

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

# **Polisan Holding A.Ş.**

**January 1 – March 31, 2016 interim condensed consolidated financial statements**

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

Polisan Holding A.Ş.

Consolidated statements of financial position as  
at March 31, 2017  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Reclassified (Note 2.5)	
		Current period Unaudited March 31, 2017	Prior period Audited December 31, 2016
<b>Assets</b>			
<b>Current assets:</b>		<b>419.775.177</b>	<b>363.591.955</b>
Cash and cash equivalents	4	93.893.436	91.206.315
Trade receivables	6	177.576.944	141.102.207
- Trade receivables from related parties	27	8.509.113	10.871.744
- Trade receivables from third parties		169.067.831	130.230.463
Other receivables	7	52.765.097	54.686.543
- Other receivables from related parties	27	50.997.500	51.130.369
- Other receivables from third parties		1.767.597	3.556.174
Inventories	8	77.598.431	65.149.588
Prepaid expenses	9	12.955.924	8.772.602
Current income tax assets	10	8.158	3.986
Other current assets	18	4.977.187	2.670.714
<b>Non-current assets</b>		<b>1.351.935.801</b>	<b>1.343.409.238</b>
Trade receivables	6	1.037.945	1.550.317
- Trade receivables from third parties		1.037.945	1.550.317
Other receivables	7	464.583	452.648
- Other receivables from third parties		464.583	452.648
Investments accounted under the equity method	12	413.300.157	406.112.982
Investment properties	13	260.225.057	259.771.203
Tangible assets	14	622.024.634	623.323.097
Intangible assets	15	2.321.962	2.448.600
Prepaid expenses	9	35.390.476	33.598.533
Deferred tax assets	25	17.170.987	16.151.858
<b>Total assets</b>		<b>1.771.710.978</b>	<b>1.707.001.193</b>

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

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

**Polisan Holding A.Ş.**

**Consolidated statements of financial position as  
at March 31, 2017  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		<b>Reclassified (Note 2.5)</b>
		<b>Current period Prior period</b>
		<b>Unaudited Audited</b>
<b>Liabilities</b>	<b>Notes</b>	<b>March 31, 2017 December 31, 2016</b>
<b>Current liabilities</b>		<b>235.975.383 228.308.860</b>
Short term borrowings	5	20.255.060 6.185.430
Short term portion of long term borrowings	5	80.778.477 106.531.915
Trade payables	6	105.454.731 91.222.798
- Trade payables to related parties	27	96.683 115.310
- Trade payables to third parties		105.358.048 91.107.488
Employee benefit obligations	17	3.648.792 4.598.585
Other payables	7	766.997 804.840
- Other payables to related parties	27	6.208 6.208
- Other payables to third parties		760.789 798.632
Deferred income	9	12.463.119 3.781.550
Current income tax liabilities		3.806.869 8.135.928
Short term provisions	16	599.463 599.463
- Other short term provisions		599.463 599.463
Other current liabilities	18	8.201.875 6.448.351
<b>Non-current liabilities</b>		<b>206.941.748 165.983.386</b>
Long term borrowings	5	121.920.095 82.853.158
Long term provisions		9.746.556 8.526.458
- Provisions for employee termination benefits	17	9.746.556 8.526.458
Deferred income	9	-
Deferred tax liabilities	25	75.275.097 74.138.770
<b>Equity</b>		<b>1.328.793.847 1.312.708.947</b>
<b>Equity holders of the parent</b>		<b>1.308.821.989 1.292.841.371</b>
Paid-in share capital	19	370.000.000 370.000.000
Adjustment to share capital	19	1.467.266 1.467.266
Share premium/discounts	19	23.130.220 23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss	19	202.805.768 202.737.888
- Revaluation and measurement gain / loss		202.805.768 202.737.888
Defined benefit plans re-measurement gain / (loss)		(9.146.420) (9.214.300)
Tangible assets revaluation		211.952.188 211.952.188
Other comprehensive income or expense to be reclassified to profit/(loss)		(8.394.457) (8.072.636)
- Currency translation differences		(8.394.457) (8.072.636)
Restricted reserves	19	28.833.208 28.530.253
Other reserves	19	(208.727.832) (208.727.832)
Retained earnings		883.473.257 411.185.465
Profit for the period		16.234.558 472.590.747
<b>Non-controlling interests</b>	19	<b>19.971.859 19.867.576</b>
<b>Total liabilities and equity</b>		<b>1.771.710.978 1.707.001.193</b>

