266**	**23.130.220**	**(3.064.311)**	**235.746.750**	**745.789**	**22.983.012**	**(208.011.543)**	**269.781.320**	**50.275.322**	**763.053.825**	**18.032.460**	**781.086.285**
Dividends	20	-	-	-	-	-	-	-	-	(12.000.000)	-	(12.000.000)	(1.198.306)	(13.198.306)
Transfers to reserves and retained earnings		-	-	-	-	-	-	2.501.755	-	47.773.567	(50.275.322)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	(716.289)	-	-	(716.289)	(49.000)	(765.289)
Total comprehensive income		-	-	-	(1.362.790)	33.600.000	(2.963.026)	-	-	-	33.024.205	62.298.389	2.344.264	64.642.653
- Profit for the period		-	-	-	-	-	-	-	-	-	33.024.205	33.024.205	2.344.264	35.368.469
- Other comprehensive income/expense		-	-	-	(1.362.790)	33.600.000	(2.963.026)	-	-	-	-	29.274.184	-	29.274.184
Balance at December 31, 2015		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**	**25.484.767**	**(208.727.832)**	**305.554.887**	**33.024.205**	**812.635.925**	**19.129.418**	**831.765.343**

Polisan Holding A.Ş.

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

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

1. Group's organisation and nature of operations

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

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

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

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

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

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

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

Subsidiaries:

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

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

Poliport Kimya Sanayi ve Ticaret A.Ş. ("Poliport"):
Operating activities of Poliport are bulk liquid storage services, A-type general warehouse services, loading and unloading services for dry bulk and general cargo vessels.
Poliport was established in 1971 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No:7 Dilovası / Kocaeli.

Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. ("Polisan Tarım"):
Operating activities of Polisan Tarım are the cultivation of all sorts of plants, producing, purchasing and selling all types of natural and organic products, producing wet or dried foods from all types of agricultural products, producing and raising all kinds of livestock, providing all kinds of technology and consultancy services on agriculture and supervising projects and investments.

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

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

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

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

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

Polisan Yapı Kimyasalları A.Ş.(“Polisan YapıKim”):

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

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

Polisan Hellas S.A.(“Hellas”):

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

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

Joint ventures and Associates:

Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (“Polisan Kansai Boya”) (Former title: Polisan Boya Sanayi ve Ticaret A.Ş. (“Polisan Boya”))

Operating activity of Polisan Boya is the production and sale of paint, varnish, resin and other surface coating and insulation materials.

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

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

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

Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş.(“Rohm and Haas”)

Operating activity of Rohm and Haas is purchasing, selling, marketing and trading of emulsion polymers and their raw materials.

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

Approval of the financial statements

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable financial reporting standards

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

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

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

2.1.2 Functional and presentation currency

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

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

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

2.1.3 Financial statements of subsidiaries operating in countries other than Turkey

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

2. Basis of presentation of financial statements (continued)

2.2 The new standards, amendments and interpretations

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

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

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

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

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

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

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

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

2.3 Changes in Accounting Policies, Estimates and Errors

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

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

2.4 Summary of Significant Accounting Policies

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

Group accounting

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

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

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

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

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

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

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

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

Segment Reporting

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

Related parties

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

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

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	3-25 Years

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are accounted in the statement of comprehensive income in the period they occur.

2. Basis of presentation of financial statements (continued)

Investment property

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

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

Assets held for sale

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

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

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

Impairment of non- financial assets

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

Financial leases

(a) The Group as the lessee

Finance leases

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

2. Basis of presentation of financial statements (continued)

Operational leases

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

(b) The Group as the lessor

Operational leases

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

Revenue

Sale of Goods

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

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

Service Revenues

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

Dividend Income and Interest Income

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

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

2. Basis of presentation of financial statements (continued)

Foreign currency transactions

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

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

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

Share purchase – sale transactions with non-controlling shareholders

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

Subsequent events

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

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

Provisions, contingent assets and liabilities

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

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

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

2. Basis of presentation of financial statements (continued)

Taxes on income

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

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

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

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

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

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

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

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

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

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

Provisions for employee benefits

(a) Provision for employee termination benefits

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

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

2. Basis of presentation of financial statements (continued)

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

(b) Defined contribution plans

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

(c) Vacation pay liability

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

Statement of cash flow

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

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

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

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

Government grants

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

Earnings per share

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

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

2.5 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 398.566.600 as of December 31, 2016 for possible impairment in every reporting period. The impairment analysis includes significant assumption of company's cash flow projections (Note 13)

2. 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.

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

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

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

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

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

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

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

2.7 Changes and errors in accounting policies/estimations

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

3. Sale of subsidiary’s share

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

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

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

3. Sale of subsidiary's share (continued)

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

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

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

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

4. Segment reporting

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

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

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

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

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

4. Segment reporting (continued)

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

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Consolidation adjustments	Total
Revenue	478.381.539	377.984.336	119.023.205	112.568.042	4.385.937	**1.092.343.059**	(478.381.539)	(143.630.232)	**470.331.288**
- Intra segment revenue	466.584.916	339.489.090	109.391.554	28.861.330	4.385.937	**948.712.827**	(466.584.916)	-	**482.127.911**
- Inter segment revenue	11.796.623	38.495.246	9.631.651	83.706.712	-	**143.630.232**	(11.796.623)	(143.630.232)	**(11.796.623)**
Cost of sales (-)	(296.660.176)	(330.846.425)	(78.326.303)	(97.043.347)	(4.599.000)	**(807.475.251)**	296.660.176	127.497.628	**(383.317.447)**
Gross profit	**181.721.363**	**47.137.911**	**40.696.902**	**15.524.695**	**(213.063)**	**284.867.808**	**(181.721.363)**	**(16.132.604)**	**87.013.841**
Operational expenses	(125.517.019)	(29.778.202)	(6.302.156)	(2.607.413)	(1.431.767)	**(165.636.557)**	125.517.019	1.875.995	**(38.243.543)**
Loss from investments accounted using the equity method	-	(579.528)	-	-	-	**(579.528)**	-	-	**(579.528)**
Operating profit	**56.204.344**	**16.780.181**	**34.394.746**	**12.917.282**	**(1.644.830)**	**118.651.723**	**(56.204.344)**	**(14.256.609)**	**48.190.770**
Income from investment activities	(153.627)	(23.052)	19.045	451.463.392	19.258.298	**470.564.056**	153.627	(12.838.694)	**457.878.989**
Operating profit before financial income/expense	**56.050.717**	**16.757.129**	**34.413.791**	**464.380.674**	**17.613.468**	**589.215.779**	**(56.050.717)**	**(27.095.303)**	**506.069.759**
Financial expenses	(42.335.827)	(28.693.803)	587.582	775.976	(1.085.780)	**(70.751.852)**	42.335.827	1.289.328	**(27.126.697)**
Profit before tax from continuing operations	**13.714.890**	**(11.936.674)**	**35.001.373**	**465.156.650**	**16.527.688**	**518.463.927**	**(13.714.890)**	**(25.805.975)**	**478.943.062**
Depreciation and amortization	11.773.066	13.479.605	23.504.036	1.855.852	-	**50.612.559**	(11.773.066)	(1.901.320)	**36.938.173**
Investment expenditures	27.902.280	34.135.996	58.234.821	850.931	625.986	**121.750.014**	(27.902.280)	(10.857.268)	**82.990.466**
Finance income	697.438	49.758	132.717	77.388	1.172	**958.473**	(697.438)	-	**261.035**
Finance expense	26.620.989	16.453.060	385.115	377.754	1.089.194	**44.926.112**	(26.620.989)	(1.289.328)	**17.015.795**

