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

Polisan Holding A.Ş.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Polisan Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Qualified Opinion

Financial statements of the Group's associate, which is owned by the Group at a ratio of 40% as of December 31, 2017 and titled as Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. ("Rohm and Haas"), are prepared in accordance with U.S. generally accepted accounting principles (US GAAP) as of and for the year ended December 31, 2017 and 2016, which are accounted using the equity method, are not audited. Therefore, a sufficient and appropriate audit evidence cannot be provided regarding TL 7.488.506 (2016 – TL 7.546.382) carried in "Investments accounted using the equity method" account in consolidated statement of financial position dated December 31, 2017 and TL 57.876 (2016 – TL 579.528) carried in "(Loss)/Profit from investments accounted using the equity method" account in consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017 related to Rohm and Haas. Additionally, any impact (if any) which may result from preparation of financial statements of Rohm and Haas in accordance with Turkish Accounting Standards cannot be determined as of December 31, 2017 and 2016.

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

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

3) Key Audit Matters

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

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

Key audit matter	Audit procedures in relation to key audit matter
Finalization of provisional accounting for sale of Polisan Kansai shares	
Polisan Holding transferred its 50% shares in Polisan Kansai Boya Sanayi ve Ticaret A.Ş.("Polisan Kansai Boya"), 100% subsidiary of Polisan Holding, to Kansai Paint Co. LTD.("Kansai") on December 21, 2016. In accordance with share sales agreement, management of Polisan Kansai Boya are jointly performed by Polisan Holding and Kansai and the decisions related with company shall require the affirmative votes of the parties. Therefore this transaction was considered as sales of shares of subsidiaries which causes loss of control and remaining interest of the Company in Polisan Kansai Boya was recognized with their fair values. The transaction has resulted in the recognition of TL 218.394.588 goodwill. Due to both the timing of when the acquisition was completed and the size and scale of the acquisition, the allocation of the purchase price and the determination of the fair values of identifiable assets acquired and liabilities assumed were only provisional as of 31 December 2016. Under TFRS 3 Business Combinations, Polisan Holding is permitted to revise its preliminary purchase price allocation during the 12 month measurement period following the date of the acquisition. Because of the significant scale of this transaction, the finalization of the provisional accounting adjustments to the purchase price allocation and the opening balance sheet assets and liabilities is a key audit matter.	• We audited the final opening balance sheet and purchase price allocation for material adjustments, • We assessed to key judgments, assumptions and calculations made by management. We obtained an understanding of the adjustments identified by management and management's specialists and we assessed the reasonableness of the adjustments by way of reference to TFRS 3, • We have considered the objectivity, independence and expertise of the external appraisers, • In respect of the fair value adjustments, we performed an evaluation of valuation methodologies, assessed the appropriateness of the underlying data used, and tested significant assumptions in conjunction with valuation experts of another firm in our audit network, • We also determined whether adjustments to the preliminary opening balance sheet and preliminary purchase price allocation fell within the measurement period as defined under TFRS 3.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 5, 2018.

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

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

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

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

Ferzan Ülgen, SMMM
Partner

March 5, 2018
İstanbul, Türkiye

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

Polisan Holding A.Ş.

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

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

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

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

Polisan Holding A.Ş.

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

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

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

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

Polisan Holding A.Ş.

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

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

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

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Polisan Holding A.Ş.

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

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

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

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

Polisan Holding A.Ş.

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

					Other accumulated comprehensive income/ expense not to be classified to profit or loss		Other accumulated comprehensive income/ expense to be classified to profit or loss							
					Revaluation and measurement gain / loss					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, 2017 (Previously reported)		**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**
Restatement effect (Note 2.7)		-	-	-	-	-	-	-	-	(21.073.517)	7.573.943	(13.499.574)	1.338.601	**(12.160.973)**
Balance at January 1, 2017 (Restated)		**370.000.000**	**1.467.266**	**23.130.220**	**(9.214.300)**	**211.952.188**	**(8.072.636)**	**28.530.253**	**(208.727.832)**	**390.111.948**	**480.164.690**	**1.279.341.797**	**21.206.177**	**1.300.547.974**
Dividends	20	-	-	-	-	-	-	-	-	(17.500.000)	-	(17.500.000)	-	**(17.500.000)**
Transfers to reserves and retained earnings		-	-	-	-	(307.038)	-	11.532.565	-	468.939.163	(480.164.690)	-	-	**-**
Total comprehensive income		-	-	-	(1.056.484)	101.255.001	(7.793.010)	-	-	-	98.631.272	191.036.779	5.422.349	**196.459.128**
- Profit for the period		-	-	-	-	-	-	-	-	-	98.631.272	98.631.272	2.515.202	**101.146.474**
- Other comprehensive income/expense		-	-	-	(1.056.484)	101.255.001	(7.793.010)	-	-	-	-	92.405.507	2.907.147	**95.312.654**
Balance at December 31, 2017		**370.000.000**	**1.467.266**	**23.130.220**	**(10.270.784)**	**312.900.151**	**(15.865.646)**	**40.062.818**	**(208.727.832)**	**841.551.111**	**98.631.272**	**1.452.878.576**	**26.628.526**	**1.479.507.102**
Balance at January 1, 2016 (Previously reported)		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**	**25.484.767**	**(208.727.832)**	**305.554.887**	**33.024.205**	**812.635.925**	**19.129.418**	**831.765.343**
Restatement effect (Note 2.7)		-	-	-	-	-	-	-	-	(21.073.517)	-	(21.073.517)	609.631	**(20.463.886)**
Balance at January 1, 2016 (Restated)		**370.000.000**	**1.467.266**	**23.130.220**	**(4.427.101)**	**269.346.750**	**(2.217.237)**	**25.484.767**	**(208.727.832)**	**284.481.370**	**33.024.205**	**791.562.408**	**19.739.049**	**811.301.457**
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)	**-**	-	**-**
Transactions with non-controlling interests		-	-	-	-	(89.151.859)		-	-	89.151.859	-	-	-	**-**
Total comprehensive income		-	-	-	(4.787.199)	31.757.297	(5.855.399)	-	-	-	480.164.690	501.279.389	2.665.434	**503.944.823**
- Profit for the period		-	-	-	-	-	-	-	-	-	480.164.690	480.164.690	2.665.434	**482.830.124**
- 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)**	**390.111.948**	**480.164.690**	**1.279.341.797**	**21.206.177**	**1.300.547.974**

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

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

Polisan Holding A.Ş.