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

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

**Polisan Holding A.Ş.**

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

		Unaudited	Reclassified (Note 2.5) Unaudited
	Notes	January 1 - March 31, 2017	January 1 - March 31, 2016
<b>Profit and loss</b>			
Revenue	20	163.082.086	106.454.008
Cost of sales (-)	20	(134.497.170)	(90.018.301)
<b>Gross profit from commercial activities</b>		<b>28.584.916</b>	<b>16.435.707</b>
Research and development expenses (-)		(614.734)	(330.181)
Marketing expenses (-)		(3.842.891)	(3.632.290)
General administrative expenses (-)		(10.025.387)	(6.582.834)
Other operating income	22	6.983.977	2.449.655
Other operating expenses (-)	22	(3.916.627)	(1.899.397)
Profit/Loss from investments accounted using the equity method	12	7.236.217	582.938
<b>Operating profit</b>		<b>24.405.471</b>	<b>7.023.598</b>
Income from investment activities	23	46.732	-
Expense from investment activities (-)	23	(9.267)	(36.691)
<b>Operating profit before financial income/expense</b>		<b>24.442.936</b>	<b>6.986.907</b>
Financial income	24	6.640.710	749.793
Financial expenses (-)	24	(9.865.501)	(4.163.970)
<b>Profit before tax from continuing operations</b>		<b>21.218.145</b>	<b>3.572.730</b>
<b>Continuing operations tax income/expense</b>			
- Current tax expense	25	(3.873.880)	(2.178.170)
- Deferred tax income/expense	25	(1.005.424)	855.849
<b>Profit for the period from continuing operations</b>		<b>16.338.841</b>	<b>2.250.409</b>
<b>Profit for the period from discontinued operations</b>	11	-	<b>8.048.937</b>
<b>Profit for the period</b>		<b>16.338.841</b>	<b>10.299.346</b>
<b>Attributable to:</b>			
Non-controlling interests		104.283	371.975
Equity holders of the parent		16.234.558	9.927.371
<b>Earnings per share</b>	26	<b>0,044</b>	<b>0,027</b>
-Earnings per share from continuing operations		0,044	0,005
-Earnings per share from discontinuing operations		0,000	0,022

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

**Polisan Holding A.Ş.**

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

		<b>Unaudited</b>	<b>Unaudited</b>
		<b>January 1 -</b>	<b>January 1 -</b>
	<b>Notes</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Profit for the period</b>		<b>16.338.841</b>	<b>10.299.346</b>
<b>Other comprehensive income:</b>			
<b>Items not to be reclassified to profit or loss</b>		<b>18.838</b>	<b>(64.553)</b>
- Defined benefit plans re-measurement gain / (loss)		84.850	(80.691)
- Defined benefit plans re-measurement gain / (loss), tax effect	25	(16.970)	16.138
- Defined benefit plans re-measurement gain / (loss) of investment valued by equity method	12	(49.042)	-
<b>Items to be reclassified to profit or loss</b>		<b>(321.821)</b>	<b>(262.824)</b>
- Gain / (losses) from currency translation differences		(321.821)	(262.824)
<b>Other comprehensive income</b>		<b>(302.983)</b>	<b>(327.377)</b>
<b>Total comprehensive income</b>		<b>16.035.858</b>	<b>9.971.969</b>
<b>Attributable to:</b>			
Non-controlling interest		104.283	339.009
Equity holders of the parent		15.931.575	9.632.960

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(Convenience translation of consolidated financial statements originally issued in Turkish)  
**Polisan Holding A.Ş.**  
**Consolidated statement of changes in equity**  
**for the period between January 1- March 31, 2017**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

	Notes	Paid in share capital	Adjustment to share capital	Share premium	Other accumulated comprehensive income/ expense not to be classified to profit or loss		Currency translation differences	Restricted reserves	Other reserves	Accumulated profit		Equity holders of the parent	Non-controlling interests	Total equity
					Revaluation and measurement gain / loss	Tangible assets revaluation increase				Retained earnings	Net profit			
<b>Balance at January 1, 2017</b>	19	370.000.000	1.467.266	23.130.220	(9.214.300)	211.952.188	(8.072.636)	28.530.253	(208.727.832)	411.185.465	472.590.747	1.292.841.371	19.867.576	1.312.708.947
Transfers to reserves and retained earnings		-	-	-	-	-	-	302.955	-	472.287.792	(472.590.747)	-	-	-
Total comprehensive income		-	-	-	67.880	-	(321.821)	-	-	-	16.234.558	15.980.617	104.283	16.084.900
-Profit for the period		-	-	-	-	-	-	-	-	-	16.234.558	16.234.558	-	16.234.558
-Other comprehensive income/expense		-	-	-	67.880	-	(321.821)	-	-	-	-	(253.941)	104.283	(149.658)
<b>Balance at March 31, 2017</b>		370.000.000	1.467.266	23.130.220	(9.146.420)	211.952.188	(8.394.457)	28.833.208	(208.727.832)	883.473.257	16.234.558	1.308.821.988	19.971.859	1.328.793.847
<b>Balance at January 1, 2016</b>		370.000.000	1.467.266	23.130.220	(4.427.101)	269.346.750	(2.217.237)	25.484.767	(208.727.832)	305.554.887	33.024.205	812.635.925	19.129.418	831.765.343
Transfers to reserves and retained earnings		-	-	-	-	-	-	-	-	33.024.205	(33.024.205)	-	-	-
Total comprehensive income		-	-	-	(64.553)	-	(262.824)	-	-	-	9,927.371	9,599.994	339.009	9,939.003
-Profit for the period		-	-	-	-	-	-	-	-	-	9,927.371	9,927.371	-	9,927.371
-Other comprehensive income/expense		-	-	-	(64.553)	-	(262.824)	-	-	-	-	(327.377)	339.009	11.632
<b>Balance at March 31, 2016</b>		370.000.000	1.467.266	23.130.220	(4.491.654)	269.346.750	(2.480.061)	25.484.767	(208.727.832)	338.579.092	9.927.371	822.235.919	19.468.427	841.704.346