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

4. Segment reporting (continued)

Statement of profit or loss reporting for the period between January 1 – December 31, 2015:

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Consolidation adjustments	Total
Revenue	472.540.716	343.220.964	97.585.658	92.383.883	16.204.526	**1.021.935.747**	(472.540.716)	(115.510.774)	**433.884.257**
- Intra segment revenue	461.947.395	312.066.409	95.100.570	21.106.073	16.204.526	**906.424.973**	(461.947.395)	-	**444.477.578**
- Inter segment revenue	10.593.321	31.154.555	2.485.088	71.277.810	-	**115.510.774**	(10.593.321)	(115.510.774)	**(10.593.321)**
Cost of sales (-)	(307.147.655)	(309.571.475)	(57.268.590)	(80.450.171)	(17.701.998)	**(772.139.889)**	307.147.655	102.494.076	**(362.498.158)**
Gross profit	**165.393.061**	**33.649.489**	**40.317.068**	**11.933.712**	**(1.497.472)**	**249.795.858**	**(165.393.061)**	**(13.016.698)**	**71.386.099**
Operational expenses	(111.297.121)	(30.810.094)	(2.200.449)	(389.141)	11.831.789	(132.865.016)	111.297.121	(12.923.222)	(34.491.117)
Profit from investments accounted using the equity method	-	3.047.147	-	-	-	3.047.147	-	-	3.047.147
Operating profit	**54.095.940**	**5.886.542**	**38.116.619**	**11.544.571**	**10.334.317**	**119.977.989**	**(54.095.940)**	**(25.939.920)**	**39.942.129**
Income from investment activities	11.310	37.914	255.379	1.071.170	12.392.761	13.768.534	(11.310)	-	13.757.224
Operating profit before financial income/expense	**54.107.250**	**5.924.456**	**38.371.998**	**12.615.741**	**22.727.078**	**133.746.523**	**(54.107.250)**	**(25.939.920)**	**53.699.353**
Financial expenses	(39.369.408)	(28.362.724)	4.658.256	(179.951)	(1.946.582)	(65.200.409)	39.369.408	24.712	(25.806.289)
Profit before tax from continuing operations	**14.737.842**	**(22.438.268)**	**43.030.254**	**12.435.790**	**20.780.496**	**68.546.114**	**(14.737.842)**	**(25.915.208)**	**27.893.064**
Depreciation and amortization	6.621.000	11.383.449	17.172.647	1.652.733	-	36.829.829	(6.621.000)	(918.341)	29.290.488
Investment expenditures	12.386.246	46.886.720	44.430.614	1.901.174	5.993.120	111.597.874	(12.386.246)	(13.910.725)	85.300.903
Finance income	978.120	297.189	355.917	30.304	872	1.662.402	(978.120)	-	684.282
Finance expense	16.024.487	12.558.758	80.027	286.354	1.946.330	30.895.957	(16.024.487)	(24.711)	14.846.759

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

5. Cash and cash equivalents

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

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

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

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

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

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

6. Financial borrowings

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

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

6. Financial borrowings (continued)

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

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

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

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

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

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

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

6. Financial borrowings (continued)

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

7. Trade receivable and payables

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

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

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

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

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

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

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

7. Trade receivable and payables (continued)

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

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

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

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

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

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

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

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

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

8. Other receivable and payables

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

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

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

9. Inventories

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

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

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

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

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

10. Prepaid expenses and deferred income

Prepaid expenses:

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

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

Deferred income:

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

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

11. Current income tax assets

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

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

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

12. Discontinued operations

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

Statement of discontinued profit or loss:

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

Net cash flows from discontinued operations:

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

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

13. Investments accounted using the equity method

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

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

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

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

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

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

13. Investments accounted using the equity method (continued)

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

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

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

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

13. Investments accounted using the equity method (continued)

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

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

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

Impairment test and sensitivity analysis

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

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

The sensitivity table for valuation assumptions is as follows:

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

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

14. Investment properties

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

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

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

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

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

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

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

15. Property, plant and equipment

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

	December 31, 2015	Reclasification effect(Note 2.6)	January 1, 2016	Addition	Disposal	Foreign currency translation differences	Transfers	Revaluation	Disposal within scope of consolidation	December 31, 2016
Cost:										
Land	134.396.948	(1.481.764)	132.915.184	2.428.884	(117.134)	656.230	-	33.525.460	(105.000.000)	64.408.624
Land improvements	13.127.246	(2.566.485)	10.560.761	1.325.962	(210.580)	-	-	-	(355.361)	11.320.782
Buildings	184.158.633	(1.826.516)	182.332.117	4.474.551	(1.432.057)	1.507.991	230.011	-	(106.899)	187.005.714
Machinery, equipment and moulds	129.406.881	-	129.406.881	14.131.217	(270.544)	1.354.509	5.399.198	-	(79.976.458)	70.044.803
Port facility (*)	350.220.427	-	350.220.427	56.540.293	(9.121.236)	-	662.566	-	-	398.302.050
Motor vehicles	5.847.415	-	5.847.415	5.929.918	(247.437)	20.084	-	-	(6.599.301)	4.950.679
Furniture and fixtures	15.439.612	-	15.439.612	1.498.890	(155.796)	62.704	24.594	-	(7.360.782)	9.509.222
Other tangible assets	3.878.973	-	3.878.973	266.219	(19.237)	-	5.230	-	(2.271.607)	1.859.578
Leasehold improvements	4.214.766	-	4.214.766	2.185.446	(273.039)	-	295.463	-	(2.931.801)	3.490.835
Construction in progress	37.413.615	5.558.872	42.972.487	20.580.946	(4.504.145)	123.236	(6.777.786)	-	(11.248.459)	41.146.279
Total	**878.104.516**	**(315.893)**	**877.788.623**	**109.362.326**	**(16.351.205)**	**3.724.754**	**(160.724)**	**33.525.460**	**(215.850.668)**	**792.038.566**
Accumulated depreciation:										
Land improvements	13.413.772	(2.861.179)	10.552.593	28.183	-	-	-	-	(182.727)	10.398.049
Buildings	58.374.885	(3.013.586)	55.361.299	8.216.485	(1.158.847)	115.264	-	-	(20.003)	62.514.198
Machinery, equipment and moulds	61.722.327	-	61.722.327	15.294.125	(179.845)	208.107	-	-	(42.341.027)	34.703.687
Port facility (*)	26.100.000	-	26.100.000	20.798.906	(45.808)	-	-	-	-	46.853.098
Motor vehicles	2.875.774	-	2.875.774	1.644.979	(55.011)	6.188	-	-	(1.771.123)	2.700.807
Furniture and fixtures	13.445.044	-	13.445.044	991.738	(105.816)	28.850	-	-	(6.284.135)	8.075.681
Other tangible non-current assets	3.916.624	-	3.916.624	58.546	-	-	-	-	(2.123.132)	1.852.038
Leasehold improvements	3.740.276	-	3.740.276	512.437	-	-	-	-	(2.634.802)	1.617.911
Total	**183.588.702**	**(5.874.765)**	**177.713.937**	**47.545.399**	**(1.545.327)**	**358.409**	**-**	**-**	**(55.356.949)**	**168.715.469**
Net value	**694.515.814**		**700.074.686**							**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.