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

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

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

Polisan Holding A.Ş.

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

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

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

1. Group's organisation and nature of operations

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

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

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

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

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

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

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

Subsidiaries:

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

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

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

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

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

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

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

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

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

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

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

Polisan Maroc S.A. (Maroc):

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

The average number of employees of the Company, it's subsidiaries and joint ventures for the year ended December 31, 2017 is 1.543 (31 December 2016 - 1.422). In calculating the average numbers, the number of employees of Polisan Kansai Boya was taken as an integer, not weighted by the group's feelings.

Joint ventures and Associates:

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

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

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

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

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

Rohm and Haas was established in 2004 and company's registered office is located in Içerenköy Mah. Umut Sok. No: 10/12 Kat: 3 Ataşehir / Istanbul. As of December 31, 2017 the average number of personnel employed by Rohm and Haas is 65 (December 31, 2016: 53).

Approval of the financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 5, 2018. The General Assembly has the authority to amend the consolidated financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable financial reporting standards

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

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

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

2.1.2 Functional and presentation currency

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

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

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

2.1.3 Financial statements of subsidiaries operating in countries other than Turkey

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

2. Basis of presentation of financial statements (continued)

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments – Classification and measurement
- TFRS 4 Insurance Contracts (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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

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

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

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.3 Changes in accounting policies, estimates and errors

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

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

2.4 Summary of significant accounting policies

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

Group accounting

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

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

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

As of December 31, 2017 and 2016 the Group's proportion of ownership interests of subsidiaries has been shown in the following table:

Title of the subsidiary	Shares owned by the Group (%)		Effective ownership rate (%)	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Polisan Kimya	100,00	100,00	100,00	100,00
Poliport	93,35	93,35	93,35	93,35
Polisan Yapı	100,00	100,00	100,00	100,00
Polisan Tarım	100,00	100,00	100,00	100,00
Polisan YapıKim (*)	-	100,00	-	100,00
Polisan Hellas	100,00	100,00	100,00	100,00
Polisan Rus Ltd. (**)	90,00	90,00	90,00	90,00
Polisan Maroc (***)	60,00	-	60,00	-

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

(**) The subsidiary is inactive.

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

2. Basis of presentation of financial statements (continued)

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

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

The table below sets out ownership interests of the Group in its joint ventures and associates included as of December 31, 2017 and 2016:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership rate (%)	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Polisan Kansai Boya	Joint venture	50,00	50,00	50,00	50,00
Rohm and Haas	Associate	40,00	40,00	40,00	40,00

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

Segment Reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Board of Directors is considered as the chief operating decision-maker (Note 3). The results of Polisan Kansai Boya, the Group's joint venture, continue to be monitored in detail by the chief operating decision-maker. Therefore, the results of Polisan Kansai Boya is included in the combined segment results with full consolidation (100%) method.

Related parties

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

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

2. Basis of presentation of financial statements (continued)

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

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

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

Financial instruments

Classification

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

(a) Cash and cash equivalents

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

(b) Trade receivables

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

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

2. Basis of presentation of financial statements (continued)

Financial liabilities

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

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

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

(a) Borrowings

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

(b) Trade Payables

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

Recognition and de-recognition of financial instruments

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

Inventories

Costs incurred in bringing each product to its present location and condition, are accounted as cost of inventories. The cost of inventories is determined with the weighted average method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

Property, plant and equipment

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

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

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

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

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

Port facility

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

Intangible assets

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

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

Borrowing costs

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

2. Basis of presentation of financial statements (continued)

Investment property

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

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

Assets held for sale

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

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

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

Impairment of non- financial assets

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

Financial leases

(a) The Group as the lessee

Finance leases

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

2. Basis of presentation of financial statements (continued)

Operational leases

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

(b) The Group as the lessor

Operational leases

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

Revenue

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

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

Service Revenues

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

Dividend Income and Interest Income

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

2. Basis of presentation of financial statements (continued)

Foreign currency transactions

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

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

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

Share purchase – sale transactions with non-controlling shareholders

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

Subsequent events

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

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

Provisions, contingent assets and liabilities

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

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

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

2. Basis of presentation of financial statements (continued)

Taxes on income

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

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

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

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

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

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

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

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

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

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

Provisions for employee benefits

(a) Provision for employee termination benefits

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

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

2. Basis of presentation of financial statements (continued)

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

(b) Defined contribution plans

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

(c) Vacation pay liability

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

Statement of cash flow

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

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

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

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

Government grants

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

Earnings per share

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

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

2.5 Significant accounting judgments, estimates and assumptions

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

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

2. Basis of presentation of financial statements (continued)

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

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

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

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

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

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

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

h) The Group considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as joint venture, affiliated at the rate of 50% and whose carrying value in the statement of financial position is TL 427.544.306 (December 31, 2016: 398.566.600 TL) as of December 31, 2017 for possible impairment in every reporting period. The impairment analysis includes significant assumption of company's cash flow projections (Note 13).