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

(Convenience translation of consolidated financial statements originally issued in Turkish)  
**Polisan Holding A.Ş.**  
**Consolidated statement of cash flows**  
**for the period between January 1- March 31, 2017**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

		Reclassified (Note 2.5)
	Unaudited	Unaudited
	January 1 - March 31, 2017	January 1 - March 31, 2016
	Notes	
<b>A. Cash flows from operating activities</b>	<b>(16.613.844)</b>	<b>(11.560.288)</b>
<b>Profit/loss for the period</b>	<b>16.338.841</b>	<b>10.299.346</b>
- Profit for the period from continuing operations	16.338.841	2.250.409
- Profit for the period from discontinued operations	-	8.048.937
<b>Adjustment for reconciliation of profit/loss for the period</b>	<b>7.325.576</b>	<b>11.056.446</b>
Adjustments for depreciation and amortization expenses	21 12.662.643	7.040.849
Adjustments related to provisions	1.220.098	4.332.517
Adjustments for profit/ loss on sale of tangible assets	23 (46.732)	-
Adjustments related to undistributed profit/losses of investments accounted using the equity method	12 (7.187.175)	(582.938)
Adjustments to tax expense/income	25 4.879.304	(6.986.907)
Income/loss from derivative instruments, (net)	-	542.859
Adjustments for interest income and expense	24 65.110	3.335.747
Increase in fair value of investment property	23 9.267	-
Adjustment related to unrealized foreign currency translation differences	(4.276.939)	3.374.319
<b>Changes in working capital</b>	<b>(30.896.971)</b>	<b>(28.721.674)</b>
Adjustments for increase/decrease in trade receivables	(36.158.576)	(34.943.430)
Adjustments for increase/decrease in inventories	(12.045.558)	(10.141.162)
Adjustments for increase in other operational receivables	(6.372.227)	(12.006.027)
Adjustments for increase/decrease in trade payables	14.231.933	12.660.797
Adjustments for increase in other operational payables	9.447.457	15.708.148
<b>Cash flows from operating activities</b>	<b>(7.232.554)</b>	<b>(7.365.882)</b>
Employee termination benefits paid	(268.983)	(407.047)
Tax payments/refunds	(9.112.307)	(192.747)
Net cash flows from discontinued operations	-	(3.594.612)
<b>B. Cash flows from investing activities</b>	<b>(37.188.886)</b>	<b>(18.615.770)</b>
Purchase of tangible/intangible assets	(8.515.741)	(15.778.625)
Proceeds from sale of tangible/intangible assets	222.717	64.240
Purchase of investment properties	(566.054)	-
Proceeds from sale of investment properties	102.933	1.021.000
Advances and debts given	(30.417.132)	7.826.353
Interest received	1.984.391	107.792
Net cash flows from discontinued operations	-	(11.856.530)
<b>C. Cash flows from financing activities</b>	<b>56.489.851</b>	<b>(19.595.922)</b>
Cash inflows from borrowings obtained	162.680.320	40.501.089
Cash outflows related to loan repayment	(103.710.929)	(26.612.672)
Interest paid	(2.479.540)	(5.687.764)
Net cash flows from discontinued operations	-	(27.796.575)
<b>Net increase/decrease in cash and cash equivalents</b>	<b>2.687.121</b>	<b>(49.771.980)</b>
Cash and cash equivalents at the beginning of the period	4 91.206.315	103.196.750
Cash and cash equivalents at the end of the period	4 93.893.436	53.424.770

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



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

**Polisan Holding A.Ş.**

**Notes to the condensed consolidated financial statements**

**for the period between January 1 – March 31, 2017**

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

## **1. Group's organisation and nature of operations**

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

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

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

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

- *Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (Former title: Polisan Boya Sanayi ve Ticaret 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 Ticaret A.Ş.*
- *Polisan Hellas S.A*
- *Polisan Rus Ltd.*

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

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

### **Subsidiaries:**

#### **Polisan Kimya Sanayii A.Ş. ("Polisan Kimya") :**

Operating activity of Polisan Kimya is the production and sale of formaldehyde, formaldehyde resins, construction chemicals and AUS 32.

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

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

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

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

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

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

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

**Polisan Holding A.Ş.**

**Notes to the condensed consolidated financial statements  
for the period between January 1 – March 31, 2017  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

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

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

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

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

*Polisan Hellas S.A(“Hellas”):*

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

The average number of employees of the Company, it’s subsidiaries and joint ventures for the periods ended March 31, 2017 is 1.588 (31 December 2016 - 1.422). In calculating the average numbers, the number of employees of Polisan Kansai Boya was taken as an integer, not weighted by the group’s feelings.