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

15. Property, plant and equipment (continued)

	December 31, 2014	Reclassification effect	January 1, 2015	Addition	Disposal	Foreign currency translation differences	Transfer	Revaluation	December 31, 2015
Cost:									
Land	116.116.977	(1.481.764)	114.635.213	17.831.744	-	440.058	8.169	-	132.915.184
Land improvements	6.506.920	2.435.000	8.941.920	1.306.379	-	-	312.462	-	10.560.761
Buildings	183.027.571	(7.553.001)	175.474.570	5.850.285	(116.357)	1.011.089	112.530	-	182.332.117
Machinery, equipment and moulds	120.589.965	-	120.589.965	6.982.954	(249.666)	1.038.590	1.045.038	-	129.406.881
Port facility (*)	266.927.621	-	266.927.621	41.292.806	-	-	-	42.000.000	350.220.427
Motor vehicles	4.933.119	-	4.933.119	1.486.349	(812.834)	13.825	226.956	-	5.847.415
Furniture and fixtures	14.416.840	-	14.416.840	969.847	(27.920)	80.845	-	-	15.439.612
Other tangible assets	3.878.973	-	3.878.973	-	-	-	-	-	3.878.973
Leasehold improvements	2.897.802	725.000	3.622.802	591.964	-	-	-	-	4.214.766
Construction in progress	32.661.847	3.428.955	36.090.802	10.083.563	(277.630)	746.732	(3.670.980)	-	42.972.487
Total	**751.957.635**	**(2.445.810)**	**749.511.825**	**86.395.891**	**(1.484.407)**	**3.331.139**	**(1.965.825)**	**42.000.000**	**877.788.623**
Accumulated depreciation:									
Land improvements	10.702.457	(2.324.000)	8.378.457	2.174.136	-	-	-	-	10.552.593
Buildings	56.919.634	(3.550.765)	53.368.869	1.653.136	-	339.294	-	-	55.361.299
Machinery, equipment and moulds	51.201.413	-	51.201.413	9.990.125	(100.074)	639.255	(8.392)	-	61.722.327
Port facility (*)	7.600.000	-	7.600.000	18.500.000	-	-	-	-	26.100.000
Motor vehicles	2.301.707	-	2.301.707	1.335.127	(779.234)	18.174	-	-	2.875.774
Furniture and fixtures	12.695.479	-	12.695.479	676.239	(20.736)	94.062	-	-	13.445.044
Other tangible assets	3.532.962	-	3.532.962	383.662	-	-	-	-	3.916.624
Leasehold improvements	3.531.891	-	3.531.891	208.385	-	-	-	-	3.740.276
Total	**148.485.543**	**(5.874.765)**	**142.610.778**	**34.920.810**	**(900.044)**	**1.090.785**	**(8.392)**	**-**	**177.713.937**
Net value	**603.472.092**		**606.901.047**						**700.074.686**

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

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

15. Property, plant and equipment (continued)

Fair value determination of Port facility

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

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

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

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

16. Intangible assets

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

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

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

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

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

17. Provisions, contingent assets and liabilities

17.1 Debt provisions

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

17.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

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

2) The ongoing lawsuits filed against the Group:

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

17.3 Pledges and guarantees given/received:

1) CPMB’s given

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

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

(1) Consists guarantees given for bank loan agreements.

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

17. Provisions, contingent assets and liabilities (continued)

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

					December 31, 2016
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantees	209.085.000	137.601.250	1.246.298.809	400.430.000	1.646.728.809
Letter of guarantee	10.000.000	3.600.000	48.547.640	96.999.473	145.547.113
Guarantee cheques	-	-	-	120.000	120.000
	219.085.000	**141.201.250**	**1.294.846.449**	**497.549.473**	**1.792.395.922**

					December 31, 2015
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantees	328.941.175	118.101.250	1.331.707.892	891.983.000	2.223.690.892
Letter of guarantee	-	1.100.000	3.495.360	76.480.766	79.976.126
Guarantee cheques	-	-	-	120.000	120.000
Guarantee notes	-	-	-	1.000.000	1.000.000
	328.941.175	**119.201.250**	**1.335.203.252**	**969.583.766**	**2.304.787.018**

2) CPMBs received

					December 31, 2016
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Mortgages	-	-	-	1.761.680	1.761.680
Letter of guarantee	72.168	9.040.000	33.791.470	5.812.494	39.603.964
Guarantee notes	-	-	-	2.909.983	2.909.983
	72.168	**9.040.000**	**33.791.470**	**10.484.157**	**44.275.627**

					December 31, 2015
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Mortgages	-	70.200	223.068	30.773.180	30.996.248
Cheques of guarantee	540.000	-	1.570.104	130.000	1.700.104
Letter of guarantee	-	9.000.000	28.598.400	3.215.500	31.813.900
Guarantee notes	810.620	5.000	2.372.847	3.897.983	6.270.830
	1.350.620	**9.075.200**	**32.764.419**	**38.016.663**	**70.781.082**

The Group has no right to sell or revaluate its CPMBs as a guarantee, pledge or mortgage unless the owner of the guarantee fails to meet its financial obligations. (31 December 2015: None).

17.4 Commitment cheques and notes

The Group makes commitment cheque and notes collections from the dealers in accordance with the sales target and the maturities distribution of these targets of the dealer for the upcoming year and considers these cheques and notes as the tonnage purchase commitments of the dealers. Based on these commitments, the Group makes the work plan of production, raw material and labour force for the upcoming year. The total balance of commitment cheques received by the Group as of December 31, 2016 is TL 126.953.010 (December 31, 2015: TL 139.982.569).

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

17. Provisions, contingent assets and liabilities (continued)

17.5 Restrictions on real estate properties

Annotations and restrictions on Group's real estate properties are as below:

December 31, 2016:

Endorsee	Real Estate	Annotation Description	Date
Polisan Holding:			
Türkiye Elektrik Kurumu A.Ş.	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Deed of restriction of rent	23.11.1983
İ.E.T.T Genel Müdürlüğü	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Right of way and deed of restriction of car park facility	11.12.1978
Polisan Kimya:			
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	22.01.2003
Şengün Ailesi Mirasçıları	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of promise of sale	13.03.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1. Asliye Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Cautionary judgement	11.10.2011
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	05.09.1986
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Servitude	26.05.1987
Dilovası Belediyesi	Land-Muallim-2/Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Polisan Yapı:			
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Land-Center District of Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land-Center District of Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Building-Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
T.C. Pendik Sulh Hukuk Mahkemesi	Farm-Şeyhli Disctrict of Kağıthane/İstanbul	Deed of restriction of law the dividing up of an undivided property	24.09.2009

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

17. Provisions, contingent assets and liabilities (continued)

17.5 Restrictions on real estate properties (continued)

December 31, 2015:

Endorsee	Real Estate	Annotation Description	Date
Polisan Holding:			
Türkiye Elektrik Kurumu A.Ş.	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Deed of restriction of rent	23.11.1983
İ.E.T.T Genel Müdürlüğü	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Right of way and deed of restriction of car park facility	11.12.1978
Polisan Kimya:			
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	22.01.2003
Şengün Ailesi Mirasçıları	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of promise of sale	13.03.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Sulh Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1. Asliye Hukuk Mahkemesi	Land-Tavşanlı/Gebze/Kocaeli	Cautionary judgement	11.10.2011
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	05.09.1986
Botaş A.Ş.	Land-Tavşanlı/Gebze/Kocaeli	Servitude	26.05.1987
Dilovası Belediyesi	Land-Muallim-2/Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Polisan Yapı:			
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Land-Center District of Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land-Center District of Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
Türkiye Elektrik Kurumu Genel Md.	Building-Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building-Kağıthane/İstanbul	Sale on flat for land method	21.11.2006
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
TOKİ	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
T.C. Pendik Sulh Hukuk Mahkemesi	Farm-Şeyhli Disctrict of Kağıthane/İstanbul	Deed of restriction of law the dividing up of an undivided property	24.09.2009

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

18. Employee benefits

Short term employee benefit obligations

	December 31, 2016	December 31, 2015
Employee benefit obligations		
Social security premiums payable	2.046.986	1.591.634
Payables to personnel	1.748.020	2.831.286
Taxes and duties payable	803.579	900.161
Total	**4.598.585**	**5.323.081**

Long term provisions for employee benefits

Long term employee benefits	December 31, 2016	December 31, 2015
Provisions for employee termination benefits	6.951.025	10.127.250
Provisions for unused vacation pay	1.575.433	2.841.050
Total	**8.526.458**	**12.968.300**

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

	2016	2015
January 1	2.814.050	3.066.978
Provision expense/income for the current period, net	805.862	(225.928)
Disposal within scope of consolidation	(2.044.479)	-
December 31	**1.575.433**	**2.841.050**

Provision for employee termination benefits

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law’s 60th clause which is still effective. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TL 4.297,21 as of December 31, 2016 (December 31, 2015: TL 3.828.37).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. IAS19 (Employee Benefits) requires the recognition of liabilities of the Company by using the actuarial valuation method within the scope of defined benefit plans. The actuarial assumptions considered in the calculation of the liability are explained below:

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

18. Employee benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As of December 31, 2016, provision for employee termination benefits stated in the accompanying consolidated financial statements, has been calculated by estimating the present value of the future probable obligation of the retirement of employees. As of December 31, 2016, the provision has been calculated by taking into consideration an real discount rate of 4,21% (December 31, 2015: 4,74 % real discount rate) based on the assumption of an annual 7% inflation rate and 11,5% discount rate. The estimated severance payment amount, which is not paid due to the voluntary resignations and that the estimated rate of severance pay amount which is not paid because of arbitrary leaving and will remain to the company is also considered. The turnover rate to estimate the probability of retirement for the Group is calculated as 91.85 % (December 31, 2015: 92.60%) and discounted employee termination benefit is calculated based on this rate.

Provision of Polisan Hellas SA has been calculated based on assumptions of an annual inflation rate of 1.75% and a discount rate of 1.45%.

The movement of the severance payment provision of the Group for the periods ended December 31, 2016 and December 31, 2015 is as follows:

	2016	2015
January 1	**10.127.250**	**8.584.188**
Payments	(2.768.992)	(2.024.468)
Interest cost	818.085	738.492
Current year service cost	965.786	1.125.551
Actuarial loss	5.983.999	1.703.487
Disposal within scope of consolidation	(8.175.103)	-
December 31	**6.951.025**	**10.127.250**

Sensitivity analysis of significant assumptions used in the calculation of provision for employee termination benefits as of 31 December 2016 is as follows:

	Interest rate	
	1% increase	**1% decrease**
Changes in provisions for employee termination benefits	**(434.621)**	495.967
	Inflation rate	
	1% increase	**1% decrease**
Changes in provisions for employee termination benefits	**513.186**	(455.675)

19. Other assets and liabilities

Other current assets of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Other current assets		
Deferred VAT	2.616.762	10.917.539
Other	53.952	1.035
Total	**2.670.714**	**10.918.574**

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

19. Other assets and liabilities (continued)

	December 31, 2016	December 31, 2015
Short term other liabilities		
Accrued expenses	3.673.389	1.599.120
Taxes payable	2.774.962	2.351.606
Total	**6.448.351**	**3.950.726**

20. Capital, reserves and other equity items

The share capital of the Company is TL 370.000.000 and composed of 370.000.000 shares each with a nominal value of TL 1, which all have only one voting right and are registered in owner's name. As of December 31, 2016 and December 31, 2015 the Group's partnership structure is as follows:

	December 31, 2016		December 31, 2015	
	Share (%)	**Amount**	**Share (%)**	**Amount**
Necmettin Bitlis	15,18	56.163.449	15,18	56.163.449
Ahmet Faik Bitlis	10,20	37.756.717	10,20	37.756.717
Fatma Nilgün Kasrat	10,20	37.756.717	10,20	37.756.717
Ali Fırat Yemeniciler	0,95	3.502.500	0,95	3.502.500
A.Melike Bitlis (Bush)	10,20	37.756.717	10,20	37.756.717
Mehmet Emin Bitlis	16,89	62.493.625	16,89	62.493.625
Ahmet Ertuğrul Bitlis	16,89	62.493.625	16,89	62.493.625
Alaattin Bitlis	1,36	5.018.350	1,36	5.018.350
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Selahaddin Bitlis	2,21	8.161.175	2,21	8.161.175
Erol Mizrahi	1,89	7.005.000	1,89	7.005.000
Galip Demirel	0,77	2.836.850	0,77	2.836.850
Güldal Akşit	1,15	4.255.275	1,15	4.255.275
Serdar Demirel	1,11	4.117.343	1,15	4.255.275
Melda Bitlis	0,28	1.050.750	0,28	1.050.750
Burcu Bitlis	0,28	1.050.750	0,28	1.050.750
Banu Bitlis	0,28	1.050.750	0,28	1.050.750
Şark Mensucat	0,04	137.932	-	-
Publicly traded (*)	8,40	31.063.425	8,40	31.063.425
	100	**370.000.000**	**100**	**370.000.000**
Adjustment to share capital		1.467.266		1.467.266
Total		**371.467.266**		**371.467.266**

(*) As of December 31, 2016, the shareholding rate of Şark Mensucat Fabrikaları AŞ, a related party the Group, in the listed shares of the Company is 6,360%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 719.096 in listed shares of the Company (As of December 31, 2015, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., a related party of the Group, in the listed shares of the Company was 6,309%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL435.380 in listed shares of the Company).

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

Polisan Holding A.Ş. has increased its paid-in capital by cash in the amount of TL 200.000.000 from TL 150.250.000 to TL 350.250.000 along with the extraordinary general assembly decision dated 15 February 2012. Later, Polisan Holding A.S. has increased its capital to TL 370.000.000 from TL 350.250.000 through a public offering on 16-17-18 May 2012 by restricting the pre-emptive rights of the shareholders whereas TL 19.750.000 nominal shares have been sold on the Stock Exchange.