2. Basis of presentation of financial statements (continued)

2.6 Comparative information and restatement of prior year financial statements

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

2.7 Changes and errors in accounting policies/estimations

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

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

Adjustments on previous period consolidated financial statements:

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

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

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

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

B: Consists of the effect of described adjustments above.

3. Segment reporting

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

As of December 31, 2017 and December 31, 2016, total assets and liabilities are as follows:

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

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

3. Segment reporting (continued)

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

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Plus: Joint Venture Sharing profits and loses	Consolidation adjustments	Total
Revenue	624.656.272	618.031.875	139.672.603	118.280.990	12.136	**1.500.653.876**	(624.656.272)	-	(126.375.896)	**749.621.708**
- Intra segment revenue	586.828.580	584.885.285	125.755.168	38.969.119	12.136	**1.336.450.288**	(586.828.580)	-	-	**749.621.708**
- Inter segment revenue	37.827.692	33.146.590	13.917.435	79.311.871	-	**164.203.588**	(37.827.692)	-	(126.375.896)	**-**
Cost of sales (-)	(402.910.772)	(540.235.353)	(96.257.746)	(104.643.282)	(31.052)	**(1.144.078.205)**	402.910.772	-	109.719.381	**(631.448.052)**
Gross profit	**221.745.500**	**77.796.522**	**43.414.857**	**13.637.708**	**(18.916)**	**356.575.671**	**(221.745.500)**	**-**	**(16.656.515)**	**118.173.656**
Operational expenses/income, net	(149.760.119)	(48.741.572)	(7.127.162)	6.934.027	(1.625.384)	**(200.320.211)**	149.760.119	-	(2.046.925)	**(52.607.017)**
Loss from investments accounted using the equity method	-	(57.876)	-	-	-	**(57.876)**	-	22.957.220	-	**22.899.344**
Operating profit	**71.985.381**	**28.997.074**	**36.287.695**	**20.571.735**	**(1.644.300)**	**156.197.584**	**(71.985.381)**	**22.957.220**	**(18.703.440)**	**88.465.983**
Income from investment activities	(471.120)	1.571.498	(861.693)	983.715	9.986.736	**11.209.136**	471.120	-	-	**11.680.256**
Operating profit before financial income/expense	**71.514.261**	**30.568.572**	**35.426.002**	**21.555.450**	**8.342.436**	**167.406.720**	**(71.514.261)**	**22.957.220**	**(18.703.440)**	**100.146.239**
Financial expenses	(46.327.632)	(32.536.575)	(627.344)	21.835.664	(1.612.906)	**(59.268.793)**	46.327.632	-	11.092.401	**(1.848.760)**
Profit before tax from continuing operations	**25.186.629**	**(1.968.004)**	**34.798.658**	**43.391.114**	**6.729.530**	**108.137.927**	**(25.186.629)**	**22.957.220**	**(7.611.039)**	**98.297.479**
Depreciation and amortization	10.691.235	15.257.607	29.491.445	1.558.237	-	**56.998.524**	(10.691.235)	-	(436.417)	**45.870.872**
Investment expenditures	168.084.226	29.980.243	51.655.582	2.955.991	341.000	**253.017.042**	(168.084.226)	-	(8.278.069)	**76.654.747**
Finance income	444.418	53.433	68.189	7.853.488	-	**8.419.528**	(444.418)	-	-	**7.975.110**
Finance expense	24.796.004	23.439.660	97.086	95.669	1.613.788	**50.042.207**	(24.796.004)	-	(11.092.401)	**14.153.802**

3. Segment reporting (continued)

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

	Paint	Chemical products	Port	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	25.063.380	15.873.035	18.535	329.905	1.085.205	**42.370.060**	(25.063.380)	(1.289.328)	**16.017.352**

4. Cash and cash equivalents

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

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

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

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

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

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

5. Financial investments

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

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

6. Financial borrowings

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

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

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

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

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

6. Financial borrowings (continued)

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

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

	December 31, 2016			
Type of guarantee	**TL**	**USD (TL Equivalent)**	**Euro (TL Equivalent)**	**Total**
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayii A.Ş	229.150.000	291.759.276	78.835.375	599.744.651
-Polisan Hellas	14.300.000	116.485.520	411.613.405	542.398.925
-Poliport Kimya San. A.Ş.	82.230.000	236.067.936	20.038.097	338.336.033
-Polisan Holding A.Ş.	52.750.000	80.941.600	-	133.691.600
-Polisan Yapı İnşaat	22.000.000	10.557.600	-	32.557.600
Total	**400.430.000**	**735.811.932**	**510.486.877**	**1.646.728.809**

7. Trade receivable and payables

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

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

7. Trade receivable and payables (continued)

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

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

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

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

Movement of provision for doubtful receivables for the years ended December 31, 2017 and December 31, 2016 are as follows:

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

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

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

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

7. Trade receivable and payables (continued)

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

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

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

8. Other receivable and payables

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

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

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

9. Inventories

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

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

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

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

10. Prepaid expenses and deferred income

Prepaid expenses:

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

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

Deferred income:

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

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

11. Current income tax assets

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

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

12. Discontinued operations

Current and prior year operating results of Polisan Kansai Boya are accounted as discontinued operations since 50% share sale transaction in 2016 to Kansai resulted loss of control and paint is considered a segment for the for the Group operations. Gain on sale of shares amounting to TL 436.789.176 is recognized under "Income from investment activities" in the statement of profit or loss (Note 25).

