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

Polisan Holding A.Ş.

January 1 - September 30, 2018 interim condensed consolidated financial statements

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

Polisan Holding A.Ş.

Interim consolidated statement of financial position
as at September 30, 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period	Prior period
		Unaudited	Audited
Assets	**Notes**	**September 30, 2018**	**December 31, 2017**
Current assets		**710.698.076**	**418.076.930**
Cash and cash equivalents	4	148.512.390	18.972.561
Financial investments		-	199.998
Trade receivables	6	351.245.013	242.732.962
- Trade receivables from related parties	24	*9.825.457*	*9.411.305*
- Trade receivables from third parties		*341.419.556*	*233.321.657*
Other receivables		66.899.596	55.332.398
- Other receivables from related parties	*24*	*2.069.442*	*51.096.024*
- Other receivables from third parties		*64.830.154*	*4.236.374*
Inventories	7	132.082.748	88.172.132
Prepaid expenses	8	9.500.339	9.480.628
Current income tax assets		309.160	6.339
Other current assets	15	2.148.830	3.179.912
Non-current assets		**1.553.027.823**	**1.570.373.226**
Trade receivables	6	338.605	808.574
-Trade receivables from third parties		*338.605*	808.574
Other receivables		749.329	506.045
- Other receivables from third parties		*749.329*	506.045
Investments accounted using the equity method	9	399.405.708	439.020.640
Investment properties	10	264.324.274	270.849.274
Tangible assets	11	793.020.141	759.980.174
Intangible assets	12	2.909.426	3.051.516
Prepaid expenses	8	40.835.033	40.900.155
Deferred tax assets	22	51.445.307	55.256.848
Total assets		**2.263.725.899**	**1.988.450.156**

Polisan Holding A.Ş.

Interim consolidated statement of financial position
as at September 30, 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period	Prior period
		Unaudited	Audited
Liabilities	**Notes**	**September 30, 2018**	**December 31, 2017**
Current liabilities		**502.827.771**	**315.897.401**
Short term borrowings	5	82.755.473	52.927.918
Short term portion of long term borrowings	5	172.280.053	147.022.888
Derivative instruments		-	91.904
Trade payables	6	225.442.189	91.571.142
- Trade payables to related parties	*24*	*86.675*	*217.089*
- Trade payables to third parties		*225.355.514*	*91.354.053*
Employee benefit obligations	14	7.066.771	5.483.774
Other payables		5.936.464	4.143.738
- Other payables to related parties	*24*	*3.384.181*	*170.556*
- Other payables to third parties		*2.552.283*	*3.973.182*
Deferred income	8	3.349.107	6.139.363
Current income tax liabilities		-	4.373.898
Short term provisions	13	558.062	558.062
- Other short term provisions		*558.062*	*558.062*
Other current liabilities	15	5.439.652	3.584.714
Non-current liabilities		**275.756.474**	**187.626.817**
Long term borrowings	5	139.230.367	39.847.667
Long term provisions	14	10.869.075	10.203.729
- Provisions for employee termination benefits		*10.869.075*	*10.203.729*
Deferred income		-	99.705
Deferred tax liabilities	22	125.657.032	137.475.716
Equity		**1.485.141.654**	**1.484.925.938**
Equity holders of the parent		**1.456.098.093**	**1.458.313.389**
Paid-in share capital	16	370.000.000	370.000.000
Adjustment to share capital	16	1.467.266	1.467.266
Share premium/discounts	16	23.130.220	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss		302.297.654	302.629.367
- Revaluation and measurement gain / loss	16	302.297.654	302.629.367
Defined benefit plans re-measurement gain / (loss)		(10.602.497)	*(10.270.784)*
Tangible assets revaluation		312.900.151	*312.900.151*
Other comprehensive income or expense to be reclassified to profit/(loss)		(27.761.110)	(15.865.646)
- Currency translation differences		(27.761.110)	*(15.865.646)*
Restricted reserves		42.221.733	40.062.818
Other reserves	16	(208.727.832)	(208.727.832)
Retained earnings		921.958.281	846.985.924
Profit for the period		31.511.881	98.631.272
Non-controlling interests	16	**29.043.561**	**26.612.549**
Total liabilities		**2.263.725.899**	**1.988.450.156**

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

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

Polisan Holding A.Ş.

Interim consolidated statement of profit or loss
between the period January 1 - September 30, 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited		Unaudited	
	Notes	January 1-September 30, 2018	January 1-September 30, 2017	July 1-September 30, 2018	July 1-September 30, 2017
Profit and loss					
Sales	17	825.286.103	557.475.256	325.799.546	198.584.171
Cost of sales (-)	17	(634.914.095)	(452.566.329)	(240.667.854)	(156.127.893)
Gross profit from commercial activities		**190.372.008**	**104.908.927**	**85.131.692**	**42.456.278**
General and administrative expenses (-)		(45.698.810)	(41.841.014)	(15.143.048)	(18.814.352)
Marketing expenses (-)		(32.268.474)	(20.690.623)	(11.297.066)	(7.077.104)
Research and development expenses (-)		(3.119.757)	(1.832.870)	(2.011.730)	(512.631)
Other operating income	19	16.303.556	6.757.810	8.697.128	(481.398)
Other operating expenses (-)	19	(17.221.721)	(5.997.976)	(12.381.500)	(2.419.530)
Profit from investments accounted using the equity method	9	(39.442.163)	19.502.687	(50.981.935)	3.398.594
Operating profit		**68.924.639**	**60.806.941**	**2.013.541**	**16.549.857**
Income from investment activities	20	2.975.020	1.679.991	1.918.618	1.586.770
Expense from investment activities (-)	20	(5.910.865)	(51.800)	(266.503)	(42.533)
Operating profit before financial income/(expense)		**65.988.794**	**62.435.132**	**3.665.656**	**18.094.094**
Financial income	21	102.922.898	11.911.318	81.861.390	4.728.317
Financial expenses (-)	21	(121.462.085)	(14.002.376)	(92.913.466)	(2.273.543)
Pre-tax profit/(loss) from continuing operations		**47.449.607**	**60.344.074**	**(7.386.420)**	**20.548.868**
Continuing operations tax income/expense					
- Current tax expense	22	(16.201.837)	(7.424.224)	(4.624.015)	(2.975.659)
- Deferred tax income	22	2.753.757	7.625.631	2.012.108	1.163.816
Profit or (Loss) of continuing operations for the period		**34.001.527**	**60.545.481**	**(9.998.327)**	**18.737.025**
Profıt or (Loss) for the period		**34.001.527**	**60.545.481**	**(9.998.327)**	**18.737.025**
Attributable to:					
Non-controlling interests		2.489.646	2.907.337	1.467.145	1.841.388
Equity holders of the parent	23	31.511.881	57.638.144	(11.465.472)	16.895.637
Earnings per share	**23**	**0,085**	**0,156**	**(0,031)**	**0,046**
- Earnings per share for continuing operations		0,085	0,156	(0,031)	0,046

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

Polisan Holding A.Ş.

Interim consolidated statement of other comprehensive income
between the period January 1 - September 30, 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited		Unaudited	
	Notes	January 1-September 30, 2018	January 1-September 30, 2017	July 1-September 30, 2018	July 1-September 30, 2017
Profit or (Loss) for the period		**34.001.527**	**60.545.481**	**(9.998.327)**	**18.737.025**
Other comprehensive income:					
Items not to be reclassified to profit or loss		**(260.778)**	**(949.699)**	**(641.437)**	**(120.629)**
- Defined benefit plans re-measurement gain / (loss)	14	(110.011)	(822.154)	(286.050)	(224.820)
- Defined benefit plans re-measurement gain / (loss), tax effect	22	22.002	164.431	57.210	44.964
- Defined benefit plans re-measurement gain / (loss) to Investments accounted using the equity method	9	(215.961)	(364.970)	(515.747)	74.034
- Defined benefit plans re-measurement gain / (loss), tax effect to investments accounted using equity method	9	43.192	72.994	103.150	(14.807)
Items to be reclassified to profit or loss		**(12.025.033)**	**(4.513.439)**	**(6.459.776)**	**(1.237.925)**
- Currency translation differences gain / (loss)		(12.025.033)	(4.513.439)	(6.459.776)	(1.237.925)
Other comprehensive income/(expense)		**(12.285.811)**	**(5.463.138)**	**(7.101.213)**	**(1.358.554)**
Total comprehensive income		**21.715.716**	**55.082.343**	**(17.099.540)**	**17.378.471**
Attributable to:					
Non-controlling interest		2.431.012	2.907.337	1.368.619	1.841.388
Equity holders of the parent		19.284.704	52.175.006	(18.468.159)	15.537.083

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

Polisan Holding A.Ş.

Interim consolidated statement of changes in equity between the period January 1 - September 30, 2018

(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, 2018		**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**
Corrections to changes in accounting policies (Note 2.5)		-	-	-	-	-	-	-	-	5.434.813	-	**5.434.813**	(15.977)	**5.418.836**
Balance at January 1, 2018 (After effect)		**370.000.000**	**1.467.266**	**23.130.220**	**(10.270.784)**	**312.900.151**	**(15.865.646)**	**40.062.818**	**(208.727.832)**	**846.985.924**	**98.631.272**	**1.458.313.389**	**26.612.549**	**1.484.925.938**
Dividends	16	-	-	-	-	-	-	-	-	(21.500.000)	-	**(21.500.000)**	-	**(21.500.000)**
Transfers to reserves and retained earnings		-	-	-	-	-	-	2.158.915	-	96.472.357	(98.631.272)	**-**	-	**-**
Total comprehensive income		-	-	-	(331.713)	-	(11.895.464)	-	-	-	31.511.881	**19.284.704**	2.431.012	**21.715.716**
- Profit for the period		-	-	-	-	-	-	-	-	-	*31.511.881*	***31.511.881***	*2.489.645*	***34.001.526***
- Other comprehensive income/expense		-	-	-	*(331.713)*	-	*(11.895.464)*	-	-	-	-	***(12.227.177)***	*(58.633)*	***(12.285.810)***
Balance at September 30, 2018		**370.000.000**	**1.467.266**	**23.130.220**	**(10.602.497)**	**312.900.151**	**(27.761.110)**	**42.221.733**	**(208.727.832)**	**921.958.281**	**31.511.881**	**1.456.098.093**	**29.043.561**	**1.485.141.654**
Balance at January 1, 2017		**370.000.000**	**1.467.266**	**23.130.220**	**(9.214.300)**	**211.952.188**	**(8.072.636)**	**28.530.253**	**(208.727.832)**	**422.995.057**	**482.823.738**	**1.314.883.954**	**21.206.177**	**1.336.090.131**
Dividends	16	-	-	-	-	-	-	-	-	(17.500.000)	-	**(17.500.000)**	-	**(17.500.000)**
Transfers to reserves		-	-	-	-	-	-	11.532.565	-	471.291.173	(482.823.738)	**-**	-	**-**
Total comprehensive income		-	-	-	(949.699)	-	(4.513.439)	-	-	-	57.638.144	**52.175.006**	2.907.337	**55.082.343**
- Profit for the period		-	-	-		-	-	-	-	-	*57.638.144*	***57.638.144***	*2.907.337*	***60.545.481***
- Other comprehensive income/expense		-	-	-	*(949.699)*	-	*(4.513.439)*	-	-	-	-	***(5.463.138)***	-	***(5.463.138)***
Balance at September 30,2017		**370.000.000**	**1.467.266**	**23.130.220**	**(10.163.999)**	**211.952.188**	**(12.586.075)**	**40.062.818**	**(208.727.832)**	**876.786.230**	**57.638.144**	**1.349.558.960**	**24.113.514**	**1.373.672.474**

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

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

Polisan Holding A.Ş.