**Joint ventures and Associates:**

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

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

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

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

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

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

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

Rohm and Haas was established in 2004 and company's registered office is located in Bayar Cad. Şehit Mehmet Fatih Öngök Sokak, Odak Plaza, A Blk. 5/2 Kozyatağı-Kadıköy/İstanbul. As of March 31, 2017 the average number of personnel employed by Rohm and Haas is 60. (December 31, 2016: 53)

**Approval of the financial statements**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on May 10, 2017. The General Assembly has the authority to amend the consolidated financial statements.

**Polisan Holding A.Ş.**

**Notes to the condensed consolidated financial statements  
for the period between January 1 – March 31, 2017  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

**2. Basis of presentation of financial statements**

**2.1 Basis of presentation**

**2.1.1 Applicable financial reporting standards**

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

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

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

**2.1.2 Functional and presentation currency**

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

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

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

**2.1.3 Financial statements of subsidiaries operating in countries other than Turkey**

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

**Polisan Holding A.Ş.**

**Notes to the condensed consolidated financial statements  
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**2. Basis of presentation of financial statements (continued)**

**2.2 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at March 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017.

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

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

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

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

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

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

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

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

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

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

**Polisan Holding A.Ş.**

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**2. Basis of presentation of financial statements (continued)**

**2.3 Changes in Accounting Policies, Estimates and Errors**

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

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

**2.4 Summary of Significant Accounting Policies**

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

**Group accounting**

- (a) The consolidated financial statements include the accounts of the parent company Polisan Holding, its Subsidiaries, Joint Ventures and Associates on the basis set out in sections (b) to (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with “TAS/IFRS” 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 March 31, 2017 and December 31, 2016 the Group's proportion of ownership interests of subsidiaries has been shown in the following table:

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

(\*) Polisan Yapı Kimyasalları A.Ş., 100% subsidiary of Polisan Holding A.Ş., has been transferred with its all assets and liabilities to Polisan Kimya Sanayi A.Ş., another 100% subsidiary of Polisan Holding.

(\*\*) The subsidiary is inactive.

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**2. Basis of presentation of financial statements (continued)**

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

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

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

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

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

**Segment Reporting**

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

**Polisan Holding A.Ş.**

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**2. Basis of presentation of financial statements (continued)**

**2.5 Comparative information and restatement of prior year financial statements**

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

The Group made the following reclassifications in the financial statements as of 31 March 2016 in order to conform the comparability.

- a) Results of Polisan Yapı İnşaat started to present under Real Estate segment in segment reporting note in 2016, therefore comparative presentation as of March 31, 2016 was restated.
- b) Tree seedlings amounts to TL 5.686.716 which are accounted as biological assets in consolidated financial statements as of March 31, 2016 reclassified under tangible assets. The Group has also made some reclassifications between tangible asset items.
- c) Credit card receivables amounting to TL 18.124.274 recognized under cash and cash equivalents account as of March 31, 2016 are reclassified as short term trade receivables.
- d) The sale of 50% of Polisan Kansai Boya is a transaction that resulted in loss of control and the paint thus be one of the Group’s business segments, the operating results and cash flows of Polisan Kansai Boya were accounted as discontinued operations and accordingly, the cash flow statement and profit and loss statement is restated in the consolidated financial statement of for the year ended March 31, 2016 (Note 11).

**2.6 Offsetting**

Financial assets and liabilities are offsetted 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.

**2.7 Seasonality in operations**

Operations of the companies within the consolidation may show increase or decrease as of periods. Thus, the results of the three months period ended March 31, 2017 may not be an indicator for the whole year.

**Polisan Holding A.Ş.**

**Notes to the condensed consolidated financial statements  
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**3. Segment reporting**

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

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

<b>Assets</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Paint	327.606.625	667.135.310
Chemical products	616.679.008	544.078.692
Port	382.947.281	383.235.503
Services	866.378.597	856.754.269
Real estate	256.589.926	257.014.554
<b>Combined</b>	<b>2.450.201.437</b>	<b>2.708.218.328</b>
Less: Joint ventures (Note 12)	(731.653.484)	(667.135.310)
Add: Carrying values of Joint Ventures (Note 12)	404.046.859	398.566.600
Less: Eliminations	(350.883.835)	(732.648.425)
<b>Consolidated</b>	<b>1.771.710.977</b>	<b>1.707.001.193</b>
<b>Liabilities</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Paint	360.348.942	306.791.286
Chemical products	503.868.485	428.198.065
Port	62.056.861	66.520.764
Services	22.344.502	21.418.173
Real estate	19.768.228	19.686.155
<b>Combined</b>	<b>968.387.018</b>	<b>842.614.443</b>
Less: Joint ventures (Note 12)	(360.348.942)	(306.791.286)
Less: Eliminations	(165.120.945)	(141.530.911)
<b>Consolidated</b>	<b>442.917.131</b>	<b>394.292.246</b>



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**3. Segment reporting (continued)**