Restricted Reserves

Restricted reserves comprise of legal reserves. The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Share Premium/discounts

The Company offered 5,34% of its paid-in capital to the public on 16-17-18 May 2012, representing TL 19.750.000 nominal shares at a price of TL 2,25 for each share with a nominal value of TL 1 and TL 24.687.500 has been recorded as "Share Premium" under the shareholders’ equity. Commission, advertisement and legal consultancy expenses beared in consequence of initial public offering amounting to TL 1.557.280, has been represented under shareholders’ equity after being deducted from premium shares.

Dividend distribution

The companies quoted on the Stock Exchange distribute dividends as per the CMB’s Communique Serial II, Number: 19.1 regarding to the dividends, which is effective as of February 1, 2015.

Listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their articles of associations or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

Inflation adjustments on equity and nominal amounts of extra-ordinary reserves can be used in issuance of free capital shares to existing shareholders, cash dividend distribution or offsetting losses. However in case the inflation adjustments used in cash dividend distribution those will be subject to the corporate taxation.

According to the Board Decision dated 15 March 2016; it’s been decided to make dividend payment amounting to TL 13.500.000, based on the net distributable profit after deduction of TL 1.075.986 legal reserves calculated over legal records and addition of TL 4.331.000 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1. (2015 – TL 12.000.000).

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

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

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

	December 31, 2016	December 31, 2015
Tangible asset revaluation fund	264.940.235	336.683.438
- tax effect	(52.988.047)	(67.336.688)
Employment termination benefits actuarial gain/(loss) fund	(11.517.875)	(5.533.876)
- tax effect	2.303.575	1.106.775
Share of equity holders of the parent	**202.737.888**	**264.919.649**
Non-controlling interest		
Employment termination benefits actuarial gain/(loss) fund	39.968	31.133
- tax effect	(7.993)	(6.227)
	31.975	**24.906**
Total	**202.769.863**	**264.944.555**

Actuarial gains and losses employee benefits provisions

In accordance with the amendment in IAS 19 "Employee Benefits", the actuarial gains / losses on calculation of employee benefit provisions were not permitted to be recognised in the statement of profit or loss. Accordingly, gains and losses arising from changes of actuarial assumptions are recognized under equity.

The actuarial gain/loss of employment termination benefits are the item which are not to be reclassified to profit or loss.

Non-controlling interests

The non-controlling interests attributable to the parent company and its subsidiaries are deducted from all shareholders' equity items, including the paid-in/issued capital of the subsidiaries within the scope of consolidation and is recognized as "Non-controlling Interests" under the shareholders' equity of consolidated balance sheet.

The movement of non-controlling interests is as follows;

Non-Controlling Interest	2016	2015
January 1	19.129.418	18.032.460
Share of total comprehensive income	1.936.464	2.344.264
Dividend payments	(1.198.306)	(1.198.306)
Share purchases of the parent company	-	(49.000)
December 31	**19.867.576**	**19.129.418**

Other reserves:

The Company acquired shares of Poliport (2012) and Polisan YapıKim (2015) at a ratio of 22,23% and 49% respectively from non-controlling shareholders. Difference between the acquisition cost and carrying amount of net assets at a ratio of acquired share amounting to TL 208.011.543 and TL 716.289 respectively are recognized under "Other Reserves" account in consolidated statement of changes in equity.

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

21. Revenue and cost of sales

Details regarding to sales and cost of sales for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Domestic sales	370.700.662	301.787.680
Foreign sales	101.552.834	136.068.912
Gross sales	**472.253.496**	**437.856.592**
Sales returns	(1.658.543)	(3.833.372)
Sales discounts	(215.556)	(128.784)
Other discounts	(48.109)	(10.179)
Sales deductions (-)	**(1.922.208)**	**(3.972.335)**
Net sales	**470.331.288**	**433.884.257**

Cost of sales	January 1 - December 31, 2016	January 1 - December 31, 2015
Direct raw material and supply expenses	201.575.151	195.861.180
Direct labour expenses	7.258.839	5.378.166
Production overheads	28.729.832	20.119.400
Depreciation and amortization	6.805.092	6.327.224
Changes in work in process inventory		
- Opening inventories	1.633.905	2.999.322
- Closing inventories	(1.455.568)	(1.633.905)
Changes in finished goods inventory		
- Opening inventories	12.991.321	19.294.047
- Closing inventories	(15.876.859)	(12.991.321)
Cost of goods sold	**241.661.713**	**235.354.113**
- Inventories at the beginning of the period	450.026	903.986
- Purchases during the period	29.199.538	41.530.714
- Inventories at the end of the period	(326.912)	(450.026)
Cost of merchandise sold	**29.322.652**	**41.984.674**
Personnel expenses	44.959.254	26.657.636
Other service expenses	41.592.572	37.732.316
Depreciation and amortization	25.724.282	20.744.608
Cost of services rendered	**112.276.108**	**85.134.560**
Cost of other sales	**56.974**	**24.811**
Total cost of sales	**383.317.447**	**362.498.158**

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

22. General administrative, marketing, research and development expenses

The Group's operating expenses for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Research and development expenses		
Personnel expenses	933.866	707.450
Depreciation expenses	269.400	120.332
Repair and maintenance costs	81.398	-
Provision for severance pay	62.449	33.082
Office expenses	57.553	109.445
Travel expenses	12.879	9.477
Other	280.428	278.269
Total	**1.697.973**	**1.258.055**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Marketing expenses		
Shipping costs	12.257.232	11.208.048
Personnel expenses	2.216.054	1.971.443
Consultation expenses	657.781	431.718
Depreciation expenses	881.395	976.938
Vehicle expenses	376.652	252.765
Travel expenses	274.239	170.623
Hospitality expenses	160.312	50.421
Office expenses	153.924	79.636
Advertising, exhibitions, organizations, stands and promotional expenses	119.313	202.091
Provision for severance pay	97.149	52.908
Communication expenses	53.126	55.221
Rent expenses	27.318	181.051
Taxes, duties and charges	22.480	27.850
Other	974.972	362.512
Total	**18.271.947**	**16.023.225**

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

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

	January 1 - December 31, 2016	January 1 - December 31, 2015
General administrative expenses		
Personnel expenses	9.034.984	9.976.589
Taxes, duties and charges	3.736.507	3.430.422
Depreciation expenses	3.258.004	1.121.386
Consulting and legal expenses	1.308.632	1.398.365
Insurance expenses	1.230.381	1.508.783
Subscriber fees and expenses	501.523	578.685
Provision for severance pay	442.144	158.966
Rent expenses	373.721	385.000
Vehicle expenses	290.739	437.330
Travel expenses	272.602	264.100
Repair and maintenance costs	185.335	229.325
Hospitality expenses	124.723	108.884
Communication expenses	99.582	69.347
Office expenses	80.122	115.316
Contributions and donations	22.886	24.605
Other	218.657	698.608
Total	**21.180.542**	**20.505.711**

23. Expenses by nature

	January 1 - December 31, 2016	January 1 - December 31, 2015
Depreciation and amortization		
Cost of goods and services rendered	25.724.282	20.744.608
Cost of goods sold	6.805.092	6.327.224
General administrative expenses	3.258.004	1.121.386
Marketing expenses	881.395	976.938
Research and development expenses	269.400	120.332
Total	**36.938.173**	**29.290.488**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Personnel expenses		
Cost of goods sold and services rendered	44.959.254	26.657.636
General administrative expenses	9.034.984	9.976.589
Cost of goods sold	7.258.839	5.378.166
Marketing expenses	2.216.054	1.971.443
Research and development expenses	933.866	707.450
Total	**64.402.997**	**44.691.284**