Interim consolidated statement of cash flows
between the period January 1 - September 30, 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	January 1 – September 30, 2018	January 1 – September 30, 2017
A. Cash flows from operating activities		**170.684.262**	**(61.722.925)**
Profit/loss for the period		**34.001.527**	**60.545.481**
-Profit /(loss) for continuing operations		34.001.527	60.545.481
Adjustment for reconciliation of profit/loss for the period		**192.087.277**	**14.775.451**
Adjustments for depreciation and amortization expenses	11,12	31.511.618	37.106.583
Adjustments related to provisions	14	1.303.811	1.567.398
-Adjustments related benefits provided to employees		*1.303.811*	*1.567.398*
Adjustments related to impairments		2.409.555	383.815
-Adjustments related to receivable impairments	*6*	*2.177.709*	*652.967*
-Adjustments related to inventory impairments	*7*	*231.846*	*(269.152)*
Adjustments for profit/ loss on sale of tangible assets	20	(2.595.897)	(1.628.191)
Adjusments for profit/loss on sale of investmen properties	20	5.531.742	-
Adjustments for profit/loss on fair value of financial instruments		(91.904)	-
Adjustments related to undistributed profit/losses of investments accounted using the equity method	9	39.442.163	(19.210.711)
Adjustments to tax income/expense	22	13.448.080	(201.407)
Adjustments for interest income and expense		3.785.786	1.235.165
-Adjustments for interest income	*21*	*(8.035.282)*	*(6.033.787)*
-Adjustments or interest expense	*21*	*11.959.435*	*6.260.345*
-Rediscount expenses	*19*	*41.395*	*2.660.694*
-Rediscount income	*19*	*(179.762)*	*(1.652.087)*
Adjustment related to unrealized foreign currency translation differences		97.342.323	(4.477.201)
Changes in working capital		**(28.546.126)**	**(123.148.633)**
Adjustments for (increase)/decrease in trade receivables		(110.261.184)	(110.866.259)
Adjustments for decrease/(increase) in financial invesments		199.998	-
Adjustments for (increase)/decrease in inventories		(44.142.462)	(7.689.801)
Adjustments for (increase)/decrease in other receivables		(11.810.482)	1.034.602
Adjustments for (increase)/decrease in prepaid expenses		45.411	(4.952.286)
Adjustments for (increase)/decrease in other assets		1.031.082	(3.041.066)
Adjustments for increase/(decrease) in trade payables		134.050.808	(19.850.119)
Adjustments for increase/(decrease) in other payables		1.792.726	4.279.410
Adjustments for increase/(decrease) debit in employee benefits		1.582.997	555.387
Adjustments for increase/(decrease) in deferred income		(2.889.961)	932.604
Adjustments for increase/(decrease) in other liabilities		1.854.941	16.448.895
Cash flows from operating activities		**197.542.678**	**(47.827.701)**
Employment termination benefits paid	14	(748.476)	(980.891)
Tax payments/refunds		(26.109.940)	(12.914.333)
B. Cash flows from investing activities		**(40.286.112)**	**(35.610.781)**
Purchase of tangible/intangible assets	11,12	(49.141.707)	(72.925.873)
Proceeds from sale of tangible/intangible assets		4.104.816	36.989.284
Purchase of investment properties		-	(341.000)
Proceeds from sale of investment properties		993.258	-
Cash outflows related to acquisition of subsidaries' control		-	(67.135)
Interest received		3.757.521	733.943
C. Cash flows from financing activities		**(858.321)**	**28.572.922**
Cash inflows from borrowings obtained	5	609.281.234	327.543.600
Cash outflows related to loan repayment	5	(586.861.732)	(283.766.690)
Interest received		4.277.761	5.299.844
Dividends paid	16	(21.500.000)	(17.500.000)
Interest paid	5	(6.055.584)	(3.003.832)
Net increase/decrease in cash and cash equivalents		**129.539.829**	**(68.760.784)**
Cash and cash equivalents at the beginning of period	4	18.972.561	91.206.315
Cash and cash equivalents at the end of period	**4**	**148.512.390**	**22.445.531**

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, construction, 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.

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

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

- *Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (Former title: Polisan Boya San. Ve Tic. A.Ş.)*
- *Polisan Kimya Sanayii A.Ş.*
- *Poliport Kimya Sanayi ve Ticaret A.Ş.*
- *Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. (Former title: Polikem Kimya San ve Tic. A.Ş.)*
- *Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.*
- *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 sales of final products supporting the planting and agricultural industries
Production and sale of paint
Production and sale of concrete chemicals
Port, storage and warehousing services
Service

Subsidiaries:

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

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

Poliport Kimya Sanayi ve Ticaret A.Ş. ("Poliport"):

Operating activities of Poliport are bulk liquid storage services, A-type general warehouse services, loading and unloading services for dry bulk and general cargo vessels.

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

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

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

Operating activity of Polisan Tarım is 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.

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

Polisan Rus Ltd.:

The subsidiary is inactive and has no financial statement.

Polisan Maroc S.A. (Maroc):

Polisan Maroc S.A. was established on June 23, 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 September 30, 2018 is 1.699 (30 September 2017 - 1.566). In calculating the average numbers, the number of employees of Polisan Kansai Boya was taken as an integer, not weighted by the group's shares.

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.

%50 shares of Polisan Boya was sold by Kansai Paint Co. Ltd. on December 21, 2016, Polisan Boya has changed its name to Polisan Kansai Boya.

As a result of the sale of subsidiary shares, which is a result of loss of control, the transaction was considered as a joint venture from the date of sale, Polisan Kansai Boya started to be accounted by the equity method.

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

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 related raw materials.

Rohm and Haas was established in 2004 and company's registered office is located İçerenköy Mah. Umut Sokak, No:10/12, Kat:3 Ataşehir/İstanbul. For the period ended September 30, 2018 the average number of personnel employed by Rohm and Haas is 59 (September 30, 2017:66).

2. Basis of presentation of financial statements

2.1 Basis of presentation

Declaration of Conformity

The accompanying 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 of Turkey ("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.

The condensed interim consolidated financial statements for the nine months period ended September 30, 2018 have been prepared in accordance with TAS 34 "Interim Financial Reporting". Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2018 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2017. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

The consolidated financial statements prepared as of and for the period ended September 30, 2018 were approved in the Board of Directors meeting dated November 5, 2018. General assembly has the right to amend the financial statements prepared in accordance with the legal regulations and these consolidated financial statements.

Preparation Form of Financial Statements

The Company, its subsidiaries and associate registered in Turkey complies with the principles and provisions issued by the CMB, Turkish Commercial Code ("TCC"), Tax Law, and provisions of Uniform Chart of Accounts issued by Ministry of Finance in keeping its accounting records and preparing official financial statements. The subsidiary operating in abroad prepares its legal financial statements in compliance with the law and regulations, which are valid in the country that it operates in. The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the TAS and are presented in TL.

The accompanying consolidated financial statements of the Group have been prepared in compliance with CMB's "Announcement on Financial Statements and Footnote Formats" dated June 7, 2013.

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 Dirhem.

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. Basis of presentation of financial statements (continued)

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.

2.2 Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Polisan Holding, its Subsidiaries, Joint ventures and its 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 September 30, 2018 and December 31, 2017 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 (%)	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
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 Hellas	100,00	100,00	100,00	100,00
Polisan Rus Ltd. (*)	90,00	90,00	90,00	90,00
Polisan Maroc (**)	80,00	60,00	80,00	60,00

(*) The subsidiary is inactive.
(**) Polisan Kimya, 100% of shares owned by Polisan Holding, was established Polisan Maroc SA as of July 5, 2017 and as of January 11, 2018, the Company has increased voting right from 60% to 80%.

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.

Associates are recognized in the consolidated financial statements in compliance with the equity method, after the plus of associates' post-purchase changes to their cost and by reducing if any provision for losses.

The table below sets out ownership interests of joint ventures and associates included in the scope of consolidation, which are identical to their economic interests, as of September 30, 2018 and December 31, 2017:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership share (%)	
		September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
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.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 2018 are consistent with those of the previous financial year. There is no new and amended TFRS or TFRIC interpretation effective as of January 1, 2018. The effects of these standards and interpretations onthe 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, 2018 are as follows:

- TFRS 15 Revenue from Contracts with Customers (*)
- TFRS 9 Financial Instruments (*)
- TFRS 4 Insurance Agreements (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- Annual Improvements – 2014-2016 Cycle

(*) The amendments impact on the financial position or performance of the Group explain in Note 2.5.

2. Basis of presentation of financial statements (continued)

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

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.

- TFRS 16 Leases
- IAS 28 Investments in Associates and Joint Ventures (Amendments)
- TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRIC 23 Uncertainty over Income Tax Treatments

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 17 - The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

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

2.4 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.

2.5 Changes in the accounting policies

a) Effects on financial statements

The Company has applied the Revenue Standards from TFRS 9 Financial Instruments and TFRS 15 Customer Contracts for the accounting period beginning on January 1, 2018.

2. Basis of presentation of financial statements (continued)

In the application of TFRS 9 Financial Instruments Standard, the Company benefited from an exemption allowing for the restatement of comparative information on prior periods' changes in classification and measurement (including impairment). The cumulative effect of the adoption of TFRS 9 on the carrying value of financial assets and financial liabilities is recognized in the retained earnings as of January 1, 2018 as comparative adjustment and the comparative information for prior periods has not been restated.

The Company retrospectively applied the Revenue Standard from TFRS 15 Customer Contracts for the first time on January 1, 2018 with the cumulative effect of the application. For the first time, the cumulative effect of the application is recognized in the retained earnings as of 1 January 2018 as comparative adjustment and comparative information related to the prior periods has not been restated.