Statement of discontinued profit or loss:

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

Net cash flows from discontinued operations:

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

13. Investments accounted using the equity method

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

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

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

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

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

13. Investments accounted using the equity method (continued)

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

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

13. Investments accounted using the equity method (continued)

The summary financial statements of the Group's investments accounted using the equity method as of December 31, 2017 and 2016 prepared in accordance with TFRS are as follows:

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

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

13. Investments accounted using the equity method (continued)

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

December 31, 2017 – Condensed income statement information	Polisan Kansai Boya(*)	Rohm and Haas
Revenue	478.381.539	130.223.427
Depreciation and amortisation	11.773.066	1.604.232
Interest income	697.438	53.750
Interest expense	(26.620.989)	(1.199.906)
Net profit / loss for the period	10.959.273	(1.448.819)
Ownership of the Group	%50	%40
Net profit share of the Group	**-**	**(579.528)**

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

Impairment test and sensitivity analysis

The Company considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as joint venture, affiliated at the rate of 50% and whose carrying value in the statement of financial position is TL 427.544.306 as of December 31, 2017 (December 31, 2016 TL 398.566.600) for possible impairment in every reporting period. The impairment analysis cannot be performed by considering market data since related financial asset has not active market and the Company management has to make significant estimations.

The impairment test is based on a 5-year TL based projection between January 1, 2018 and December 31, 2022. In order to estimate the inflows (infinite) of future cash flows, a fixed growth rate of 6% was used, which does not exceed the country's estimated average growth rate. To calculate the recoverable value of the unit, 15% of the weighted cost of capital is used as the discount rate after tax. No impairment on the carrying value was determined as a result of the impairment test

The sensitivity table for valuation assumptions is as follows:

		Final Growth Rate		
		5,30%	**5,50%**	**5,80%**
Weighted average cost of capital	**14,75%**	0,85%	3,87%	7,07%
	15,00%	(2,85)%	-	3,01%
	15,25%	(6,37)%	(3,67)%	(0,84)%

14. Investment properties

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

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

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

	Method used	Level	December 31, 2017	December 31, 2016
Pendik plant	Sales price comparison	2	212.430.580	202.462.111
Kağıthane Z Office Building	Sales price comparison	2	54.790.000	54.218.000
Other	Sales price comparison	2	3.628.694	3.091.092
			270.849.274	**259.771.203**

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

The Group's investment properties of Pendik Land, Kağıthane Z-Office Building and other are appraised by Asal Real Estate Appraisal Company which is a CMB licensed real estate appraisal company in the 2017. Sales price comparison method is applied during determination of fair value of investment properties (Level 2). Sales price comparison method is the determination of fair value of a property by applying necessary adjustments on the prices of similar properties sold recently. This comparison method contains the market price of the similar properties valuate them with a comparison approach. Generally, revaluated property is compared with the sale prices of its' similarly in an open market. Asked and bid prices can be taken into consideration.

15. Property, plant and equipment

The movement of property, plant, equipment and related accumulated depreciations for the periods ended December 31, 2017 and December 31, 2016 are as follows:

	January 1, 2017	Addition	Disposal	Foreign currency translation differences	Transfers	Revaluation(***)	Transfers(**)	December 31, 2017
Cost:								
Land	64.408.624	3.668.337	(326.126)	908.717	-	23.253.389	-	91.912.941
Land improvements	11.320.782	1.263.124	-	-	612.044	2.849.629	(11.523.806)	4.521.773
Buildings	187.005.714	1.248.125	(1.748.504)	2.449.826	876.494	47.012.953	(66.424.778)	170.419.830
Machinery, equipment and moulds	70.044.803	11.453.946	(1.846.522)	2.764.103	4.234.975	-	-	86.651.305
Port facility (*)	398.302.050	43.814.056	(1.773.770)	-	4.452.925	47.159.145	(73.954.406)	418.000.000
Motor vehicles	4.950.679	2.728.965	(2.358.732)	30.395	-	-	-	5.351.307
Furniture and fixtures	9.509.222	1.151.272	(115.043)	101.305	372.805	-	-	11.019.561
Other tangible assets	1.859.578	151.551	-	-	19.269	-	-	2.030.398
Leasehold improvements	3.490.835	126.217	-	-	64.747	-	-	3.681.799
Construction in progress	41.146.279	10.360.395	(14.110.712)	188.915	(11.642.320)	-	-	25.942.557
Total	**792.038.566**	**75.965.988**	**(22.279.409)**	**6.443.261**	**(1.009.061)**	**120.275.116**	**(151.902.990)**	**819.531.471**
Accumulated depreciation:								
Land improvements	10.398.049	1.325.582	-	-	-	-	(11.523.806)	199.825
Buildings	62.514.198	5.565.196	(1.423.283)	249.732	-	-	(66.424.778)	481.065
Machinery, equipment and moulds	34.703.687	8.306.061	(15.457)	489.740	-	-	-	43.484.031
Port facility (*)	46.853.098	27.676.829	(575.521)	-	-	-	(73.954.406)	-
Motor vehicles	2.700.807	877.436	(1.155.515)	13.574	-	-	-	2.436.302
Furniture and fixtures	8.075.681	707.958	(36.405)	66.504	-	-	-	8.813.738
Other tangible non-current assets	1.852.038	81.678	-	-	-	-	-	1.933.716
Leasehold improvements	1.617.911	584.709	-	-	-	-	-	2.202.620
Total	**168.715.469**	**45.125.449**	**(3.206.181)**	**819.550**	**-**	**-**	**(151.902.990)**	**59.551.297**
Net value	**623.323.097**							**759.980.174**