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

24. Other income and expenses from operations

The Group’s other income / expenses from operations for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Other operating income		
Foreign exchange gains	7.158.381	5.447.849
Deferred financial income	1.730.060	273.071
Rent income	803.833	719.958
Incentive income	288.256	282.766
Provisions no longer required	30.119	191.716
Insurance income	29.326	-
Other	821.540	5.501.720
Total	**10.861.515**	**12.417.080**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Other operating expenses		
Foreign exchange losses	2.748.011	1.159.399
Deferred financial expense	1.629.689	1.495.828
Allowance for doubtful receivables	1.084.137	5.381.041
Allowance for other receivables	1.113.717	-
Provision for inventory impairment	397.911	736.149
Other	981.131	348.789
Total	**7.954.596**	**9.121.206**

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

25. Income and expenses from investment activities

The Group's income and expenses from investing activities for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Income from investment activities		
Gain on sale of subsidiary shares (Note 3)	436.789.176	-
Gain on revaluation of investment property (Note 14)	19.629.057	13.132.327
Gain on sale of fixed assets	21.512	508.683
Gain on sale of securities	-	81.115
Gain on sale of investment properties	-	50.707
Other	1.479.464	-
Total	**457.919.209**	**13.772.832**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Expenses from investment activities		
Loss on sale of fixed assets	6.911	-
Other	33.309	15.608
Total	**40.220**	**15.608**

26. Financial income and expenses

The Group's financial income and expenses for the periods ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Financial income		
Foreign exchange gains	3.705.193	13.673.429
Interest income	261.035	684.282
Total	**3.966.228**	**14.357.711**

	January 1 - December 31, 2016	January 1 - December 31, 2015
Financial expenses		
Interest expenses	16.017.352	13.906.254
Foreign exchange losses	14.077.130	25.317.241
Letters of guarantee commission expenses	791.210	652.749
Bank charges and pos expenses	207.233	287.756
Total	**31.092.925**	**40.164.000**

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

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

Corporate tax

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

Corporate tax is calculated on tax basis which is the total income of the Company after adding of certain disallowable expenses, deducting of income exemptions which are not subjected to tax and other deductions (prior periods' losses if any and investment incentives if considered). The corporate tax rate is 20% in Turkey (2015: 20%).

The tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The tax rate applied in taxation of temporary corporate income of companies is 20% (2015: 20%). The tax rate of the subsidiary of the Group operating in Greece is 29% (2015: 20%). Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for final and definitive agreement on tax assessment. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In addition to the corporate taxation, it is required to calculate income withholding tax for the parties who obtain dividend income if it is distributed and which are not subject to corporate taxation and include the dividend income on its corporate income or who are not foreign companies. The income withholding tax rate is 15%.

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

Corporate income tax liability accounted in statement of the financial position as of December 31, 2016 and December 31, 2015 is as below:

Current income tax liability	**December 31, 2016**	**December 31, 2015**
Provision for corporate taxes	16.640.994	13.819.236
Prepaid taxes and funds	(8.505.066)	(9.656.429)
Corporate tax payable	**8.135.928**	**4.162.807**

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

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

Deferred Tax

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between financial statements as reported in accordance with the TAS/TFRS and its tax purpose financial statements. These differences stated as below, are based on time difference of various income and expenses between financial statements as reported in accordance with the TAS/TFRS and its tax purpose financial statements.

	December 31, 2016		December 31, 2015	
	Cumulative differences	**Asset/ (liability)**	**Cumulative differences**	**Asset/ (liability)**
Property, plant and equipment and intangible assets	520.560.688	(66.632.478)	540.807.839	(76.463.401)
Deferred finance income	138.998	(27.800)	653.536	(130.707)
Deferred finance expense	(1.508.654)	287.075	(9.722.659)	1.944.532
Provision for employee termination benefits	(6.951.025)	1.417.504	(10.127.250)	2.025.450
Unused vacation pay liability	(1.575.433)	315.087	(2.841.050)	568.210
Allowance for doubtful receivables	(684.984)	167.564	(3.618.008)	744.051
Adjustment for inventories	(922.298)	227.402	(3.616.845)	756.329
Impairment of subsidiary and associate	(291.295)	14.565	(291.295)	14.565
Tax losses carry forwards	(15.189.160)	3.780.864	(36.356.852)	7.992.770
Investment incentive income	(13.930.582)	1.532.364	(14.175.290)	1.559.282
Litigation provision	(599.463)	119.893	(268.988)	53.798
Money point provisions	-	-	(1.030.200)	206.040
Other	(3.154.890)	811.048	(1.716.568)	422.045
Deferred tax liability, net	**475.891.902**	**(57.986.912)**	**457.696.370**	**(60.307.036)**
Deferred tax asset		16.151.858		17.074.309
Deferred tax liability		(74.138.770)		(77.381.345)
Deferred tax liability, net		**(57.986.912)**		**(60.307.036)**

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

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

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

	2016	2015
January 1	(60.307.036)	(59.796.172)
Tax expense of continuing operations	1.265.870	6.681.240
Tax expense of discontinuing operations	863.358	(124.441)
Deferred tax effect of tangible asset revaluation	(1.768.163)	(8.400.000)
Deferred tax effect of actuarial gain/loss	1.196.800	340.697
Currency translation differences	3.769.014	991.640
Disposal within scope of consolidation	(3.006.755)	-
December 31	**(57.986.912)**	**(60.307.036)**

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

Tax expense/(income)	January 1 - December 31, 2016	January 1 - December 31, 2015
Tax expense for the period	(16.640.994)	(11.668.091)
Deferred tax income/(expense)	1.265.870	6.681.240
Total	**(15.375.124)**	**(4.986.851)**

The tax reconciliation of the Group as of December 31, 2016 and 2015 is as below;

	January 1 - December 31, 2016	January 1 - December 31, 2015
Profit before tax	478.943.062	27.893.064
Tax expense calculated using 20% local tax rate	(95.788.612)	(5.578.613)
Tax effect:		
- Effect of non-tax deductible expenses	(443.021)	(223.557)
Effect of non-taxable income	82.029.413	1.071.805
Tax rate differences	240.796	-
Current period tax income for which deferred tax asset is not recognized	(1.413.722)	(97.660)
Other	22	(158.826)
Tax expense	**(15.375.124)**	**(4.986.851)**

28. Earnings/ (losses) per share

Earnings per share is determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned. As of December 31, 2016 and 2015, earnings per share of the Group are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Profit from continuing operations for the period(TL) (parent)	461.631.474	20.561.949
Profit from discontinuing operations for the period (TL)	10.959.273	12.462.256
Weighted average of ordinary shares issued	370.000.000	370.000.000
-Earnings per share from continuing operations	1,248	0,055
-Earnings per share from discontinuing operations	0,029	0,034
Earnings per share (TL)	**1,277**	**0,089**