The statement of financial position of September 30, 2018 of the application of TFRS 9 and TFRS 15 and the results for the nine month interim period for the same date are presented below. There are no significant effects on the other comprehensive income statement and cash flow statement of the application of the standards.

i) Financial Statement

Assets	September 30, 2018	TFRS 9 Effect	TFRS 15 Effect	September 30,2018 (Except effects)
Current assets	**706.042.228**	**(1.015.439)**	**5.671.287**	**710.698.076**
Cash and cash equivalents	148.512.390	-	-	148.512.390
Trade receivables	346.589.165	(1.015.439)	5.671.287	351.245.013
- Trade receivables from related parties	*9.262.923*	-	*562.534*	*9.825.457*
- Trade receivables from third parties	*337.326.242*	*(1.015.439)*	*5.108.753*	*341.419.556*
Other receivables	66.899.596	-	-	66.899.596
- Other receivables from related parties	*2.069.442*	-	-	*2.069.442*
- Other receivables from third parties	*64.830.154*	-	-	*64.830.154*
Inventories	132.082.748	-	-	132.082.748
Prepaid expenses	9.500.339	-	-	9.500.339
Current income tax assets	309.160	-	-	309.160
Other current assets	2.148.830	-	-	2.148.830
Non-current assets	**1.540.850.778**	**(894.098)**	**13.071.143**	**1.553.027.823**
Trade receivables	338.605	-	-	338.605
-Trade receivables from third parties	*338.605*		-	*338.605*
Other receivables	749.329	-	-	749.329
- Other receivables from third parties	*749.329*	-	-	*749.329*
Investments accounted using the equity method	387.228.664	(894.098)	13.071.143	399.405.708
Investment properties	264.324.274	-	-	264.324.274
Tangible assets	793.020.141	-	-	793.020.141
Intangible assets	2.909.426	-	-	2.909.426
Prepaid expenses	40.835.033	-	-	40.835.033
Deferred tax assets	51.445.307	-	-	51.445.307
Total Assets	**2.246.893.006**	**(1.909.537)**	**18.742.430**	**2.263.725.899**

2. Basis of presentation of financial statements (continued)

Liabilities	September 30, 2018	TFRS 9 Effect	TFRS 15 Effect	September 30,2018 (Except effects)
Current liabilities	**502.642.971**	**-**	**184.800**	**502.827.771**
Short term borrowings	82.755.473	-	-	82.755.473
Short term portion of long term borrowings	172.280.053	-	-	172.280.053
Trade payables	225.257.389	-	184.800	225.442.189
- Trade payables to related parties	*78.396*	-	*8.279*	*86.675*
- Trade payables to third parties	*225.178.993*	-	*176.521*	*225.355.514*
Employee benefit obligations	7.066.771	-	-	7.066.771
Other payables	5.936.464	-	-	5.936.464
- Other payables to related parties	*3.384.181*	-	-	*3.384.181*
- Other payables to third parties	*2.552.283*	-	-	*2.552.283*
Deferred income	3.349.107	-	-	3.349.107
Short term provisions	558.062	-	-	558.062
- Other short term provisions	*558.062*	-	-	*558.062*
Other current liabilities	5.439.652	-	-	5.439.652
Non-current liabilities	**274.736.884**	**(203.088)**	**1.222.678**	**275.756.474**
Long term borrowings	139.230.367	-	-	139.230.367
Long term provisions	10.869.075	-	-	10.869.075
- Provisions for employee termination benefits	*10.869.075*	-	-	*10.869.075*
Deferred tax liabilities	124.637.442	(203.088)	1.222.678	125.657.032
Equity	**1.469.513.151**	**(1.706.450)**	**17.334.952**	**1.485.141.654**
Equity holders of the parent	**1.440.471.993**	**(1.710.817)**	**17.336.917**	**1.456.098.093**
Paid-in share capital	370.000.000	-	-	370.000.000
Adjustment to share capital	1.467.266	-	-	1.467.266
Share premium/discounts	23.130.220	-	-	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss	302.297.654	-	-	302.297.654
- Revaluation and measurement gain / loss	302.297.654	-	-	302.297.654
-Defined benefit plans re-measurement gain / (loss)	*(10.602.497)*	-	-	*(10.602.497)*
- Tangible assets revaluation	*312.900.151*	-	-	*312.900.151*
Other comprehensive income or expense to be reclassified to profit/(loss)	(27.761.110)	-	-	(27.761.110)
- Currency translation differences	*(27.761.110)*	-	-	*(27.761.110)*
Restricted reserves	42.221.733	-	-	42.221.733
Other reserves	(208.727.832)	-	-	(208.727.832)
Retained earnings	916.523.468	(1.376.153)	6.810.966	921.958.281
Profit for the period	21.320.594	(334.664)	10.525.951	31.511.881
Non-controlling interest	**29.041.158**	**4.367**	**(1.964)**	**29.043.561**
Total Liabilities	**2.246.893.006**	**(1.909.538)**	**18.742.430**	**2.263.725.899**

2. Basis of presentation of financial statements (continued)

ii) Profil and Loss Statement

	September 30, 2018	TFRS 9 Effect	TFRS 15 Effect	September 30, 2018 (Except effects)
Sales	825.286.103	-	-	825.286.103
Cost of sales (-)	(634.914.095)	-	-	(634.914.095)
Gross profit from commercial activities	**190.372.008**	**-**	**-**	**190.372.008**
General and administrative expenses (-)	(45.698.810)	-	-	(45.698.810)
Marketing expenses (-)	(32.268.474)	-	-	(32.268.474)
Research and development expenses (-)	(3.119.757)	-	-	(3.119.757)
Other operating income	19.309.916	257.569	(3.263.929)	16.303.556
Other operating expenses (-)	(22.838.620)	(263.606)	5.880.505	(17.221.721)
Profit from investments accounted using the equity method	(47.631.380)	(614.794)	8.804.011	(39.442.163)
Operating profit	**58.124.883**	**(620.831)**	**11.420.587**	**68.924.639**
Income from investment activities	2.975.020	-	-	2.975.020
Expense from investment activities (-)	(5.910.865)	-	-	(5.910.865)
Operating profit before financial income/expense	**55.189.038**	**(620.831)**	**11.420.587**	**65.988.794**
Financial income	102.922.898	-	-	102.922.898
Financial expenses (-)	(121.462.085)	-	-	(121.462.085)
Pre-tax profit from continuing operations	**36.649.851**	**(620.831)**	**11.420.587**	**47.449.607**
Continuing operations tax income/expense				
- Current tax expense	(16.201.837)	-	-	(16.201.837)
- Deferred tax income/expense	3.343.846	1.207	(591.296)	2.753.757
Profit for the period	**23.791.860**	**(619.624)**	**10.829.291**	**34.001.527**
Attributable to:				
Non-controlling interests	2.471.265	13.703	4.678	2.489.646
Equity holders of the parent	21.320.595	(633.327)	10.824.613	31.511.881
Earnings per share	**0,058**			**0,085**

2. Basis of presentation of financial statements (continued)

iii) TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers - Effects

The Company has audited the effectiveness of TFRS 9 and TFRS 15 on all its activities and has adopted TFRS 9 and TFRS 15 effective from January 1, 2018. As at January 1, 2018, the cumulative effect of all TFRS 9 and 15 adoption is accounted for under shareholders' equity.

The following table shows the effect on assets, liabilities and equity following the application of TFRS 9 and TFRS 15:

	31 December 2017	31 December 2017 (After effect)	Effect of new standards
Asset			
Trade receivables	240.663.237	242.732.962	2.069.725
Investments accounted using the equity method	435.032.812	439.020.640	3.987.828
Deferred tax asset	55.048.158	55.256.848	208.690
Liabilities			
Trade payables	91.361.925	91.571.142	(209.217)
Deferred tax liability	136.837.526	137.475.716	(638.190)
Equity			
Retained earnings	841.551.111	846.985.924	(5.434.813)
Non-controlling interests	26.628.526	26.612.549	15.977

TFRS 15 Revenue from Contracts with Customers

Existence of a significant financing component in the contract

In determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

TFRS 9 Financial Instruments Standard

Classification and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

2. Basis of presentation of financial statements (continued)

The amendments to IFRS 9 regarding the classification of financial assets and liabilities are summarized below. This classification difference does not have any effect on the measurement of financial assets.

Financial assets	Prior classification according to TMS 39	New classification according to TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Financial liabilities		
Financial payables	Amortised cost	Amortised cost
Trade receivables	Amortised cost	Amortised cost

Impairment

The expected credit loss model in TFRS 9 "Financial Instruments" instead of the "actual credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was in effect prior to January 1, 2018. The significant effect arising from the application of TFRS 9 to the carrying value of financial assets and financial liabilities is disclosed above.

2.6 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.

2.7 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.8 Summary of significant accounting policies

Significant accounting policies used in preparation of interim condensed consolidated financial statements of the Group for the nine months period ended September 30, 2018 have been prepared in accordance with the illustrative financial statement and user guide issued in accordance with the decision taken in CMB's 20/670 numbered meeting on June 7, 2013, except the amendments stated below. Accordingly, these condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. In this framework, a five-stage model was created to regulate the revenue generated from contracts with customers. According to TFRS 15, revenue is calculated taking into account an entity's performance of product or service offering to the customer. The new standard issued replaces current TFRS' all standards and interpretations on the revenue. The Company retrospectively applied the Revenue Standard from TFRS 15 Customer Contracts for the first time on January 1, 2018 with the cumulative effect of the application. For the first time, the cumulative effect of the application is recognized in the retained earnings as of 1 January 2018 as comparative adjustment and comparative information related to the prior periods has not been restated.

2. Basis of presentation of financial statements (continued)

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after January 1, 2018. The accounting policies applied are explained in Note 2.5.

2.9 Seasonality in operations

Operations of the companies within the consolidation may show increase or decrease for each period. Thus, the results for the nine months period ended September 30, 2018 may not be an indicator for the whole year.

3. Segment reporting

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

As of September 30, 2018 and December 31, 2017, total assets and liabilities are as follows:

Assets	**September 30, 2018**	**December 31, 2017**
Paint	1.238.976.355	971.363.630
Chemical products	1.013.213.287	760.536.484
Port	512.953.462	473.044.817
Services	1.002.183.713	878.432.037
Real estate	259.658.453	265.420.986
Combined	**4.026.985.270**	**3.348.797.954**
Less: Joint ventures	(1.638.382.063)	(971.363.630)
Add: Carrying values of Joint Ventures (Note 9)	399.405.708	431.532.134
Less: Eliminations	(524.283.016)	(820.516.302)
Consolidated	**2.263.725.899**	**1.988.450.156**

Liabilities	**September 30, 2018**	**December 31, 2017**
Paint	849.834.458	523.927.774
Chemical products	776.198.631	590.554.886
Port	68.120.712	72.856.109
Services	63.737.877	24.965.102
Real estate	60.166.654	58.868.672
Combined	**1.818.058.332**	**1.271.172.543**
Less: Joint ventures	(849.834.458)	(523.927.774)
Less: Eliminations	(189.639.629)	(243.720.551)
Consolidated	**778.584.245**	**503.524.218**

3. Segment reporting (continued)

Statement of profit or loss reporting for the period January 1 – September 30, 2018:

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Plus: Shares of profit/loss of joint venture	Consolidation adjustments	Consolidated
Revenue	621.351.745	710.240.468	116.879.336	50.769.898	782.191	**1.500.023.638**	(621.351.745)	-	(53.385.790)	**825.286.103**
- *Intra segment revenue*	*619.909.745*	*689.930.687*	*114.373.657*	*20.199.568*	*782.191*	***1.445.195.848***	*(619.909.745)*	-	-	***825.286.103***
- *Inter segment revenue*	*1.442.000*	*20.309.781*	*2.505.680*	*30.570.330*	-	***54.827.791***	*(1.442.000)*	-	*(53.385.791)*	**-**
Cost of sales (-)	(389.407.728)	(591.365.928)	(68.373.425)	(45.627.842)	(46.496)	**(1.094.821.419)**	389.407.728	-	70.499.596	**(634.914.095)**
Gross profit	**231.944.017**	**118.874.540**	**48.505.911**	**5.142.056**	**735.695**	**405.202.219**	**(231.944.017)**	**-**	**17.113.806**	**190.372.008**
Operational income/(expenses) (-), net	(158.231.390)	(57.721.933)	(2.110.178)	8.169.748	(1.409.505)	**(211.303.258)**	158.231.390	-	(28.933.338)	**(82.005.206)**
Profit from investments accounted using the equity method	-	(7.488.506)	-	-	-	**(7.488.506)**	-	(31.953.657)	-	**(39.442.163)**
Operating profit	**73.712.627**	**53.664.101**	**46.395.733**	**13.311.804**	**(673.810)**	**186.410.455**	**(73.712.627)**	**(31.953.657)**	**(11.819.532)**	**68.924.639**
Income / (expenses) from investment activities, net	(167.904)	742.404	1.721.884	(2.286)	(5.397.847)	**(3.103.749)**	167.904	-	-	**(2.935.845)**
Operating profit before financial income/expense	**73.544.723**	**54.406.505**	**48.117.617**	**13.309.518**	**(6.071.657)**	**183.306.706**	**(73.544.723)**	**(31.953.657)**	**(11.819.532)**	**65.988.794**
Financial income / (expenses), net	(164.721.016)	(137.734.815)	2.606.648	106.513.475	(2.037.988)	**(195.373.696)**	164.721.016	-	12.113.493	**(18.539.187)**
Pre-tax profit from continuing operations	**(91.176.293)**	**(83.328.310)**	**50.724.265**	**119.822.993**	**(8.109.645)**	**(12.066.990)**	**91.176.293**	**(31.953.657)**	**293.961**	**47.449.607**
Tax income / (expense), net	33.226.073	4.899.851	(7.202.953)	(12.135.316)	1.049.129	**19.836.784**	(33.226.073)	-	(58.791)	**(13.448.080)**
Net profit from continuing operations	**(57.950.220)**	**(78.428.459)**	**43.521.312**	**107.687.677**	**(7.060.516)**	**7.769.794**	**57.950.220**	**(31.953.657)**	**235.170**	**34.001.527**
Depreciation and amortization	8.353.434	11.980.106	19.244.213	1.353.659	-	**40.931.412**	(8.353.434)	-	(1.066.360)	**31.511.618**
Investment expenditures	105.017.019	12.940.149	47.938.028	644.900	-	**166.540.096**	(105.017.019)	-	(781.956)	**60.741.121**
Interest income	371.115	1.575.262	180.918	6.279.102	-	**8.406.397**	(371.115)	-	-	**8.035.282**
Interest expense	123.891.354	22.009.268	24.181	2.165	2.037.313	**147.964.281**	(123.891.354)	-	(12.113.492)	**11.959.435**

3. Segment reporting (continued)

Statement of profit or loss reporting for the period January 1 - September 30 2017:

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Plus: Shares of profit/loss of joint venture	Consolidation adjustments	Consolidated
Revenue	506.636.576	452.089.860	104.009.842	79.904.820	12.136	**1.142.653.234**	*(506.636.576)*	-	(78.541.402)	**557.475.256**
- *Intra segment revenue*	*503.761.737*	*428.936.321*	*93.681.346*	*34.845.453*	*12.136*	***1.061.236.993***	*(503.761.737)*	-	-	***557.475.256***
- *Inter segment revenue*	*2.874.839*	*23.153.539*	*10.328.496*	*45.059.367*	-	***81.416.241***	*(2.874.839)*	-	*(78.541.402)*	**-**
Cost of sales (-)	(327.709.574)	(397.884.057)	(74.781.211)	(56.988.288)	(31.052)	**(857.394.182)**	327.709.574	-	77.118.279	**(452.566.329)**
Gross profit	**178.927.002**	**54.205.803**	**29.228.631**	**22.916.532**	**(18.916)**	**285.259.052**	**(178.927.002)**	**-**	**(1.423.123)**	**104.908.927**
Operational income/(expenses) (-), net	(120.278.508)	(36.419.132)	(5.787.464)	(8.798.829)	(1.101.107)	**(172.385.040)**	120.278.508	-	(11.498.141)	**(63.604.673)**
Profit from investments accounted using the equity method	-	855.506	-	-	-	**855.506**	-	18.647.181	-	**19.502.687**
Operating profit	**58.648.494**	**18.642.177**	**23.441.167**	**14.117.703**	**(1.120.023)**	**113.729.518**	**(58.648.494)**	**18.647.181**	**(12.921.264)**	**60.806.941**
Income / (expenses) from investment activities, net	299.138	1.322.792	30.386	275.013	-	**1.927.329**	(299.138)	-	-	**1.628.191**
Operating profit before financial income/expense	**58.947.632**	**19.964.969**	**23.471.553**	**14.392.716**	**(1.120.023)**	**115.656.847**	**(58.947.632)**	**18.647.181**	**(12.921.264)**	**62.435.132**
Financial income / (expenses), net	(26.983.302)	(14.387.406)	(876.936)	6.929.148	(1.165.944)	**(36.484.440)**	26.983.302	-	7.410.080	**(2.091.058)**
Pre-tax profit from continuing operations	**31.964.330**	**5.577.563**	**22.594.617**	**21.321.864**	**(2.285.967)**	**79.172.407**	**(31.964.330)**	**18.647.181**	**(5.511.184)**	**60.344.074**
Tax income / (expense), net	5.330.032	1.190.962	2.223.427	(4.296.998)	(18.221)	**4.429.202**	(5.330.032)	-	1.102.237	**201.407**
Net profit from continuing operations	**37.294.362**	**6.768.525**	**24.818.044**	**17.024.866**	**(2.304.188)**	**83.601.609**	**(37.294.362)**	**18.647.181**	**(4.408.947)**	**60.545.481**
Depreciation and amortization	10.919.175	11.175.382	25.198.399	825.560	-	**48.118.516**	(10.919.175)	-	(92.758)	**37.106.583**
Investment expenditures	85.897.635	18.079.187	29.349.872	31.100.758	341.000	**164.768.452**	(85.897.635)	-	(5.603.944)	**73.266.873**
Interest income	421.542	46.021	48.933	5.938.833	-	**6.455.329**	(421.542)	-	-	**6.033.787**
Interest expense	22.397.543	11.758.860	625.093	218.018	1.068.454	**36.067.968**	(22.397.543)	-	(7.410.080)	**6.260.345**

3. Segment reporting (continued)

Statement of profit or loss reporting for the period July 1 - September 30, 2018:

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Plus: Shares of profit/loss of joint venture	Consolidation adjustments	Consolidated
Revenue	153.519.300	279.032.906	46.515.604	18.316.582	23.780	**497.408.172**	(153.519.300)	-	(18.089.326)	**325.799.546**
- *Intra segment revenue*	*165.080.813*	*272.414.250*	*45.626.134*	*7.735.382*	*23.780*	***490.880.359***	*(165.080.813)*	-	-	***325.799.546***
- *Inter segment revenue*	*772.755*	*6.618.656*	*889.471*	*10.581.200*	-	***18.862.082***	*(772.755)*	-	*(18.089.327)*	**-**
Cost of sales (-)	(99.505.554)	(225.470.498)	(23.103.976)	(16.090.604)	-	**(364.170.632)**	99.505.554	-	23.997.224	**(240.667.854)**
Gross profit	**54.013.746**	**53.562.408**	**23.411.628**	**2.225.978**	**23.780**	**133.237.540**	**(54.013.746)**	**-**	**5.907.898**	**85.131.692**
Operational income/(expenses) (-), net	(57.845.166)	(25.452.486)	(42.166)	3.829.938	(366.428)	**(79.876.308)**	57.845.166	-	(10.105.074)	**(32.136.216)**
Profit from investments accounted using the equity method	-	(3.829.952)	-	-	-	**(3.829.952)**	-	(47.151.983)	-	**(50.981.935)**
Operating profit	**(3.831.420)**	**24.279.970**	**23.369.462**	**6.055.916**	**(342.648)**	**49.531.280**	**3.831.420**	**(47.151.983)**	**(4.197.176)**	**2.013.541**
Income / (expenses) from investment activities, net	46.328	459	1.652.986	(1.329)	-	**1.698.444**	(46.329)	-	-	**1.652.115**
Operating profit before financial income/expense	**(3.785.092)**	**24.280.429**	**25.022.448**	**6.054.587**	**(342.648)**	**51.229.724**	**3.785.091**	**(47.151.983)**	**(4.197.176)**	**3.665.656**
Financial income / (expenses), net	(114.621.525)	(70.094.478)	1.728.980	54.056.623	(1.026.952)	**(129.957.352)**	114.621.525	-	4.283.751	**(11.052.076)**
Pre-tax loss from continuing operations	**(118.406.617)**	**(45.814.049)**	**26.751.428**	**60.111.210**	**(1.369.600)**	**(78.727.628)**	**118.406.616**	**(47.151.983)**	**86.575**	**(7.386.420)**
Tax income / (expense), net	26.088.292	3.807.520	(3.320.488)	(3.067.080)	(14.546)	**23.493.698**	(26.088.292)	-	(17.313)	**(2.611.907)**
Net loss from continuing operations	**(92.318.325)**	**(42.006.529)**	**23.430.940**	**57.044.130**	**(1.384.146)**	**(55.233.930)**	**92.318.324**	**(47.151.983)**	**69.262**	**(9.998.327)**
Depreciation and amortization	2.640.967	4.152.042	5.563.316	409.431	-	**12.765.756**	(2.640.967)	-	(353.901)	**9.770.888**
Investment expenditures	30.684.721	4.832.582	27.656.015	213.079	-	**63.386.397**	(30.684.721)	-	(270.748)	**32.430.928**
Interest income	210.328	425.924	136.606	2.086.714	-	**2.859.572**	(210.328)	-	-	**2.649.244**
Interest expense	82.826.401	7.514.941	420	2.165	1.026.878	**91.370.805**	(82.826.401)	-	(4.283.750)	**4.260.654**

3. Segment reporting (continued)

Statement of profit or loss reporting for the period July 1 - September 30, 2017:

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Plus: Shares of profit/loss of joint venture	Consolidation adjustments	Consolidated
Revenue	161.776.473	151.816.205	37.091.530	19.586.171	3.136	**370.273.515**	(161.776.473)	-	(9.912.871)	**198.584.171**
- *Intra segment revenue*	*160.463.960*	*149.779.059*	*33.763.524*	*15.038.452*	*3.136*	***359.048.131***	*(160.463.960)*	-	-	***198.584.171***
- *Inter segment revenue*	*1.312.513*	*2.037.146*	*3.328.006*	*4.547.719*	-	***11.225.384***	*(1.312.513)*	-	*(9.912.871)*	**-**
Cost of sales (-)	(104.618.775)	(132.674.004)	(26.308.063)	(12.921.917)	-	**(276.522.759)**	104.618.775	-	15.776.091	**(156.127.893)**
Gross profit	**57.157.698**	**19.142.201**	**10.783.467**	**6.664.254**	**3.136**	**93.750.756**	**(57.157.698)**	**-**	**5.863.220**	**42.456.278**
Operational income/(expenses) (-), net	(33.826.915)	(15.663.462)	(1.481.111)	(1.515.770)	(531.461)	**(53.018.719)**	33.826.915	-	(10.113.211)	**(29.305.015)**
Profit from investments accounted using the equity method	-	(1.185.292)	-	-	-	**(1.185.292)**	-	4.583.886	-	**3.398.594**
Operating profit	**23.330.783**	**2.293.447**	**9.302.356**	**5.148.484**	**(528.325)**	**39.546.745**	**(23.330.783)**	**4.583.886**	**(4.249.991)**	**16.549.857**
Income / (expenses) from investment activities, net	4.279	1.268.853	371	275.013	-	**1.548.516**	(4.279)	-	-	**1.544.237**
Operating profit before financial income/expense	**23.335.062**	**3.562.300**	**9.302.727**	**5.423.497**	**(528.325)**	**41.095.261**	**(23.335.062)**	**4.583.886**	**(4.249.991)**	**18.094.094**
Financial income / (expenses), net	(15.015.952)	(3.542.702)	(153.190)	3.545.934	(431.294)	**(15.597.204)**	15.015.952	-	3.036.026	**2.454.774**
Pre-tax profit from continuing operations	**8.319.110**	**19.598**	**9.149.537**	**8.969.431**	**(959.619)**	**25.498.057**	**(8.319.110)**	**4.583.886**	**(1.213.965)**	**20.548.868**
Tax income / (expense), net	848.662	134.777	(393.230)	(1.804.246)	8.063	**(1.205.974)**	(848.662)	-	242.793	**(1.811.843)**
Net profit from continuing operations	**9.167.772**	**154.375**	**8.756.307**	**7.165.185**	**(951.556)**	**24.292.083**	**(9.167.772)**	**4.583.886**	**(971.172)**	**18.737.025**
Depreciation and amortization	4.298.121	3.788.519	9.312.765	14.406	-	**17.413.811**	(4.298.121)	-	(61.601)	**13.054.089**
Investment expenditures	45.811.184	6.437.780	199.527	13.247.900	-	**65.696.391**	(45.811.184)	-	(1.275.568)	**18.609.639**
Interest income	35.028	9.688	22.731	1.924.056	-	**1.991.503**	(35.028)	-	-	**1.956.475**
Interest expense	16.598.532	4.091.516	584.386	123.688	332.144	**21.730.266**	(16.598.532)	-	(3.036.026)	**2.095.708**

4. Cash and cash equivalents

As of September 30, 2018 and December 31, 2017 the Group's cash and cash equivalents are as follows:

	September 30, 2018	December 31, 2017
Cash in hand	113.749	81.771
Banks	148.398.641	18.890.790
- Demand deposits	*26.345.333*	*12.905.671*
- Time deposits	*122.053.308*	*5.985.119*
Total	**148.512.390**	**18.972.561**

No blockage on the Group's cash and cash equivalents exists as of September 30, 2018 (December 31, 2017 – None).

As of September 30, 2018 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	4,50%	2 days	15.495.000	92.818.149
Euro	1,50%	2 days	2.921.395	20.305.159
TL	26,00%	2 days	8.930.000	8.930.000
Total				**122.053.308**

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**

5. Financial borrowings

As of September 30, 2018 and December 31, 2017 the Group's financial borrowings are as follows:

Short-term borrowings	Interest rate	September 30, 2018	Interest rate	December 31, 2017
Bank borrowings				
- Euro	2%	67.189.335	0-2,15%	11.346.454
- TL	15,4-39,5%	15.566.138	14,50%	41.581.464
Total		**82.755.473**		**52.927.918**

Short term portion of long term borrowings	Interest rate	September 30, 2018	Interest rate	December 31, 2017
Bank borrowings				
- Euro	2%	120.123.238	2,75-3,10%	147.022.888
- USD	4,9-4,93%	38.878.160	-	-
- TL	15,5-5,8%	13.278.655	-	-
Total		**172.280.053**		**147.022.888**

Long-term borrowings	Interest rate	September 30, 2018	Interest rate	December 31, 2017
Bank borrowings				
- Euro	2%	111.544.308	2,75%	39.847.667
- USD	4,9-4,93%	22.112.078	-	-
- TL	15,5-15,8%	5.573.981	-	-
Total		**139.230.367**		**39.847.667**

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

Maturity	September 30, 2018	December 31, 2017
0 - 3 months	51.372.356	79.154.858
Between 3 - 6 months	65.365.233	59.887.224
Between 6 - 12 months	138.297.937	60.908.724
Between 1 – 2 years	139.230.367	38.041.467
More than 2 years	-	1.806.200
Total	**394.265.893**	**239.798.473**

Total financial liabilities as of 1 January, 2018	**239.798.473**
Cash inflows from borrowing	609.281.234
Cash outflow from borrowing	(586.861.732)
Interest paid	(6.055.584)
Interest accrual	7.445.663
Foreign exchange and currency translation differences	130.657.839
Total financial liabilities as of 30 September 2018	**394.265.893**

6. Trade receivables and payables

As of September 30, 2018 and December 31, 2017 the Group's trade receivables are as follows:

Trade receivables	September 30, 2018	December 31, 2017
Trade receivables	239.399.134	155.127.292
Receivables from related parties (Note 24)	9.825.457	9.411.305
Notes and cheques receivables	122.331.981	96.312.521
	371.556.572	**260.851.118**
Allowance for doubtful receivables (-)	(20.311.559)	(18.118.156)
Total	**351.245.013**	**242.732.962**

Long-term trade receivables	September 30, 2018	December 31, 2017
Notes and cheques receivables	380.000	988.336
	380.000	**988.336**
Deferred financial expense (-)	(41.395)	(179.762)
Total	**338.605**	**808.574**

Movement of allowance for doubtful receivables for the nine months periods ended September 30, 2018 and 2017 are as follows:

	2018	2017
December 31	17.188.941	17.245.085
Changes in accounting policies (Note 2.5)	1.009.402	-
January 1	**18.198.343**	**17.245.085**
Allowance for the period (Note 19)	2.516.147	891.962
Write off	(64.493)	(386.342)
Allowance no longer required (Note 19)	(338.438)	(238.995)
September 30	**20.311.559**	**17.511.710**

As of September 30, 2018 and December 31, 2017 the aging of the overdue but not impaired trade receivables are as follows:

	September 30, 2018	December 31, 2017
1-30 days	17.855.160	17.361.149
1-3 months	4.903.602	10.706.435
3-12 months	996.016	12.189.232
1-5 years	40.624	725.496
Total	**23.795.402**	**40.982.312**

Guarantees amounting to TL 3.214.000 has been received for the overdue but not impaired receivables amounting to TL 23.795.402 (December 31, 2017: TL 1.110.000 guarantee received for TL 40.982.312 overdue but not impaired receivables).

6. Trade receivables and payables (continued)

As of September 30, 2018 and December 31, 2017 the Group's trade payables are as follows:

Trade payables	September 30, 2018	December 31, 2017
Trade payables	214.675.392	83.390.635
Notes and cheques payables	10.680.122	7.963.418
Payables to related parties (Note 24)	86.675	217.089
Total	**225.442.189**	**91.571.142**

7. Inventories

As of September 30, 2018 and December 31, 2017 the Group's inventories are as follows:

	September 30, 2018	December 31, 2017
Raw materials and supplies	62.157.878	43.105.538
Work in process	7.209.162	3.009.206
Finished goods	14.294.792	15.677.433
Merchandise	476.061	397.969
Goods in transit	46.447.497	26.256.884
Other inventories	2.881.502	877.400
Total	**133.466.892**	**89.324.430**
Provision for impairment of inventories (-)	(1.384.144)	(1.152.298)
Total	**132.082.748**	**88.172.132**

Movement of allowance for impairment of inventories for the nine months periods ended September 30, 2018 and 2017 are as follows:

	2018	2017
Allowance at the beginning of the period	1.152.298	875.049
Allowance for the period (Note 19)	639.992	52.484
Allowance no longer required	(408.146)	(216.668)
September 30	**1.384.144**	**710.865**

8. Prepaid expenses and deferred income

Short term prepaid expenses	September 30, 2018	December 31, 2017
Prepaid expense for the following months	8.616.056	7.321.665
Advances given for inventories	884.283	2.158.963
Total	**9.500.339**	**9.480.628**

Long term prepaid expenses	September 30, 2018	December 31, 2017
Advances given for tangible assets (*)	40.835.033	40.900.155
Total	**40.835.033**	**40.900.155**

(*) It is 9.000.000 EURO with the transfer / sale price determined by the parties for the immovable property of 31.810,00 m² area registered in the Kocaeli province, Dilovası district, Muallim village, 50LIA-B section, 185 island, 15 parcel number and the price is Polisan Kimya Sanayii A.Ş. paid by the sales promotion contract. Polisan Kimya Sanayii A.Ş. is not liable for the precautionary decision on immovable property. On behalf of the transfer was not possible yet. On the other hand, there is a letter of guarantee corresponding to the claim amount given by the other side of the contract to the Polisan Kimya Sanayii A.Ş, and related immovable is used in this frame.

Short term deferred income	September 30, 2018	December 31, 2017
Advances taken	2.762.768	4.634.633
Deferred income for the following monts	586.339	1.504.730
Total	**3.349.107**	**6.139.363**

9. Investments accounted using the equity method

As of September 30, 2018 and December 31, 2017, the Group's investments accounted using equity the method are as follows:

	September 30, 2018		December 31, 2017	
	%	TL	%	TL
Joint venture				
Polisan Kansai Boya	50	399.405.708	50	431.532.134
Associate				
Rohm And Haas	40	-	40	7.488.506
Total		**399.405.708**		**439.020.640**

9. Investments accounted using the equity method (continued)

For the periods ended September 30, 2018 and 2017, the movements of the investments accounted using the equity method are as follows:

	2018	2017
Polisan Kansai Boya		
December 31	427.544.306	398.566.600
Effect of changes in accounting policies (Not 2.5)	3.987.828	-
January 1	**431.532.134**	**398.566.600**
Profit/(loss) from investments accounted using the equity method	(31.953.657)	18.647.181
Other comprehensive income	(172.769)	(291.976)
Rohm And Haas		
January 1	**7.488.506**	**7.546.382**
Profit/(loss) from investments accounted using the equity method	(7.488.506)	855.506
September 30	**399.405.708**	**425.323.693**

The summary financial statements of the Group's investments accounted by the equity method as of September 30, 2018 and December 31, 2017 prepared in accordance with TFRS are as follows:

September 30, 2018 – Condensed balance sheet information	**Polisan Kansai Boya**	**Rohm and Haas**
Current assets	778.515.153	155.380.512
Cash and cash equivalents	*13.825.841*	*2.858.956*
Non-current assets	724.436.494	32.362.353
Total assets	**1.502.951.647**	**187.742.865**
Short term liabilities	508.470.926	204.943.528
Financial borrowings	*353.965.137*	*158.064.835*
Long term liabilities	402.146.302	354.369
Financial borrowings	*367.844.921*	-
Total liabilities	**910.617.228**	**205.297.897**
Net assets	**592.334.419**	**(17.555.032)**

Reconciliation of carrying value:

Ownership of the Group	**50%**	**40%**
Net asset share of the Group	296.167.208	-
Goodwill carried at Group level	103.238.500	-
Carrying value (*)	**399.405.708**	**-**

9. Investments accounted using the equity method (continued)

December 31, 2017 – Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	591.865.134	70.910.232
Cash and cash equivalents	28.341.157	130.712
Non-current assets	651.889.112	27.576.578
Total assets	**1.243.754.246**	**98.486.810**
Short term liabilities	292.777.510	79.404.766
Financial borrowings	169.153.447	55.544.000
Long term liabilities	294.389.468	360.778
Financial borrowings	216.554.038	-
Total liabilities	**587.166.978**	**79.765.544**
Net assets	**656.587.268**	**18.721.266**
Reconciliation of carrying value:		
Ownership of the Group	**50%**	**40%**
Net asset share of the Group	328.293.634	7.488.506
Goodwill carried at Group level	103.238.500	-
Carrying value	**431.532.134**	**7.488.506**

September 30, 2018 – Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	621.351.745	180.269.195
Depreciation and amortisation	(8.353.434)	(1.467.031)
Interest income	371.115	-
Interest expense	(123.891.354)	(11.172.981)
Net (loss) / profit for the period	(63.907.314)	(36.276.298)
Ownership of the Group	50%	40%
Net (loss) / profit share of the Group (*)	**(31.953.657)**	**(14.510.519)**

(*) As of 30 September 2018, Polisan Holding A.Ş. has a term loss of TRY 14.510.519 which is not stated in financial statements. The Group anticipates that losses and negative equity which are not recognized in the consolidated financial statements will not constitute additional liability to the Group.