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

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Add: Joint venture net profit share	Consolidation adjustments	Total
Revenue	160.728.644	138.123.946	33.360.481	15.186.848	9.000	347.408.919	(160.728.644)	-	(23.598.189)	163.082.086
- Intra segment revenue	160.728.644	124.521.635	30.282.632	8.268.819	9.000	323.810.730	(160.728.644)	-	-	163.082.086
- Inter segment revenue	-	13.602.311	3.077.849	6.918.029	-	23.598.189	-	-	(23.598.189)	-
Cost of sale (-)	(103.511.689)	(119.782.614)	(25.383.716)	(13.457.868)	-	(262.135.887)	103.511.689	-	24.127.028	(134.497.170)
<b>Gross profit</b>	<b>57.216.955</b>	<b>18.341.332</b>	<b>7.976.765</b>	<b>1.728.980</b>	<b>9.000</b>	<b>85.273.032</b>	<b>(57.216.955)</b>	<b>-</b>	<b>528.839</b>	<b>28.584.916</b>
Operational expenses	(42.662.941)	(10.674.385)	(2.328.781)	4.619.639	(165.800)	(51.212.268)	42.662.941	-	(2.866.335)	(11.415.662)
Loss from investments accounted using the equity method	-	1.706.916	-	-	-	1.706.916	-	5.529.301	-	7.236.217
<b>Operating profit</b>	<b>14.554.014</b>	<b>9.373.863</b>	<b>5.647.984</b>	<b>6.348.619</b>	<b>(156.800)</b>	<b>35.767.680</b>	<b>(14.554.014)</b>	<b>5.529.301</b>	<b>(2,337.496)</b>	<b>24.405.471</b>
Income from investment activities	17.693	35.791	-	1.674	-	55.158	(17.693)	-	-	37.465
<b>Operating profit before financial income/expense</b>	<b>14.571.707</b>	<b>9.409.654</b>	<b>5.647.984</b>	<b>6.350.293</b>	<b>(156.800)</b>	<b>35.822.838</b>	<b>(14.571.707)</b>	<b>5.529.301</b>	<b>(2,337.496)</b>	<b>24.442.936</b>
Financial expenses	(7.154.859)	(8.747.407)	(445.838)	4.463.848	(334.072)	(12.218.328)	7.154.859	-	1.838.678	(3.224.791)
<b>Profit before tax from continuing operations</b>	<b>7.416.848</b>	<b>662.247</b>	<b>5.202.146</b>	<b>10.814.141</b>	<b>(490.872)</b>	<b>23.604.510</b>	<b>(7.416.848)</b>	<b>5.529.301</b>	<b>(498.818)</b>	<b>21.218.145</b>
Depreciation and amortization	3.426.751	3.667.006	8.620.736	380.149	-	16.094.642	(3.426.751)	-	(5.248)	12.662.643
Investment expenditures	15.880.498	3.219.946	1.083.242	4.910.617	372.053	25.466.356	(15.880.498)	-	(504.063)	9.081.795
Finance income	273.948	27.231	22.672	1.934.637	-	2.258.488	(273.948)	-	-	1.984.540
Finance expense	3.369.246	3.871.212	179.847	141.952	334.072	7.896.329	(3.369.246)	-	(1.838.678)	2.688.405

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**3. Segment reporting (continued)**

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

	Paint	Chemical products	Port	Services	Real estate	Combined	Less: Joint venture	Consolidation adjustments	Total
Revenue	126.408.534	81.690.972	27.717.870	14.644.951	710.910	251.173.237	(126.408.534)	(18.310.695)	106.454.008
- Intra segment revenue	125.429.617	74.388.893	26.075.175	6.257.946	710.910	232.862.542	(125.429.617)	-	107.432.925
- Inter segment revenue	978.917	7.302.079	1.642.695	8.387.005	-	18.310.695	(978.917)	(18.310.695)	(978.917)
Cost of sale (-)	(78.482.340)	(74.178.924)	(18.547.632)	(13.028.762)	(1.021.000)	(185.258.658)	78.482.340	16.758.017	(90.018.301)
<b>Gross profit</b>	<b>47.926.194</b>	<b>7.512.048</b>	<b>9.170.238</b>	<b>1.616.189</b>	<b>(310.090)</b>	<b>65.914.579</b>	<b>(47.926.194)</b>	<b>(1.552.678)</b>	<b>16.435.707</b>
Operational expenses	(35.976.296)	(8.081.380)	(2.232.704)	(444.073)	(10.408)	(46.744.861)	35.976.296	773.518	(9.995.047)
Loss from investments accounted using the equity method	-	582.938	-	-	-	582.938	-	-	582.938
<b>Operating profit</b>	<b>11.949.898</b>	<b>13.606</b>	<b>6.937.534</b>	<b>1.172.116</b>	<b>(320.498)</b>	<b>19.752.656</b>	<b>(11.949.898)</b>	<b>(779.160)</b>	<b>7.023.598</b>
Income from investment activities	(18.346)	(36.691)	-	-	-	(55.037)	18.346	-	(36.691)
<b>Operating profit before financial income/expense</b>	<b>11.931.552</b>	<b>(23.085)</b>	<b>6.937.534</b>	<b>1.172.116</b>	<b>(320.498)</b>	<b>19.697.619</b>	<b>(11.931.552)</b>	<b>(779.160)</b>	<b>6.986.907</b>
Financial expenses	(1.933.157)	(3.035.461)	(172.257)	92.058	(298.517)	(5.347.334)	1.933.157	-	(3.414.177)
<b>Profit before tax from continuing operations</b>	<b>9.998.395</b>	<b>(3.058.546)</b>	<b>6.765.277</b>	<b>1.264.174</b>	<b>(619.015)</b>	<b>14.350.285</b>	<b>(9.998.395)</b>	<b>(779.160)</b>	<b>3.572.730</b>
Depreciation and amortization	2.702.264	4.258.552	2.340.888	1.359.749	-	10.661.453	(2.702.264)	(918.340)	7.040.849
Investment expenditures	11.283.945	15.319.898	752.615	485.273	-	27.841.731	(11.283.945)	(779.161)	15.778.625
Finance income	572.585	11.760	36.159	59.283	590	680.377	(572.585)	-	107.792
Finance expense	3.838.632	3.418.832	64.612	177	300.738	7.622.991	(3.838.632)	-	3.784.359