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

29. Related party disclosures

a) Key management compensation

The total amount of wage and salaries and similar benefits paid to the key management is TL 2.965.792 for the period January 1 - December 31, 2016. The TL 2.410.336 of related amount is comprised from wage and salaries, TL 555.456 of the related amount is comprised of bonuses (January 1 - December 31, 2015: TL 2.670.470). Key management of the Group is identified as Board members, general manager and vice general managers.

b) Trade receivables from related parties

	December 31, 2016	December 31, 2015
Trade receivables from related parties		
Şark Mensucat Fabrikası A.Ş (**)	116.691	89.588
Rohm and Haas (*)	710.254	609.597
Polisan Kansai Boya (***)	10.125.143	-
	10.952.088	**699.185**
Deferred financial expense (-)	(80.344)	-
Total	**10.871.744**	**699.185**

c) Other receivables from related parties

	December 31, 2016	December 31, 2015
Other receivables from related parties		
Şark Mensucat Fabrikası A.Ş (**)	50.997.500	-
Rohm and Haas (*)	132.869	-
Total	**51.130.369**	**-**

d) Trade payables to related parties

	December 31, 2016	December 31, 2015
Trade payables to related parties		
Rohm and Haas (*)	115.310	11.434.458
Total	**115.310**	**11.434.458**

e) Other payables to related parties

	December 31, 2016	December 31, 2015
Other payables to related parties		
Mehmet Haluk Sevel	3.104	3.104
Recep Haldun Sevel	3.104	3.104
Total	**6.208**	**6.208**

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

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

29. Related party disclosures (continued)

f) Sales/purchases transaction with related parties

Purchases:

	January 1 - December 31, 2016		January 1 – December 31, 2015	
	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş
Raw material	-	43.484.156	-	47.306.936
Service	-	203.462	-	203.462
Foreign exchange differences	-	1.575.640	-	2.605.278
Total	**-**	**45.263.258**	**-**	**50.115.676**

Sales:

	January 1 - December 31, 2016		January 1 – December 31, 2015	
	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş
Finished goods	6.273	251.473	18.378	-
Services	461.224	5.643.296	423.738	5.037.439
Rent	9.609	-	8.942	-
Foreign exchange differences	-	160.324	-	-
Credit finance income	57.488	-	-	36.229
Total	**534.594**	**6.055.093**	**451.058**	**5.073.668**

The transactions with Rohm Haas, a related party of the Group, mainly consist of raw material purchases, and Şark Mensucat is finance activities. Except for the transactions mentioned above, the Group has transferred debt to Şark Mensucat amounting to TL 50.997.500 on December 27-28-30, 2016. There have been no guarantees received for related party receivables and payables. The Group charges interest to its related parties considering the market and maturity conditions of the sales recognized.

As of December 31, 2016 there is no impairment on trade receivables from related parties. (December 31, 2015: None)

30. Nature and level of risk derived from financial instruments

Financial risk management

The finance department of the Group is responsible to provide access to the financial markets regularly and to monitor the level and nature of risks which the Group is exposed via annual reports which analyse those. Such risks contain market risks (foreign exchange risk, interest rate risk), credit risk and liquidity risk.

Need for net working capital which is net of trade receivables, trade payables and inventories of the Group and considered as the most important determinant on the financial requirement of the Group is provided from the equity of the Group and short term bank loans when it is necessary. With this respect, as the "risk management" in terms of distribution of trade receivables, collection conditions and monitor of the credit risk is significant to the Group, credit risks of the customers are constantly reviewed.

Credit Risk

Credit risk is the risk that a counterparty cannot fulfil its obligations in the agreements that the Group is party to.

The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The Group is exposed to credit risk arising from receivables from customers. Credit risk of receivables from customers is managed by individual risk limitations and securing receivables with guarantees, collaterals, pledges and mortgages and guarantee cheques obtained from the customers.

The utilization of individual risk limitations are constantly reviewed by the Group and credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limitations of the customers are determined by the considering the credit history and the most available information. Trade receivables are accounted on net basis with respect to the accounting policies of the Group and presented with net balances in the statement of financial position when an allowance is accounted.

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

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

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

					December 31, 2016
	Receivables				
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Deposits in banks
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**10.871.744**	**131.780.780**	**51.130.369**	**4.008.822**	**91.153.022**
- The portion of the maximum risk secured with guarantees etc.	-	44.275.627	-	-	-
A.Net book value of neither past due nor impaired financial assets	10.871.744	112.084.609	51.130.369	4.008.822	91.153.022
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	18.065.296	-	-	-
- The portion secured with guarantees etc	-	(310.000)	-	-	-
D. Net book value of assets impaired	-	1.630.875	-	-	-
-Past due (gross book value)	-	18.875.960	-	-	-
-Impairment (-)	-	(17.245.085)	-	-	-
-The portion secured with guarantees	-	1.630.875	-	-	-
-Not past due (gross book value)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2016 is presented in **Note 17.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activieis and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

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

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

					December 31, 2015
	Receivables				
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Deposits in banks
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**699.185**	**403.045.531**	**-**	**2.257.698**	**103.098.003**
- The portion of the maximum risk secured with guarantees etc.	-	70.781.082	-	-	-
A.Net book value of neither past due nor impaired financial assets	699.185	372.584.743	-	2.257.698	103.098.003
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	27.930.213	-	-	-
- The portion secured with guarantees etc	-	(13.582.942)	-	-	-
D. Net book value of assets impaired	-	2.530.575	-	-	-
-Past due (gross book value)	-	29.996.691	-	-	-
-Impairment (-)	-	(27.466.116)	-	-	-
-The portion secured with guarantees	-	2.530.575	-	-	-
-Not past due (gross book value)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2015 is shown in **Note 17.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activieis and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

The Group has no material credit risk from a specific party as of December 31, 2016 (December 31 2015: None). The maximum amount of credit risk that the Group is exposed to is represented as carrying value of the financial assets in balance sheet.

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.

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

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

The liquidity risk tables of the Group is as follows:

31 December 2016

Maturities of the contract	Carrying value	Contractual cash-outflows	Less than 3 months	3-6 months	6-12 months	1-2 years
Financial liabilities	195.570.503	196.746.286	42.959.191	15.453.932	55.040.383	83.292.780
Trade payables	91.222.798	91.361.796	46.358.044	44.637.529	366.223	-
Employee benefit obligations	4.598.585	4.598.585	4.598.585	-	-	-
Other payables	804.840	804.840	804.840	-	-	-

31 December 2015

Maturity of the contract	Carrying value	Contractual cash-flows	Less than 3 months	3-6 months	6-12 months	1-2 years
Financial liabilities	556.017.376	571.661.415	97.391.647	88.228.170	257.907.562	128.134.036
Trade payables	145.618.019	146.271.555	126.927.021	19.227.624	116.910	-
Employee benefit obligations	5.323.081	5.323.081	5.323.081	-	-	-
Other payables	1.824.720	1.824.720	1.824.720	-	-	-

Market risk

As a result of its operations, the Company faces financial risks related to the changes in foreign exchange rates, interest rates and other financial contracts. Fluctuations in these market instruments create fluctuations on statement of profit or loss and equity of the Group.