September 30, 2017 – Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	506.636.576	136.046.912
Depreciation and amortization	(10.919.175)	(1.304.111)
Interest income	421.542	195.672
Interest expense	(22.397.543)	(2.201.997)
Net profit for the period	37.294.362	2.138.766
Ownership of the Group	50%	40%
Net profit share of the Group	**18.647.181**	**855.506**

9. Investments accounted using the equity method (continued)

Impairment test and sensitivity analysis

The Company considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as associate, affiliated at the rate of 50%, for possible impairment in year-end. 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. There is no impairment on the carrying value.

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)%

10. Investment properties

	January 1, 2017	Additions	Disposals	September 30, 2017	January 1, 2018	Additions	Disposals	September 30, 2018
Property and plant	203.263.321	-	-	**203.263.321**	214.602.274	-	(5.460.000)	**209.142.274**
Buildings	56.507.882	341.000	-	**56.848.882**	56.247.000	-	(1.065.000)	**55.182.000**
Total	**259.771.203**	**341.000**	**-**	**260.112.203**	**270.849.274**	**-**	**(6.525.000)**	**264.324.274**

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

The Group's investment properties of Pendik Land and Kağıthane Z-Office Building are appraised by Asal Real Estate Appraisal Company which is a CMB licensed real estate appraisal company on December 31, 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.

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

11. Property, plant and equipment

The movement of property, plant, equipment and related accumulated depreciations for the periods ended September 30, 2018 and 2017 are as follows:

	September 30, 2018	September 30, 2017
As of January 1		
Cost	819.531.471	792.038.566
Accumulated depreciation	(59.551.297)	(168.715.469)
Net book value	**759.980.174**	**623.323.097**
Net book value at January 1	759.980.174	623.323.097
Additions	48.598.386	72.785.271
Disposals	(1.508.919)	(35.361.093)
Currency translation differences	16.776.708	3.370.115
Current period depreciation	(30.826.208)	(36.548.155)
Net book value at September 30	**793.020.141**	**627.569.235**
As of September 30		
Cost	887.389.576	832.832.859
Accumulated depreciation	(94.369.435)	(205.263.624)
Net book value	**793.020.141**	**627.569.235**

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

12. Intangible assets

The movement of intangible assets and relevant amortizations for the periods ended September 30, 2018 and 2017 is as follows:

	January 1, 2018	Addition	Disposal	September 30, 2018
Cost				
Rights	1.413.383	-	-	1.413.383
Other intangible assets (*)	4.963.647	543.320	-	5.506.967
Total	**6.377.030**	**543.320**	**-**	**6.920.350**
Accumulated Amortization				
Rights	281.846	70.640	-	352.486
Other intangible assets(*)	3.043.668	614.770	-	3.658.438
Total	**3.325.514**	**685.410**	**-**	**4.010.924**
Net Book Value	**3.051.516**			**2.909.426**

	January 1, 2017	Addition	Disposal	September 30, 2017
Cost				
Rights	1.413.383	-	-	1.413.383
Other intangible assets (*)	3.615.745	140.602	(8.481)	3.747.866
Total	**5.029.128**	**140.602**	**(8.481)**	**5.161.249**
Accumulated Amortization				
Rights	187.659	70.640	-	258.299
Other intangible assets(*)	2.392.869	493.680	(5.892)	2.880.657
Total	**2.580.528**	**564.320**	**(5.892)**	**3.138.956**
Net Book Value	**2.448.600**			**2.022.293**

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

13. Provisions, contingent assets and liabilities

13.1 Provisions

	September 30, 2018	December 31, 2017
Lawsuit provisions	558.062	558.062
Total	**558.062**	**558.062**

13. Provisions, contingent assets and liabilities (continued)

13.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

As of September 30, 2018 total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 70.871.940 (December 31, 2017: TL 40.763.371). The Group has made an allowance amounting to TL 20.311.559 (December 31, 2017: TL 18.118.156) for the receivables regarding to the ongoing lawsuits and execution proceedings in progress.

2) The ongoing lawsuits filed against to the Group:

As of September 30, 2018, total amount of the ongoing lawsuits filed against to the Group is TL 788.450 (December 31, 2017: TL 1.177.749).

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. The remaining amount (after the payments) with the amount TL 1.138.479 was booked in the financial statements as advances received.All cleaning operations have been completed in the port area and the business activity continues uninterruptedly.

Subsequently, Poliport Kimya San. ve Tic. A.Ş. has been informed by an official letter from T.C. Ministry of Transport, Maritime Affairs and Communications and General Directorate of Marine and Inland Water Management. According to this notification letter; on January 12, 2017, as a result of large amount of fuel oil was poured into the sea, pollution occurred around the Izmit Gulf and a Damage Assessment Comission established under Governership of Kocaeli determined that Poliport Kimya San. ve Tic. A.Ş. was responsible of the incident and the loss amounted USD 9.540.295 including VAT to be compensated by Poliport Kimya San. ve Tic. A.Ş. The Company Management believes that the decision is unfair and has filed a lawsuit against the cancellation. The trial is ongoing and the case is being investigated by the local court. Poliport Kimya San. ve Tic. A.Ş. has no provision recognized on financial statements dated September 30, 2018 about this case based on its own assessment and assessment of the lawyer.

As of September 30, 2018, an acquittance of USD 843.547 including VAT was signed for the amount of USD 2.219.815 including VAT of loss which was included in USD 9.540.295 including VAT determined by Damage Assessment Comission (Net decrease of USD 1.376.268 including VAT).

13. Provisions, contingent assets and liabilities (continued)

13.3 Collaterals, pledges, mortgages, bills ("CPMB") given/received:

1) CPMBs given

Collaterals, pledges, mortgages, bills given by the Company	September 30, 2018	December 31, 2017
A. Total amount of CPMB's given in the name of its own legal personality	2.389.186.902	1.670.186.561
B. Total amount of CPMB's given on behalf of the fully consolidated companies **(1)**	911.770.126	153.252.170
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.	-	-
	-	-
Total	**3.300.957.028**	**1.823.438.731**

The ratio of total CPMB's given by the Company to the Group's total equity is 0% as of September 30, 2018 (December 31, 2017 - 0%).

(1) Bills of guarantees given in accordance with loan agreement.

As of September 30, 2018 and December 31, 2017 the details of the CPMB given by the Group are listed below;

					September 30, 2018
	Foreign currency US Dollar	**Foreign currency Euro**	**Foreign currency TL equivalent**	**TL amount**	**Total TL**
Bill of guarantees	293.325.424	67.931.250	2.229.234.108	881.991.348	**3.111.225.456**
Letter of guarantee	10.232.228	2.631.500	79.583.333	110.028.239	**189.611.572**
Cheques of guarantee	-	-	-	120.000	**120.000**
Total	**303.557.652**	**70.562.750**	**2.308.817.441**	**992.139.587**	**3.300.957.028**

					December 31, 2017
	Foreign currency USD	**Foreign currency Euro**	**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**

13. Provisions, contingent assets and liabilities (continued)

2) CPMBs received

					September 30, 2018
	Foreign currency USD	Foreign currency Euro	Foreign currency TL equivalent	TL amount	Total TL
Letter of guarantee	-	9.074.700	63.073.702	6.896.471	**69.970.173**
Mortgages	-	-	-	4.502.555	**4.502.555**
Guarantee notes	-	27.300	189.749	700.000	**889.749**
Total	**-**	**9.102.000**	**63.263.451**	**12.099.026**	**75.362.477**

					December 31, 2017
	Foreign currency USD	Foreign currency Euro	Foreign currency TL equivalent	TL amount	Total TL
Letter of guarantee	-	9.000.000	40.639.500	8.042.130	**48.681.630**
Mortgages	-	-	-	3.992.555	**3.992.555**
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**

14. Employee benefits

Short term payables for employee benefits

Employee benefit obligations	September 30, 2018	December 31, 2017
Social security premiums payable	3.069.888	2.515.730
Payables to personnel	2.983.728	1.990.190
Taxes and duties payable	1.013.155	977.854
Total	**7.066.771**	**5.483.774**

Long term payables for employee benefits

Long term employee benefits	September 30, 2018	December 31, 2017
Provisions for employee termination benefits	9.294.608	8.178.078
Provisions for unused vacation pay	1.574.467	2.025.651
Total	**10.869.075**	**10.203.729**

Provision for employee termination benefits

In accordance with existing social legislation in Turkey companies are required to make lump-sum payment to employees whose employments are terminated due to retirement or for reasons other than resignation or misconduct except the ones who are subject to press regulations. In addition, under the existing Social Security Law numbered 506, Clause 60 of which was amended by the Labor Laws dated March 6, 1981, Numbered 2422 and dated August 25, 1999, Numbered 4447, companies are also required to pay legal severance payments to each employee who has earned the right to retire by receiving severance payments. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TL 5.434,42 as of September 30, 2018 (December 31, 2017: TL 4.732,48).

14. Employee benefits (continued)

The severance payment liability is not legally subject to any funds.

The severance payment liability is calculated based on the estimation of the present value of the Group's potential future liability arising from the retirement of the employees. IAS 19, in line with the "Employee Benefits", requires the entity to develop its liabilities within the context of the defined benefit plans using actuarial valuation methods. In accordance with this, the actuarial assumptions used for the calculation of the total liabilities are defined below:

The main assumption is to increase the maximum liabilities for each service year parallel to the inflation. Therefore, applied discount rate represents the expected real rate, which is adjusted for inflation effects. As of September 30, 2018, provisions in the attached financial tables are calculated by estimating the present value of the potential future liability, which stems from the retirement of the employees. As of September 30, 2018, the provisions are calculated by 6,81% real discount rate (December 31, 2017: 4,67% real discount rate) based on the assumption of an annual 7,2 % inflation rate and 14, 5% interest rate. The estimated severance payment amount, which is not paid due to the voluntary resignations and that remains with the Group, is also taken into consideration. The probability of continuing to work on average is calculated as 93,91% (December 31, 2017: 91,85%) for the calculation of Group's severance payment liability and discounted severance payment provisions are calculated based on this rate.