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

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

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

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

15. Property, plant and equipment (continued)

	January 1, 2016	Addition	Disposal	Foreign currency translation differences	Transfers	Revaluation	Disposal within scope of consolidation	December 31, 2016
Cost:								
Land	132.915.184	2.428.884	(117.134)	656.230	-	33.525.460	(105.000.000)	64.408.624
Land improvements	10.560.761	1.325.962	(210.580)	-	-	-	(355.361)	11.320.782
Buildings	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	14.131.217	(270.544)	1.354.509	5.399.198	-	(79.976.458)	70.044.803
Port facility (*)	350.220.427	56.540.293	(9.121.236)	-	662.566	-	-	398.302.050
Motor vehicles	5.847.415	5.929.918	(247.437)	20.084	-	-	(6.599.301)	4.950.679
Furniture and fixtures	15.439.612	1.498.890	(155.796)	62.704	24.594	-	(7.360.782)	9.509.222
Other tangible assets	3.878.973	266.219	(19.237)	-	5.230	-	(2.271.607)	1.859.578
Leasehold improvements	4.214.766	2.185.446	(273.039)	-	295.463	-	(2.931.801)	3.490.835
Construction in progress	42.972.487	20.580.946	(4.504.145)	123.236	(6.777.786)	-	(11.248.459)	41.146.279
Total	**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	10.552.593	28.183	-	-	-	-	(182.727)	10.398.049
Buildings	55.361.299	8.216.485	(1.158.847)	115.264	-	-	(20.003)	62.514.198
Machinery, equipment and moulds	61.722.327	15.294.125	(179.845)	208.107	-	-	(42.341.027)	34.703.687
Port facility (*)	26.100.000	20.798.906	(45.808)	-	-	-	-	46.853.098
Motor vehicles	2.875.774	1.644.979	(55.011)	6.188	-	-	(1.771.123)	2.700.807
Furniture and fixtures	13.445.044	991.738	(105.816)	28.850	-	-	(6.284.135)	8.075.681
Other tangible non-current assets	3.916.624	58.546	-	-	-	-	(2.123.132)	1.852.038
Leasehold improvements	3.740.276	512.437	-	-	-	-	(2.634.802)	1.617.911
Total	**177.713.937**	**47.545.399**	**(1.545.327)**	**358.409**	**-**	**-**	**(55.356.949)**	**168.715.469**
Net value	**700.074.686**							**623.323.097**

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

15. Property, plant and equipment (continued)

Fair value determination of Port facility

The highest and best use of Port facility is the basis of measurement of the fair value of this asset. The fair value determination of this asset was performed as of December 31, 2016 by Asal Real Estate Appraisal Company which is CMB licensed Real Estate Appraisal Company by using discounted cash flow method. Under the discounted cash flow method, the fair value of the asset is estimated using the USD based future revenues and expenses (expenditures) over the rental period of the asset (Level 3). Discounting is related with the revenue (net revenue) which converts the amount of the revenue transformed into the fair value estimation. The present value of future after- tax cash flows in accordance with the market risk and reward rates presents the fair value of the facility. The significant assumptions used in the valuation are as follows:

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

		If increases	**If decreases**
	Sensitivity Analysis	**Equity effect on fair value (TL)**	**Equit effect on fair value (TL)**
Discount rate	0,25%	(14.589.883)	13.690.127

Valuation of land and buildings

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

16. Intangible assets

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

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

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

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

17. Provisions, contingent assets and liabilities

17.1 Debt provisions

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

17.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

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

2) The ongoing lawsuits filed against the Group:

As of December 31, 2017, total amount of the ongoing lawsuits filed against the Group is TL 1.177.749 (December 31, 2016: TL 1.397.289).

Ongoing major cases:

On January 12, 2017, a fuel oil transfer operation between the tanks at the port facility was detected by Poliport, where some fuel poured into the water and reached the sea. Emergency Procedures have been put into practice at the time of detection, the location reached by the fuel is blinded on the sea and the Group contacted simultaneously with the company providing mooring and guidance services to the Kocaeli Gulf Region. The company in question was included in the intervention operation immediately because it was mobilized on the Poliport ground and served the area from the ground. Emergency Response Squadrons initiated an intervention operation by laying a fence barrier over the sea to contain the pollution. Mare Deniz Temiz Hizmetleri A.Ş.. Which is contracted in line with the Coastal Facilities Emergency Response Plan, invited to the site at the time of the incident, and they reached the facility within 30 minutes to complete the barrier process and started cleaning operations.

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

On January 13, 2017, Poliport was associated with the occurrence of sea pollution at a point 20 miles east of the Poliport plant. An administrative penalty amounting to TL 2.100.000 was charged to Poliport for causing environmental pollution and TL 301.100 due to the damage to marine life on 18 January 2017. The Group management has been paid this administrative penalty. In addition, some of the losses of the Company due to this leakage have been compensated from insurance companies. The total amount paid by insurance companies is amounting to TL 6.288.400. All cleaning operations have been completed in the port area and the business activity continues uninterruptedly.

17. Provisions, contingent assets and liabilities (continued)

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

17.3 Pledges and guarantees given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given by the Company (TL)	December 31, 2017	December 31, 2016
A. Total amount of CPMB's given in the name of its own legal personality	1.670.186.561	1.646.728.809
B. Total amount of CPMB's given on behalf of the fully consolidated companies **(1)**	153.252.170	145.667.113
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given in accordance with the 12/2 article of Corporate Governance Announcement	-	-
i. Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii. Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii. Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-
	1.823.438.731	**1.792.395.922**

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

(1) Consists guarantees given for bank loan agreements.

17. Provisions, contingent assets and liabilities (continued)

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

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

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

2) CPMBs received

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

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

The Group has no right to sell or revaluate its CPMBs as a guarantee, pledge or mortgage unless the owner of the guarantee fails to meet its financial obligations. (31 December 2016: None).