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4. Cash and cash equivalents

	March 31, 2017	December 31, 2016
Cash in hands	57.169	53.293
Banks	93.836.267	91.153.022
- Demand deposits	8.064.311	7.079.942
- Time deposits	85.771.956	84.073.080
<b>Total</b>	<b>93.893.436</b>	<b>91.206.315</b>

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

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

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	0,05%	3 days	5.685.379	22.220.168
EURO	0,05%	3 days	17.466.000	63.551.788
<b>Total</b>				<b>85.771.956</b>

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

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	0,10%	3 days	22.665.949	79.766.188
TL	9,80%	3 days	1.799.000	1.799.000
EURO	0,05%	3 days	676.000	2.507.892
<b>Total</b>				<b>84.073.080</b>

5. Financial borrowings

	Interest rate	March 31, 2017	Interest rate	December 31, 2016
<b>Short-term borrowings</b>				
<b>Bank borrowings</b>				
- EURO	-	-	3%	4.303.484
- TL	13,25%	20.255.060	10,75%-10,80%	1.881.946
<b>Total</b>		<b>20.255.060</b>		<b>6.185.430</b>

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5. Financial borrowings (continued)

	Interest rate	March 31, 2017	Interest rate	December 31, 2016
<b>Short term portion of long term borrowings</b>				
<b>Bank borrowings</b>				
- EURO	3,21%	72.242.289	2,45%-4,60%	89.016.346
- USD	3,85%	8.419.660	3,55%-3,60%	16.285.972
- TL	11,98%	116.528	10,75%-10,80%	1.229.597
<b>Total</b>		<b>80.778.477</b>		<b>106.531.915</b>

	Interest rate	March 31, 2017	Interest rate	December 31, 2016
<b>Long-term borrowings</b>				
<b>Bank borrowings</b>				
- EURO	3,21%	121.920.095	2,45%-4,60%	82.853.158
<b>Total</b>		<b>121.920.095</b>		<b>82.853.158</b>

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

Maturity	March 31, 2017	December 31, 2016
0 - 3 months	36.403.223	42.889.750
Between 3 - 6 months	25.045.130	15.332.537
Between 6 - 12 months	39.585.184	54.495.058
Between 1 - 2 years	113.321.835	82.853.158
Over 2 years	8.598.260	-
<b>Total</b>	<b>222.953.632</b>	<b>195.570.503</b>

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**6. Trade receivable and payables**

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

<b>Trade receivables</b>	<b>March 31, 2017</b>	<b>December 31,2016</b>
Trade receivables	145.419.258	101.157.023
Receivables from related parties (Note 27)	8.509.113	10.871.744
Notes and cheques receivables	42.701.454	47.458.069
	<b>196.629.825</b>	<b>159.486.836</b>
Allowance for doubtful receivables (-)	(17.346.417)	(17.245.085)
Deferred financial expense (-)	(1.706.464)	(1.139.544)
<b>Total</b>	<b>177.576.944</b>	<b>141.102.207</b>

  

<b>Long-term trade receivables</b>	<b>March 31, 2017</b>	<b>December 31,2016</b>
Notes and cheques receivables	1.317.030	1.839.083
	<b>1.317.030</b>	<b>1.839.083</b>
Deferred financial expense (-)	(279.085)	(288.766)
<b>Total</b>	<b>1.037.945</b>	<b>1.550.317</b>

The nature and amount of guarantees obtained for receivables are stated in Note 16.3.

Foreign currency balances of trade receivables are explained in Note 28.

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**6. Trade receivable and payables (continued)**

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

	<b>2017</b>	<b>2016</b>
January 1	17.245.085	27.466.116
Provisions for doubtful receivables	215.472	7.221
Written offs	(94.879)	(596.164)
Provisions no longer required	(19.261)	(30.119)
<b>March 31</b>	<b>17.346.417</b>	<b>26.847.054</b>

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

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
1-30 days past due	6.939.496	14.637.440
1-3 months past due	3.654.310	2.881.687
3-12 months past due	427.282	544.585
1-5 years past due	39.039	1.584
<b>Total</b>	<b>11.060.127</b>	<b>18.065.296</b>

As of March 31, 2017 letter of guarantees amounting to TL 1.010.000 (December 31, 2016: TL 310.000) has been received for the past due but not impaired trade receivables amounting to TL 11.060.127 (December 31, 2016: TL 18.065.296). Doubtful receivables are not included into the maturity details.