Polisan Hellas S.A. reserves have been calculated assuming 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 September 30, 2018 and 2017 is as follows:

	2018	2017
January 1	**8.178.078**	**6.951.025**
Payments	(748.121)	(980.891)
Interest cost	665.729	523.478
Current service cost	1.088.911	704.213
Actuarial (gain)/ loss	110.011	822.154
September 30	**9.294.608**	**8.019.979**

15. Other assets and liabilities

As of September 30, 2018 and December 31, 2017, the Group's other current assets are as follows:

Other current assets	September 30, 2018	December 31, 2017
Deferred VAT	2.112.625	3.037.143
Other	36.205	142.769
Total	**2.148.830**	**3.179.912**

As of September 30, 2018 and December 31, 2017, the Group's other current liabilities are as follows:

Short term other liabilities	September 30, 2018	December 31, 2017
Accrued expenses	4.814.144	3.570.441
Taxes payable	625.508	14.273
Total	**5.439.652**	**3.584.714**

16. 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 September 30, 2018 and December 31, 2017 the Group's ownership structure is as follows:

	September 30, 2018		December 31, 2017	
	Share (%)	**Amount**	**Share (%)**	**Amount**
Mehmet Emin Bitlis	23,32	86.270.350	24,48	90.575.350
Ahmet Ertuğrul Bitlis	23,45	86.750.349	24,48	90.575.350
Ahmet Faik Bitlis	9,80	36.256.717	10,2	37.756.717
Fatma Nilgün Kasrat	9,80	36.256.717	10,2	37.756.717
A.Melike Bitlis (Bush)	10,20	37.756.717	10,2	37.756.717
Selahaddin Bitlis	1,99	7.351.175	2,21	8.161.175
Erol Mizrahi	1,76	6.505.000	1,89	7.005.000
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Güldal Akşit	1,42	5.263.700	1,53	5.673.700
Serdar Demirel	1,39	5.135.768	1,5	5.535.768
Alaattin Bitlis	1,14	4.203.350	1,36	5.018.350
Ali Fırat Yemeniciler	0,88	3.252.500	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
Publicly traded (*)	12,30	45.516.357	8,43	31.201.356
	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 September 30, 2018, the shareholding rate of Şark Mensucat Fabrikaları A.Ş. and shareholders of the Company, Mehmet Emin Bitlis has no shares. (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).

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.

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

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

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

Dividend distribution

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

Partnerships, distribute dividends within the framework of the dividend policies to be defined by and upon the decision of their General Assemblies in accordance with the provisions of the legislation. According to the aforementioned communique, there is no minimum distribution rate that has not been determined for the publicly traded companies. Partnerships distribute dividends in the manner specified in their Articles of Association and Dividend Policies. Additionally, the dividends may be paid in instalments of equal or different amounts and the companies are able to distribute cash dividend in advance from the profits recorded on their interim financial reports.

Unless the legal reserves are set aside required by the TCC and the dividend is reserved for the shareholders defined by the Articles of Association and Dividend Policy; no decision can be made to set aside other reserves, to transfer profits for the next year and to distribute profits to the owners of dividend shares, board members, employees, and people other than the shareholders and also unless the dividend to be paid out to shareholders is redeemed, dividends cannot be distributed to the people aforementioned.

Equity inflation adjustment differences and carrying value of the extraordinary reserves can be used in capital increase through bonus shares, distribution of cash dividends or offsetting loss. However, equity inflation adjustment differences will be subject to the corporate tax in case they are used in cash dividend distribution.

According to the Board Decision dated 15 March 2018; it has been decided to make dividend payment amounting to TL 21.500.000, based on the net distributable profit after including the deduction of TL 2.158.915 legal reserves calculated over legal records and addition of TL 397.779 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1. (2017 TL - 17.500.000)

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

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

	September 30, 2018	December 31, 2017
Tangible asset revaluation fund	391.125.189	391.125.189
- tax effect	(78.225.038)	(78.225.038)
Employment termination benefits actuarial gain/(loss) fund	(10.624.499)	(12.838.480)
- tax effect	22.002	2.567.696
Share of equity holders of the parent	**302.297.654**	**302.629.367**
Non-controlling interest		
Employment termination benefits actuarial gain/(loss) fund	93.327	45.387
- tax effect	(18.665)	(9.077)
	74.662	**36.310**
Total	**302.372.316**	**302.665.677**

Non-controlling interests

The minority 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 statement of financial position.

The movement of non-controlling interests is as follows;

Non-controlling interest	2018	2017
December 31	26.628.526	21.206.177
Effect of changes in accounting policies (Note 2.5)	(15.977)	-
January 1	**26.612.549**	**21.206.177**
Share of total comprehensive income	2.431.012	2.907.337
September 30	**29.043.561**	**24.113.514**

Other reserves:

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

17. Sales and cost of sales

Details regarding to sales and cost of sales for the periods ended September 30, 2018 and 2017 are as follows:

	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Domestic sales	596.828.766	429.115.693	239.769.168	162.670.011
Export sales	231.938.352	131.262.401	86.894.194	37.249.462
Gross sales	**828.767.118**	**560.378.094**	**326.663.362**	**199.919.473**
Sales returns	(2.210.224)	(2.435.529)	(482.532)	(1.121.064)
Sales discounts	(648.025)	(203.059)	(109.403)	(121.515)
Other discounts	(622.766)	(264.250)	(271.881)	(92.723)
Sales deductions (-)	**(3.481.015)**	**(2.902.838)**	**(863.816)**	**(1.335.302)**
Net sales	**825.286.103**	**557.475.256**	**325.799.546**	**198.584.171**

Cost of sales	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Direct raw materials and supplies expenses	485.166.764	297.461.862	194.454.694	102.710.318
Direct labor cost	9.143.355	10.096.292	2.956.949	3.418.990
General production overheads	37.972.891	26.756.769	16.232.948	10.365.303
Depreciation and amortization	6.828.879	7.970.762	2.146.082	2.804.798
Changes in work in process inventory				
- Opening inventories	3.009.206	1.455.568	-	-
- Closing inventories	(7.209.162)	(2.303.798)	(3.165.555)	665.470
Changes in finished goods inventory				
- Opening inventories	15.677.433	15.876.859	-	-
- Closing inventories	(14.294.792)	(12.781.419)	(4.074.206)	(1.055.027)
Cost of goods sold	**536.294.574**	**344.532.895**	**208.550.912**	**118.909.852**
- Opening inventories	397.969	326.912	-	-
- Purchases during the period	21.037.532	8.400.473	5.538.796	1.163.166
- Closing inventories	(476.061)	(371.218)	(116.308)	45.117
Cost of merchandise sold	**20.959.440**	**8.356.167**	**5.422.488**	**1.208.283**
Personnel expenses	19.613.689	16.634.397	7.029.364	5.270.106
Other service expenses	35.918.348	53.986.378	13.206.293	20.378.133
Depreciation and amortization	19.553.273	25.633.416	5.666.501	9.733.570
Cost of services rendered	**75.085.310**	**96.254.191**	**25.902.158**	**35.381.809**
Cost of other sales	**2.574.771**	**3.423.076**	**792.296**	**627.949**
Total cost of sales	**634.914.095**	**452.566.329**	**240.667.854**	**156.127.893**

18. Expenses by nature

Personnel expenses	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
General administrative expenses	22.733.157	15.385.013	7.614.107	2.482.878
Cost of services rendered	19.613.689	16.634.397	7.029.364	5.270.106
Cost of goods sold	9.143.355	10.096.292	2.956.949	3.418.990
Marketing, selling and distribution expenses	3.011.661	2.354.887	1.166.524	652.963
Research and development expenses	2.106.946	1.372.261	725.430	330.321
Total	**56.608.808**	**45.842.850**	**19.492.374**	**12.155.258**

Depreciation and amortization expenses	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Cost of services rendered	19.553.273	25.633.416	5.666.501	9.733.570
Cost of goods sold	6.828.879	7.970.762	2.146.082	2.804.798
General administrative expenses	3.432.681	2.325.290	1.218.676	75.621
Marketing, selling and distribution expenses	1.070.097	959.203	348.680	352.156
Research and development expenses	626.688	217.912	390.949	87.944
Total	**31.511.618**	**37.106.583**	**9.770.888**	**13.054.089**

19. Other income and expenses from operations

The Group's other income and expenses from operations for the periods ended September 30, 2018 and 2017 are as follows:

Other income from operations	January 1-September 30, 2018	January 1-September 30, 2017	July 1-September 30, 2018	July 1-September 30, 2017
Foreign currency translation income	10.604.064	2.864.146	6.066.974	(1.307.575)
Scrap sales	2.108.001	-	1.170.830	(192.839)
Insurance income	642.975	50.400	33.244	-
Rent income	642.564	681.039	216.780	330.206
Incentive income	406.288	430.156	70.405	272.395
Bad debt allowances no longer required (Note 6)	338.438	238.995	48.498	(313.415)
Deferred financial income	179.762	1.652.087	-	67.883
Other	1.381.464	840.987	1.090.397	661.947
Total	**16.303.556**	**6.757.810**	**8.697.128**	**(481.398)**

19. Other income and expenses from operations (continued)

Other expense from operations	January 1-September 30, 2018	January 1-September 30, 2017	July 1-September 30, 2018	July 1-September 30, 2017
Foreign currency translation expense	12.631.854	1.819.191	10.135.957	1.534.435
Allowance for doubtful receivables(Note 6)	2.516.147	891.962	1.048.579	318.557
Allowance for inventory impairment (Note 7)	639.992	52.484	520.822	831
Deferred financial expenses	41.395	2.660.694	(66.122)	405.499
Other	1.392.333	573.645	742.264	160.208
Total	**17.221.721**	**5.997.976**	**12.381.500**	**2.419.530**

20. Income and expenses from investment activities

The Group's income and expenses from investment activities for the periods ended September 30, 2018 and 2017 are as follows:

Income from investment activities	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Gain on sale of fixed assets	2.869.020	1.679.991	1.918.618	1.586.770
Gain on sale of investment property	106.000	-	-	-
Total	**2.975.020**	**1.679.991**	**1.918.618**	**1.586.770**

Expenses from investment activities	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Loss on sale of investment properties	5.637.742	-	-	-
Loss on sale of fixed assets	273.123	51.800	266.503	42.533
Total	**5.910.865**	**51.800**	**266.503**	**42.533**

21. Financial income and expenses

The Group's financial income and expense for the periods ended September 30, 2018 and 2017 are as follows:

Financial income	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Foreign exchange gains	94.887.616	5.877.531	79.212.146	2.771.842
Interest income	8.035.282	6.033.787	2.649.244	1.956.475
Total	**102.922.898**	**11.911.318**	**81.861.390**	**4.728.317**

Financial expenses	January 1-September 30, 2018	January 1-September 30, 2017	July 1 – September 30, 2018	July 1 – September 30, 2017
Foreign exchange losses	107.959.471	6.461.162	87.954.363	(233.921)
Interest expenses	11.959.435	6.260.345	4.260.654	2.095.708
Letter of guarantee commission expenses	1.196.073	941.542	551.991	311.993
Bank charge and POS expenses	347.106	339.327	146.458	99.763
Total	**121.462.085**	**14.002.376**	**92.913.466**	**2.273.543**

22. Taxes on income (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. The tax rate for the subsidiaries of the Group in Greece is 29% and in Morocco is 31% (2017: 29% -31%).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.