17. Provisions, contingent assets and liabilities (continued)

17.5 Restrictions on real estate properties

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

December 31, 2017:

Endorsee	Real Estate	Annotation Description	Date
Polisan Holding:			
Türkiye Elektrik Kurumu	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Servitude	24.10.1973
Türkiye Elektrik Kurumu	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Deed of restriction of rent	23.11.1983
İ.E.T.T Genel Müdürlüğü	Building - Merkezefendi Mh. Zeytinburnu/İstanbul	Right of way and deed of restriction of car park facility	11.12.1978
Polisan Kimya:			
Gebze Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	26.02.2016
Gebze 1.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	12.11.2015
Gebze 1.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	15.05.2014
Gebze 2.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	27.08.2013
Gebze 2.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	17.07.2014
Gebze 2.Sulh Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	28.10.2016
Gebze 1. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	25.07.2017
Gebze 1. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of precautionary measure	11.01.2001
Gebze 2. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	30.11.2016
Gebze 4. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	30.03.2017
Gebze 4. Asliye Hukuk Mahkemesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of case	30.11.2016
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	21.04.2016
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	18.07.2014
İzmit Su ve Kanalizasyon İdaresi	Land- Tavşanlı/Gebze/Kocaeli	Servitude	27.04.2017
Türkiye Elektrik İletim A.Ş.	Land- Tavşanlı/Gebze/Kocaeli	Servitude	27.05.2008
Karayolları Genel Müdürlüğü	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	19.01.2017
Botaş A.Ş.	Land- Tavşanlı/Gebze/Kocaeli	Deed of restriction of expropriation	05.09.1986
Botaş A.Ş.	Land- Tavşanlı/Gebze/Kocaeli	Servitude	26.05.1987
Botaş A.Ş.	Land- Çerkeşli, Dilovası/Kocaeli	Deed of restriction of expropriation	05.09.1986
Kocaeli-Gebze (Kimya) İhtisas OSB	Land- Demirciler/ Dilovası/Kocaeli	Deed of right of withdrawal	21.10.2015
Dilovası Belediyesi	Land-Muallim-2/Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Dilovası Belediyesi	Land-Muallim-2/ Dilovası/Kocaeli	Deed of restriction of expropriation	30.01.2009
Rohm and Haas Kimya Sanayi Ltd.Şti.	Factory Building and Land - Muallim-2/ Dilovası/Kocaeli	Servitude	05.10.2007
Türkiye Elektrik İletim A.Ş.	Land - Savaştepe/Balıkesir	Servitude	25.08.2008
Türkiye Elektrik Kurumu	Land - Savaştepe/Balıkesir	Servitude	-
Türkiye Elektrik Kurumu	Land - Savaştepe/Balıkesir	Servitude	17.12.1981

17. Provisions, contingent assets and liabilities (continued)

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

December 31, 2016:

Endorsee	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 Pendik/İstanbul	Pre-emptive purchase right	09.02.2010
TOKİ	Land-Şeyhli Disctrict of Pendik/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Pendik/İstanbul	Right of expropriation	14.07.1977
TOKİ	Land-Şeyhli Disctrict of Pendik/İstanbul	Pre-emptive purchase right	09.02.2010
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
Türkiye Elektrik Kurumu	Land-Şeyhli Disctrict of Kağıthane/İstanbul	Right of expropriation	14.07.1977
T.C. Pendik Sulh Hukuk Mahkemesi	Farm-Şeyhli Disctrict of Kağıthane/İstanbul	Deed of restriction of law the dividing up of an undivided property	24.09.2009

18. Employee benefits

Short term employee benefit obligations

	December 31, 2017	December 31, 2016
Employee benefit obligations		
Social security premiums payable	2.515.730	2.046.986
Payables to personnel	1.990.190	1.748.020
Taxes and duties payable	977.854	803.579
Total	**5.483.774**	**4.598.585**

Long term provisions for employee benefits

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

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

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

Provision for employee termination benefits

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law's 60th clause which is still effective. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TL 4.732,48 as of December 31, 2017 (December 31, 2016: TL 4.297,21).

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

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

18. Employee benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As of December 31, 2017, provision for employee termination benefits stated in the accompanying consolidated financial statements, has been calculated by estimating the present value of the future probable obligation of the retirement of employees. As of December 31, 2017, the provision has been calculated by taking into consideration an real discount rate of 4,67% (December 31, 2016: 4,21 % real discount rate) based on the assumption of an annual 7% inflation rate and 12% discount rate. The estimated severance payment amount, which is not paid due to the voluntary resignations and that the estimated rate of severance pay amount which is not paid because of arbitrary leaving and will remain to the company is also considered. The turnover rate to estimate the probability of retirement for the Group is calculated as 91.85 % (December 31, 2016: 92.60%) and discounted employee termination benefit is calculated based on this rate.

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

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

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

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

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

19. Other assets and liabilities

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

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

19. Other assets and liabilities (continued)

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

20. Capital, reserves and other equity items

The share capital of the Company is TL 370.000.000 and composed of 370.000.000 shares each with a nominal value of TL 1, which all have only one voting right and are registered in owner's name. As of December 31, 2017 and December 31, 2016 the Group's partnership structure is as follows:

	December 31, 2017		December 31, 2016	
	Share (%)	Amount	Share (%)	Amount
Mehmet Emin Bitlis	24,48	90.575.350	16,89	62.493.625
Ahmet Ertuğrul Bitlis	24,48	90.575.350	16,89	62.493.625
Ahmet Faik Bitlis	10,2	37.756.717	10,2	37.756.717
Fatma Nilgün Kasrat	10,2	37.756.717	10,2	37.756.717
A.Melike Bitlis (Bush)	10,2	37.756.717	10,2	37.756.717
Selahaddin Bitlis	2,21	8.161.175	2,21	8.161.175
Erol Mizrahi	1,89	7.005.000	1,89	7.005.000
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Güldal Akşit	1,50	5.673.700	1,15	4.255.275
Serdar Demirel	1,50	5.535.768	1,11	4.117.343
Alaattin Bitlis	1,40	5.018.350	1,36	5.018.350
Ali Fırat Yemeniciler	0,95	3.502.500	0,95	3.502.500
Melda Bitlis	0,28	1.050.750	0,28	1.050.750
Burcu Bitlis	0,28	1.050.750	0,28	1.050.750
Banu Bitlis	0,28	1.050.750	0,28	1.050.750
Necmettin Bitlis	-	-	15,1	56.163.449
Galip Demirel	-	-	0,77	2.836.850
Şark Mensucat	-	-	0,04	137.932
Publicly traded (*)	8,40	31.201.357	8,40	31.063.425
	100	**370.000.000**	**100**	**370.000.000**
Adjustment to share capital		1.467.266		1.467.266
Total		**371.467.266**		**371.467.266**