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

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 and December 31, 2015, the foreign currency position of the Group is as follows:

					December 31, 2016
	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	7.102.631	1.281.164	699.199	-	-
2a. Monetary financial assets (Including cash, banks)	194.249.379	55.070.025	116.544	3.377	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	897.604	255.058	-	-	-
4. Current assets (1+2+3)	**202.249.614**	**56.606.247**	**815.743**	**3.377**	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	33.389.100	-	9.000.000	-	-
6b. Non-monetary financial assets	-		-	-	-
7. Other	-	-	-	-	-
8. . Non-current assets (5+6+7)	**33.389.100**	-	**9.000.000**	**-**	-
9. Total assets (4+8)	**235.638.714**	**56.606.247**	**9.815.743**	**3.377**	-
10. Trade payables	68.639.209	9.299.895	9.622.798	48.948	-
11. Borrowings	-	-	-	-	-
12a. Monetary liabilities	113.800.169	32.336.862	77	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**182.439.378**	**41.636.757**	**9.622.875**	**48.948**	-
14. . Trade payables	-	-	-	-	-
15. Borrowings	10.445.015	-	2.815.444	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**10.445.015**	**-**	**2.815.444**	**-**	-
18. Total liabilities (13+17)	**192.884.393**	**41.636.757**	**12.438.319**	**48.948**	-
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position(9-18+19)	**42.754.321**	**14.969.490**	**(2.622.576)**	**(45.571)**	-
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**41.856.717**	**14.714.432**	**(2.622.576)**	**(45.571)**	-

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

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

					December 31, 2015
	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	6.568.156	1.412.562	774.481	-	-
2a. Monetary financial assets (Including cash, banks)	38.854.613	6.708.882	6.085.803	2.237	1
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	**45.422.769**	**8.121.444**	**6.860.284**	**2.237**	**1**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	33.053.582	2.250	10.400.000	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**33.053.582**	**2.250**	**10.400.000**	**-**	**-**
9. Total assets (4+8)	**78.476.351**	**8.123.694**	**17.260.284**	**2.237**	**1**
10. Trade payables	44.912.596	10.045.414	4.932.516	1.564	73.219
11. Borrowings	243.525.566	40.412.470	39.659.577	-	-
12a. Monetary liabilities	13.441	2.000	2.400	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**288.451.603**	**50.459.884**	**44.594.493**	**1.564**	**73.219**
14. Trade payables	-	-	-	-	-
15. Borrowings	64.513.875	15.899.674	5.754.023	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**64.513.875**	**15.899.674**	**5.754.023**	**-**	**-**
18. Total liabilities (13+17)	**352.965.478**	**66.359.558**	**50.348.516**	**1.564**	**73.219**
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position(9-18+19)	**(274.489.127)**	**(58.235.864)**	**(33.088.232)**	**673**	**(73.218)**
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(274.489.127)**	**(58.235.864)**	**(33.088.232)**	**673**	**(73.218)**

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

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

Sensitivity analysis;

As of December 31, 2016 and December 31, 2015 the Group's profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a 10% increase or decrease in the foreign currency, with all other variables held constant.

As of December 31, 2016	**Profit/Loss before tax**		**Shareholder's equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	5.178.303	(5.178.303)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**5.178.303**	**(5.178.303)**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(972.949)	972.949	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(972.949)**	**972.949**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(19.682)	19.682	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(19.682)**	**19.682**	**-**	**-**
Total (3+6+9)	**4.185.672**	**(4.185.672)**	**-**	**-**

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

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

As of December 31, 2015	Profit/Loss before tax		Shareholder's equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	(16.932.660)	16.932.660	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**(16.932.660)**	**16.932.660**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(10.514.117)	10.514.117	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(10.514.117)**	**10.514.117**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(2.136)	2.136	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(2.136)**	**2.136**	**-**	**-**
Total (3+6+9)	**(27.448.913)**	**27.448.913**	**-**	**-**

Interest rate risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing financial liabilities. Although fixed rate loans and time deposits are not subject to the interest rate risk, for the operations of the Group, those will be affected from the interest rates will be realized in upcoming periods.

The interest rate position as of December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Fixed interest rate financial instruments		
Time deposits	84.073.080	80.040.672
Total	**84.073.080**	**80.040.672**
Fixed interest rate financial instruments		
Financial liabilities	195.570.503	553.890.510
Total	**195.570.503**	**553.890.510**
Floating interest rate financial instruments		
Financial liabilities	-	2.126.866
Total	**-**	**2.126.866**

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

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, 2016	December 31, 2015
Total financial liabilities	195.570.503	556.017.376
Less: Cash and cash equivalents (Note 5)	(91.206.315)	(103.196.750)
Net financial liabilities	**104.364.188**	**452.820.626**
Total equity	1.312.708.947	831.765.343
Invested capital	1.417.073.135	1.284.585.969
Net financial liabilities/invested capital ratio	**%7**	**%35**

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

In order to estimate the fair values, the market information needs to be interpreted and estimations need to be used. As a result, the estimations presented here, may not be the indicators of the amount that the Group could receive in a current market transaction.

The following methods and assumptions are used in estimating the fair value of financial instruments when possible.

Financial assets

The carrying value of cash and cash equivalents is considered to be approximate to their fair values. The carrying value of trade receivables, after doubtful receivables are deducted, is considered to be approximate to their fair values. The foreign currency denominated monetary items is translated into Turkish Lira by using period end exchange rates. Non-listed financial assets are measured at cost.

Financial liabilities

Foreign currency denominated monetary items is exchanged at year-end exchange rates. The fair values of short-term trade payables and other monetary liabilities are considered to be approximate to their carrying values since they are short term. The fair value of the long-term fixed interest bank borrowings are observed to be approximate to their carrying value when revalued with the fixed interest rate valid as of the date of the balance sheet. The carrying values of short-term bank borrowings are assumed to reflect their current values since they are short term.

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. Other matters

None.

33. Subsequent events

On January 12, 2017, a fuel oil transfer operation between the tanks at the port facility was detected by Poliport, where some fuel poured into the water and reached the sea at 8:30 am.

Emergency Procedures have been put into practice at the time of detection, the location reached by the fuel is blinded on the sea and the Group contacted simultaneously with the company providing mooring and guidance services to the Kocaeli Gulf Region. The company in question was included in the intervention operation immediately because it was mobilized on the Poliport ground and served the area from the ground. Emergency Response Squadrons initiated an intervention operation by laying a fence barrier over the sea to contain the pollution. Mare Deniz Temiz Hizmetleri A.Ş., which is contracted in line with the Coastal Facilities Emergency Response Plan, invited to the site at the time of the incident, and they reached the facility within 30 minutes to complete the barrier process and started cleaning operations.

Necessary notices had been submitted to Kocaeli Port Authority, Kocaeli Environmental Protection and Control Department and Kocaeli Environment and Urbanisation Department regarding the accident in oral and written form, and records were prepared with respect to findings.

Approximately 24 hours later, on January 13, 2017, Poliport was associated with the occurrence of sea pollution at a point 20 miles east of the Poliport plant. An administrative penalty amounting to TL 2.100.000 was charged to Poliport for causing environmental pollution on 18 January 2017. The Group management has filed a lawsuit against the aforementioned penalty since Poliport is not associated with the incidence and due to irregularities in the aforementioned decision and the legal process is ongoing. All cleaning operations have been completed in the port area and the business activity continues uninterruptedly.