22. Taxes on income (including deferred tax assets and liabilities) (continued)

Corporate tax (continued)

Turkish tax legislation does not allow for parent company and consolidated companies to fill out a consolidated tax return. Therefore, tax provisions reflected in consolidated financial statements have been separately calculated on the company basis.

Current year tax expense and deferred 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 Company 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 September 30, 2018 and December 31, 2017, 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.

22. Taxes on income (including deferred tax assets and liabilities) (continued)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements in accordance with TAS/TFRS and its statutory tax financial statements. These differences usually arise from the recognition of some revenue and expense items in different reporting periods for IAS/IFRS and tax purposes and these differences are given below. The tax rate used for the calculation of deferred tax asset and liabilities is 22% and 20% as of September 30, 2018 and December 31, 2017.

	September 30, 2018		December 31, 2017	
	Cumulative differences	**Asset/ (liability)**	**Cumulative differences**	**Asset/ (liability)**
Property, plant and equipment and intangible assets	657.398.777	(127.922.442)	666.976.871	(129.754.237)
Deferred finance expense	(41.395)	9.107	(179.762)	39.548
Provision for employee termination benefits	(9.247.190)	1.927.970	(8.178.078)	1.681.090
Unused vacation pay liability	(1.574.467)	314.893	(2.025.651)	405.130
Allowance for doubtful receivables	(3.651.235)	775.818	(1.640.063)	357.618
Adjustment for inventories	(1.388.599)	399.931	(1.199.548)	336.904
Impairment of subsidiary and associate	(1.032.516)	177.633	(291.295)	14.565
Financial loss	(49.531.365)	13.946.900	(36.956.887)	10.300.301
Investment incentive income (*)	151.906.892	30.381.378	(165.842.738)	33.168.548
Litigation provision	(558.062)	111.612	(558.062)	111.612
Other	(24.720.604)	5.665.475	(4.200.309)	1.120.053
Deferred tax liability, net	**717.560.236**	**(74.211.725)**	**445.904.478**	**(82.218.868)**
Deferred tax asset		51.445.307		55.256.848
Deferred tax liability		(125.657.032)		(137.475.716)
Deferred tax liability, net		**(74.211.725)**		**(82.218.868)**

(*) The Group's subsidiaries has six investment incentive certificates including, Poliport Kimya tank incentive (B / 112076), Poliport Kimya crane incentive (B / 104761), Poliport Kimya tank incentive (B/137652) Polisan Kimya oxide incentive (D / 112337), Polisan Kimya Samsun facilities incentive (A / 131376) and Polisan Kimya Adana facilities (A / 127763).

The Group's deferred tax assets/liabilities' movement is as follows;

	2018	**2017**
December 31	(81.789.368)	(34.605.728)
Effect of changes in accounting policies (Note 2.5)	(429.500)	-
January 1	**(82.218.868)**	**(34.605.728)**
Tax expenses for continuing operations	2.753.757	7.625.631
Deferred tax effect of actuarial gain	(22.002)	164.431
Currency translation differences	5.275.388	317.409
September 30	**(74.211.725)**	**(26.498.257)**

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

Tax expenses/(income)	**January 1 - September 30, 2018**	**January 1 - September 30, 2017**
Tax expense for the period	(16.201.837)	(7.424.224)
Deferred tax income	2.753.757	7.625.631
Total	**(13.448.080)**	**201.407**

23. Earnings per share

The calculation of earnings per share is based on net profit attributable to equity holders of the parent divided by weighted average number of ordinary shares outstanding during the period. As of September 30, 2018 and 2017, Group's earnings per share are as follows:

	January 1 – September 30, 2018	January 1 – September 30, 2017
Profit of continuing operations for the period/(parent)	31.511.879	57.638.144
Weighted average of ordinary shares issued	370.000.000	370.000.000
-Earnings per share for continuing operations	0,085	0,156
Earnings per share	**0,085**	**0,156**

24. Related party disclosures

a) Key management compensation

Total amount of wage and similar benefits paid to the top management is TL 3.440.993 for the nine months period ended September 30, 2018 (September 30, 2017: TL 3.138.382). TL 2.660.993 portion of this amount is wage payment and the rest TL 780.000 is bonus payment. Board members, general manager and deputy general managers are defined as key management by the Group.

b) Due from related parties

Trade receivables from related parties	September 30, 2018	December 31, 2017
Polisan Kansai Boya (***)	8.966.242	6.287.052
Rohm and Haas (*)	817.076	3.124.253
Şark Mensucat Fabrikası A.Ş. (**)	42.139	-
Total	**9.825.457**	**9.411.305**

Other receivables from related parties	September 30, 2018	December 31, 2017
Rohm and Haas (*)	2.069.442	98.524
Şark Mensucat Fabrikası A.Ş (**)	-	50.997.500
Total	**2.069.442**	**51.096.024**

c) Due to related parties

Trade payables to related parties	September 30, 2018	December 31, 2017
Rohm and Haas (*)	86.675	78.209
Polisan Kansai Boya(***)	-	138.880
Total	**86.675**	**217.089**

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

24. Related party disclosures (continued)

Other payables to related parties	September 30, 2018	December 31, 2017
Mehmet Emin Bitlis (*)	573.688	-
Fatma Nilgün Kasrat (*)	464.876	-
Ahmet Faik Bitlis (*)	1.264.876	-
Melike Bitlis Bush (*)	264.876	-
Ahmet Ertuğrul Bitlis (*)	523.688	-
Volkan Toplu	292.177	164.348
Mehmet Haluk Sevel	-	3.104
Recep Haldun Sevel	-	3.104
Total	**3.384.181**	**170.556**

(*) Other liabilities to related parties consist of dividends to be paid to the shareholders of Polisan Holding.

d) Sales / purchases transaction with related parties

Purchases	January 1 – September 30, 2018			January 1 – September 30, 2017		
	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas
Raw material	549.763	-	64.588.504	-	-	41.132.117
Foreign exchange difference	-	-	5.748.559	1.782.214	-	270.822
Service	847.943	-	160.472	1.092.624	-	151.055
Total	**1.397.706**	**-**	**70.497.535**	**2.874.838**	**-**	**41.553.994**

Sales	January 1 – September 30, 2018			January 1 – September 30, 2017		
	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas
Finish good	21.189.323	7.091	-	2.658.214	-	-
Service	1.848.790	368.739	2.535.226	23.421.172	570.929	6.228.570
Rent	483.209	8.496	-	1.627.191	7.470	-
Foreign exchange difference	-	-	3.478	-	-	25.576
Delay Interest	-	4.277.761	-	-	5.299.844	-
Total	**23.521.322**	**4.662.087**	**2.538.704**	**27.706.577**	**5.878.243**	**6.254.146**

25. Nature and level of risk derived from financial instruments

Financial risk management

The Group's finance department is responsible for the access to financial markets on a regular basis and for monitoring the financial risks through the reports analysing them based on their level and magnitude and managing the risks that the company is exposed to. Such risks contain market risk (exchange rate risk and interest rate risk), credit risk and liquidity risk.

The most important determinant of the Group's financing needs; the net working capital requirement, which is composed of the difference of the trade payables, trade receivables, and inventories, is provided by group's capital and short-term bank loans, if necessary. Since the distribution of trade receivables, payment terms and monitoring and controlling the credit quality have significant importance for risk management, the Group continuously monitors customer risks.

Exchange rate risk

The Group's foreign currencies denominated financial instruments are exposed to exchange rate risk as a result of exchange rate fluctuations. As of September 30, 2018 and December 31, 2017, the Group's foreign currency position is as follows:

				September 30,2018
	TL Equivalent	**USD**	**EUR**	**GBP**
1. Trade receivables	22.048.663	2.128.917	1.337.462	-
2a. Monetary financial assets (Including cash and banks balances)	101.095.815	15.623.336	1.078.613	1.537
2b. Non-monetary financial assets	-	-	-	-
3. Other	2.995	500	-	-
4. Current assets (1+2+3)	**123.147.473**	**17.752.753**	**2.416.075**	**1.537**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	62.554.500	-	9.000.000	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**62.554.500**	**-**	**9.000.000**	**-**
9. Total assets (4+8)	**185.701.973**	**17.752.753**	**11.416.075**	**1.537**
10. Trade payables	53.953.781	2.747.739	5.361.695	29.178
11. Borrowings	60.633.350	6.490.294	3.130.018	-
12a. Monetary liabilities	-	-	-	-
12b. Non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**114.587.131**	**9.238.033**	**8.491.713**	**29.178**
14. Trade payables	-	-	-	-
15. Borrowings	35.183.422	3.691.376	1.880.634	-
16 a. Other monetary liabilities	-	-	-	-
16 b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**35.183.422**	**3.691.376**	**1.880.634**	**-**
18. Total liabilities (13+17)	**149.770.553**	**12.929.409**	**10.372.347**	**29.178**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**
19a. Total amount of hedged assets	-	-	-	-
19b. Total amount of hedged liabilities	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	**35.931.420**	**4.823.344**	**1.043.728**	**(27.641)**
21. Net foreign currency monetary asset/(liability) (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(26.626.075)**	**4.822.844**	**(7.956.272)**	**(27.641)**

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

				December 31, 2017
	TL Equivalent	**USD**	**EUR**	**GBP**
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**	**(6.221.693)**	**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)**

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

Sensitivity analysis;

As of September 30, 2018 and December 31, 2017 the Group's profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a consequently 20% and 10% increase or decrease in the foreign currency, with all other variables held constant.

September 30, 2018	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 20% increase/decrease of USD against TL				
1- USD net asset/liability	5.777.961	(5.777.961)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**5.777.961**	**(5.777.961)**	**-**	**-**
The impact of 20% increase/decrease of EURO against TL				
4- EURO net asset/liability	(11.060.013)	11.060.013	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(11.060.013)**	**11.060.013**	**-**	**-**
The impact of 20% increase/decrease of other foreign currencies against *TL*				
7- Other foreign currency net asset/liability	(43.162)	43.162	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(43.162)**	**43.162**	**-**	-
Total (3+6+9)	**(5.325.214)**	**5.325.214**	-	-

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**	**-**	**-**

26. Financial instruments (fair value disclosures 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.

Judgment is necessarily required to estimate the fair value and to interpret market data. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

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 monetary items denominated in foreign currencies are translated into Turkish Lira by using period end exchange rates. Non-quoted financial assets are measured at cost.

Financial liabilities

Foreign currency monetary items are 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.

27. Other matters

Total donations and aids paid in the period between January 1 – September 30, 2018 is TL 673.158 (January 1 - September 30, 2017 – TL 374.318).

28. Subsequent events

Polisan Kansai Boya Sanayi ve Ticaret A.Ş., a business partnership of the Group, signed a 'Shareholder Engagement' with Goteks Kimyevi Maddeler Pigment Preparatları Sanayi ve Ticaret A.Ş. in October 3, 2018. Wtih this engagement 'Tintomix Pigment Pasta Sanayi A.Ş.' was established by partnership share of 51%.