(*) As of December 31, 2017, the shareholding rate of Şark Mensucat Fabrikaları AŞ, a related party the Group, in the listed shares of the Company is 7,11%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 535.899 in listed shares of the Company (As of December 31, 2016, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., a related party of the Group, in the listed shares of the Company was 6,36%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 719.096 in listed shares of the Company).

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

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

Restricted Reserves

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

Share Premium/discounts

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

Dividend distribution

The companies quoted on the Stock Exchange distribute dividends as per the CMB's Communique Serial II, Number: 19.1 regarding to the dividends, which is effective as of February 1, 2016.

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

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

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

According to the Board Decision dated 15 March 2017; it's been decided to make dividend payment amounting to TL 17.500.000, based on the net distributable profit after deduction of TL 6.503.322 legal reserves calculated over legal records and addition of TL 22.886 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1. (2016 – TL 13.500.000).

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

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

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

Actuarial gains and losses employee benefits provisions

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

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

Non-controlling interests

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

The movement of non-controlling interests is as follows;

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

Other reserves:

The Company acquired shares of Poliport (2012) and Polisan YapıKim (2016) at a ratio of 22,23% and 49% respectively from non-controlling shareholders. Difference between the acquisition cost and carrying amount of net assets at a ratio of acquired share amounting to TL 208.011.543 and TL 716.289 respectively are recognized under "Other Reserves" account in consolidated statement of changes in equity.

21. Revenue and cost of sales

Details regarding to sales and cost of sales for the periods ended December 31, 2017 and 2016 are as follows:

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

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

22. General administrative, marketing, research and development expenses

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

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

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

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

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

23. Expenses by nature

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

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

24. Other income and expenses from operations

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

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

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

25. Income and expenses from investment activities

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

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

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

26. Financial income and expenses

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

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

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

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

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

Corporate tax

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

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

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

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

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

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

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

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

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

Current and deferred income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred Tax

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

	December 31, 2017		(Restated) December 31, 2016		(Restated) January 1, 2016	
	Cumulative differences	**Asset/ (liability)**	**Cumulative differences**	**Asset/ (liability)**	**Cumulative differences**	**Asset/ (liability)**
Property, plant and equipment and intangible assets	666.976.871	(129.754.237)	520.560.688	(102.174.635)	540.807.839	(109.346.510)
Deferred finance income	114.964	(25.292)	138.998	(27.800)	653.536	(130.707)
Deferred finance expense	(3.164.637)	696.220	(1.508.654)	287.075	(9.722.659)	1.944.532
Provision for employee termination benefits	(8.178.078)	1.681.090	(6.951.025)	1.417.504	(10.127.250)	2.025.450
Unused vacation pay liability	(2.025.651)	405.130	(1.575.433)	315.087	(2.841.050)	568.210
Allowance for doubtful receivables	(630.661)	155.738	(684.984)	167.564	(3.618.008)	744.051
Adjustment for inventories	(1.199.548)	336.904	(922.298)	227.402	(3.616.845)	756.329
Impairment of subsidiary and associate	(291.295)	14.565	(291.295)	14.565	(291.295)	14.565
Tax losses carry forwards	(36.956.887)	10.300.301	(15.189.160)	3.780.864	(36.356.852)	7.992.770
Investment incentive income	(165.842.738)	33.168.548	(124.567.741)	24.913.548	(69.892.523)	13.978.505
Litigation provision	(558.062)	111.612	(599.463)	119.893	(268.988)	53.798
Other	(4.200.309)	1.120.054	(3.154.890)	811.048	(2.746.768)	628.085
Deferred tax liability, net	**451.150.200**	**(81.789.367)**	**365.254.743**	**(70.147.885)**	**401.979.137**	**(80.770.922)**
Deferred tax asset		55.048.158		39.533.042		29.493.532
Deferred tax liability		(136.837.525)		(109.680.927)		(110.264.454)
Deferred tax liability, net		**(81.789.367)**		**(70.147.885)**		**(80.770.922)**

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

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

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

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

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

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

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

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

28. Earnings/ (losses) per share

Earnings per share is determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned. As of December 31, 2017 and 2016, earnings per share of the Group are as follows:

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

29. Related party disclosures

a) Key management compensation

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

b) Trade receivables from related parties

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

c) Other receivables from related parties

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

29. Related party disclosures (continued)

d) Trade payables to related parties

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

e) Other payables to related parties

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

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

f) Sales/purchases transaction with related parties

Purchases:

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

29. Related party disclosures (continued)

Sales:

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

The transactions with Rohm Haas, a related party of the Group, mainly consist of raw material purchases, and Şark Mensucat is finance activities. Except for the transactions mentioned above, the Group has transferred debt to Şark Mensucat amounting to TL 50.997.500 on December 27-28-30, 2017. There have been no guarantees received for related party receivables and payables. The Group charges interest to its related parties considering the market and maturity conditions of the sales recognized.

As of December 31, 2017 there is no impairment on trade receivables from related parties. (December 31, 2016: None)

30. Nature and level of risk derived from financial instruments

Financial risk management

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

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

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

Credit Risk

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

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

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

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

	Receivables				31 December 2017
		Trade receivables		Other receivables	
	Related party	Other party	Related party	Other party	Deposits in banks
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**9.317.387**	**232.154.424**	**51.096.024**	**4.742.419**	**18.890.790**
- The portion of the maximum risk secured with guarantees etc.	-	55.707.441	-	-	-
A.Net book value of neither past due nor impaired financial assets	9.317.387	190.396.459	51.096.024	4.742.419	18.890.790
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	40.982.312	-	-	-
- The portion secured with guarantees etc	-	(1.110.000)	-	-	-
D. Net book value of assets impaired	-	775.653	-	-	-
-Past due (gross book value)	-	17.884.407	-	-	-
-Impairment (-)	-	(17.108.754)	-	-	-
-The portion secured with guarantees	-	775.653	-	-	-
-Not past due (gross book value)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2017 is presented in **Note 17.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activities and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

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

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

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

The Group has no material credit risk from a specific party as of December 31, 2017 (December 31 2016: None). The maximum amount of credit risk that the Group is exposed to is represented as carrying value of the financial assets in balance sheet.

Liquidity Risk

Liquidity risk is the risk arising from the inability to cover funding requirements of the Group. The Group manages its liquidity risk by funding diversified sources and providing sufficient cash and cash equivalents.

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

The liquidity risk tables of the Group is as follows:

31 December 2017

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

31 December 2016

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

Market risk

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

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

Foreign exchange risk

The Group's foreign currencies denominated financial instruments are exposed to exchange rate risk as a result of fluctuations on exchange rates. As of December 31, 2017 and December 31, 2016, the foreign currency position of the Group is as follows:

					December 31, 2017
	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	10.260.422	1.795.831	772.168	-	-
2a. Monetary financial assets (Including cash, banks)	4.924.428	915.891	323.837	1.475	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	25.027	6.635	-	-	-
4. Current assets (1+2+3)	**15.209.877**	**2.718.357**	**1.096.005**	**1.475**	**-**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	40.639.500	-	9.000.000	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**40.639.500**	**-**	**9.000.000**	**-**	**-**
9. Total assets (4+8)	**55.849.377**	**2.718.357**	**10.096.005**	**1.475**	**-**
10. Trade payables	36.030.231	8.919.397	473.510	49.017	-
11. Borrowings	12.729.552	-	2.819.079	-	-
12a. Monetary liabilities	1.478	300	77	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**48.761.261**	**8.919.697**	**3.292.666**	**49.017**	**-**
14. Trade payables	-	-	-	-	-
15. Borrowings	-	-	-	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**-**	**-**	**-**	**-**
18. Total liabilities (13+17)	**48.761.261**	**8.919.697**	**3.292.666**	**49.017**	**-**
19. Off-balance sheet derivative instruments net position (19a-19b)	**(76.770)**	**(20.353)**	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	**76.770**	**20.353**	-	-	-
20. Net foreign currency position(9-18+19)	**7.011.346**	**(6.221.692)**	**6.803.339**	**(47.542)**	**-**
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(33.576.411)**	**(6.207.975)**	**(2.196.661)**	**(47.542)**	**-**

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

					December 31, 2016
	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	7.102.631	1.281.164	699.199	-	-
2a. Monetary financial assets (Including cash, banks)	80.457.992	22.733.470	119.101	2.897	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	897.600	255.058	-	-	-
4. Current assets (1+2+3)	**88.458.223**	**24.269.692**	**818.300**	**2.897**	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	33.389.100	-	9.000.000	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**33.389.100**	-	**9.000.000**	**-**	-
9. Total assets (4+8)	**121.847.323**	**24.269.692**	**9.818.300**	**2.897**	-
10. Trade payables	22.315.708	4.673.547	1.524.882	48.948	-
11. Borrowings	46.324.555	4.626.648	8.097.915	-	-
12a. Monetary liabilities	14.863.029	4.223.330	77	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**83.503.291**	**13.523.525**	**9.622.874**	**48.948**	-
14. Trade payables	-	-	-	-	-
15. Borrowings	10.445.016	-	2.815.444	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**10.445.016**	**-**	**2.815.444**	**-**	-
18. Total liabilities (13+17)	**93.948.307**	**13.523.525**	**12.438.318**	**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)	**27.899.016**	**10.746.167**	**(2.620.018)**	**(46.051)**	-
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(6.387.684)**	**10.491.109**	**(11.620.0188)**	**(46.051)**	-

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

Sensitivity analysis;

As of December 31, 2017 and December 31, 2016 the Group's profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a 10% increase or decrease in the foreign currency, with all other variables held constant.

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

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

As of December 31, 2016	Profit/Loss before tax		Shareholder's equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	3.692.031	(3.692.031)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**3.692.031**	**(3.692.031)**	**-**	**-**
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(4.310.910)	4.310.910	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(4.310.910)**	**4.310.910**	**-**	**-**
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(19.889)	19.889	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(19.889)**	**19.889**	**-**	**-**
Total (3+6+9)	**(638.768)**	**638.768**	**-**	**-**

Interest rate risk

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

The interest rate position as of December 31, 2017 and December 31, 2016 is as follows:

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

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

Capital Risk Management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net financial debt/total equity ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents. Invested capital is the total of equity and net financial liabilities as it is stated in statement of financial position.

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

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

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

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

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

Financial assets

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

Financial liabilities

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

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

Fair value measurement categories;

The Group has created 3 different fair value measurement categories to compliance with the TFRS 13 applications. These categories are created based on the data used for the measurement of fair value and as follows:

1st category: the price set in active market
2nd category: inputs that are observable either directly or indirectly other than the prices set in active market
3rd category: inputs that is not based on observable market data

32. Subsequent events

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