<b>Trade payables</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Short term trade payables</b>		
Trade payables	99.863.233	82.965.088
Notes and cheques payables	5.671.671	8.281.398
Payables to related parties (Note 27)	96.683	115.310
Deferred financial income (-)	(176.856)	(138.998)
<b>Total</b>	<b>105.454.731</b>	<b>91.222.798</b>

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**7. Other receivable and payables**

<b>Short term other receivables</b>	<b>March 31, 2017</b>	<b>December 31,2016</b>
Other receivables from related parties (Note 27)	50.997.500	51.130.369
Work advances given to personnel	907.371	12.801
VAT and SCT receivables	808.794	3.362.173
Receivables from employees	26.467	50.496
Deposits and guarantees given	24.965	24.965
Other	-	105.739
<b>Total</b>	<b>52.765.097</b>	<b>54.686.543</b>
<b>Long term other receivables</b>	<b>March 31, 2017</b>	<b>December 31,2016</b>
Deposits and guarantees given	464.583	452.648
<b>Total</b>	<b>464.583</b>	<b>452.648</b>
<b>Short term other payables</b>	<b>March 31, 2017</b>	<b>December 31,2016</b>
Taxes and funds payable	759.398	777.682
Due to related parties (Note 27)	6.208	6.208
Deposits and guarantees taken	1.391	1.340
Other	-	19.610
<b>Total</b>	<b>766.997</b>	<b>804.840</b>

**8. Inventories**

	<b>March 31, 2017</b>	<b>December 31,2016</b>
Raw materials and supplies	32.506.901	23.242.708
Work in process	1.799.762	1.455.568
Finished goods	17.192.648	15.876.859
Merchandise	610.033	326.912
Goods in transit	25.376.046	24.390.358
Other inventories	584.805	732.232
<b>Total</b>	<b>78.070.195</b>	<b>66.024.637</b>
Provision for impairment of inventories (-)	(471.764)	(875.049)
<b>Total</b>	<b>77.598.431</b>	<b>65.149.588</b>

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

	<b>2017</b>	<b>2016</b>
1 January	875.049	1.384.867
Provisions booked during the period	-	204.013
Provisions no longer required (-)	(403.285)	(713.831)
<b>Total</b>	<b>471.764</b>	<b>875.049</b>

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## 9. Prepaid expenses and deferred income

### Prepaid expenses:

	March 31, 2017	December 31,2016
<b><u>Short term prepaid expenses</u></b>		
Prepaid expense for the following months	7.331.894	5.703.735
Advances given for inventories	5.624.030	3.068.867
<b>Total</b>	<b>12.955.924</b>	<b>8.772.602</b>

	March 31, 2017	December 31,2016
<b><u>Long term prepaid expenses</u></b>		
Advances given for tangible and intangible assets	35.384.133	33.598.533
Prepaid expense for the following years	6.343	-
<b>Total</b>	<b>35.390.476</b>	<b>33.598.533</b>

### Deferred income:

	March 31, 2017	December 31,2016
<b><u>Short term deferred income</u></b>		
Advances taken	11.908.568	3.172.847
Short term deferred income	554.551	608.703
<b>Total</b>	<b>12.463.119</b>	<b>3.781.550</b>

	March 31, 2017	December 31,2016
<b><u>Long term deferred income</u></b>		
Advances taken	-	465.000
<b>Total</b>	<b>-</b>	<b>465.000</b>

## 10. Current income tax assets

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

	March 31, 2017	December 31,2016
<b><u>Current income tax assets</u></b>		
Prepaid taxes	8.158	3.986
<b>Total</b>	<b>8.158</b>	<b>3.986</b>



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**11. Discontinued operations**

Current and prior year operating results of Polisan Kansai Boya are accounted as discontinued operations since 50% share sale transaction to Kansai resulted loss of control and paint is considered a segment for the for the Group operations.

Statement of discontinued profit or loss:

	<b>January 1- March 31, 2016</b>
Revenue	126.408.534
Cost of sales (-)	(78.482.340)
<b>Gross profit from commercial activities</b>	<b>47.926.194</b>
Research and development expenses (-)	(1.815.963)
Marketing expenses (-)	(22.783.274)
General administrative expenses (-)	(5.727.060)
Other operating income	1.581.139
Other operating expenses (-)	(7.231.138)
<b>Operating profit</b>	<b>11.949.898</b>
Income from investment activities	5.932
Expense from investment activities (-)	(24.278)
<b>Operating profit before financial income/expense</b>	<b>11.931.552</b>
Financial income	2.842.692
Financial expenses (-)	(4.775.849)
<b>Profit before tax from continuing operations</b>	<b>9.998.395</b>
<b>Continuing operations tax income/expense</b>	
- Current tax expense	(4.120.991)
- Deferred tax income/expense	2.171.533
<b>Profit from discontinuing operations for the period</b>	<b>8.048.937</b>

Net cash flows from discontinued operations:

	<b>January 1- March 31, 2016</b>
Cash flows from operating activities	(3.594.612)
Cash flows from investing activities	(11.856.530)
Cash flows from financing activities	(27.796.575)
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(43.247.717)</b>

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**12. Investments accounted using the equity method**

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

		March 31, 2017		December 31, 2016	
	%	TL	%	TL	
<b>Joint venture</b>					
Polisan Kansai Boya	50,00	404.046.859	50,00	398.566.600	
<b>Associate</b>					
Rohm And Haas	40,00	9.253.298	40,00	7.546.382	
<b>Total</b>		<b>413.300.157</b>		<b>406.112.982</b>	

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

	2017	2016
<b>Polisan Kansai Boya</b>		
January 1	398.566.600	-
Profit from investments accounted for using equity method	5.529.301	-
Other comprehensive income	(49.042)	-
<b>Rohm And Haas</b>		
January 1	7.546.382	8.125.910
Profit from investments accounted for using equity method	1.706.916	582.938
<b>March 31</b>	<b>413.300.157</b>	<b>8.708.848</b>

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12. Investments accounted using the equity method (continued)

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

<b>March 31, 2017 – Condensed balance sheet information</b>	<b>Polisan Kansai Boya</b>	<b>Rohm and Haas</b>
Current assets	525.211.675	75.964.730
<i>Cash and cash equivalents</i>	46.107.790	225.009
Non-current assets	206.441.809	11.583.727
<b>Total assets</b>	<b>731.653.484</b>	<b>87.548.457</b>
Short term liabilities	305.342.919	64.004.753
<i>Financial borrowings</i>	198.146.946	-
Long term liabilities	55.006.023	410.460
<i>Financial borrowings</i>	44.128.956	-
<b>Total liabilities</b>	<b>360.348.942</b>	<b>64.415.213</b>
<b>Net assets</b>	<b>371.304.542</b>	<b>23.133.244</b>
<b>Reconciliation of carrying value:</b>		
Ownership of the Group	50%	40%
Net asset share of the Group	185.652.271	9.253.298
Goodwill carried at Group level	218.394.588	-
<b>Carrying value</b>	<b>404.046.859</b>	<b>9.253.298</b>
<b>December 31, 2016 – Condensed balance sheet information</b>	<b>Polisan Kansai Boya</b>	<b>Rohm and Haas</b>
Current assets	489.577.872	55.154.704
<i>Cash and cash equivalents</i>	67.598.230	7.369.250
Non-current assets	177.557.438	11.016.202
<b>Total assets</b>	<b>667.135.310</b>	<b>66.170.906</b>
Short term liabilities	248.480.156	46.925.275
<i>Financial borrowings</i>	161.628.486	-
Long term liabilities	58.311.130	379.675
<b>Total liabilities</b>	<b>306.791.286</b>	<b>47.304.950</b>
<b>Net assets</b>	<b>360.344.024</b>	<b>18.865.956</b>
<b>Reconciliation of carrying value:</b>		
Ownership of the Group	50%	40%
Net asset share of the Group	180.172.012	7.546.382
Goodwill carried at Group level	218.394.588	-
<b>Carrying value</b>	<b>398.566.600</b>	<b>7.546.382</b>

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**12. Investments accounted using the equity method (continued)**

<b>March 31, 2017 – Condensed income statement information</b>	<b>Polisan Kansai Boya</b>	<b>Rohm and Haas</b>
Revenue	160.728.644	39.885.575
Depreciation and amortisation	3.426.751	415.285
Interest income	273.948	48.980
Interest expense	(3.369.246)	(339.242)
Net profit / loss for the period	11.058.601	4.267.289
Ownership of the Group	50%	40%
<b>Net profit share of the Group</b>	<b>5.529.301</b>	<b>1.706.916</b>

<b>March 31, 2017 – Condensed income statement information</b>	<b>Rohm and Haas</b>
Revenue	34.925.916
Depreciation and amortisation	391.354
Interest income	12.926
Interest expense	(246.140)
Net profit / loss for the period	1.457.346
Ownership of the Group	40%
<b>Net profit share of the Group</b>	<b>582.938</b>

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13. Investment properties

	January 1,2017	Additions	Disposals	March 31, 2017
<b>Cost</b>				
Land	203.263.321	-	-	203.263.321
Buildings	56.507.882	566.054	(112.200)	56.961.736
<b>Total</b>	<b>259.771.203</b>	<b>566.054</b>	<b>(112.200)</b>	<b>260.225.057</b>

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

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

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

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

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**14. Property, plant and equipment**

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

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>As of January 1</b>		
Cost	792.038.566	877.788.623
Accumulated depreciation	(168.715.469)	(177.713.937)
<b>Net book value</b>	<b>623.323.097</b>	<b>700.074.686</b>
<b>Net book value as of January 1</b>	<b>623.323.097</b>	<b>700.074.686</b>
Additions	8.454.280	27.062.570
Transfers	160.372	-
Disposals	(175.985)	(64.240)
Currency translation differences	2.737.851	192.805
Current period depreciation	(12.474.981)	(9.547.792)
Disposal within scope of consolidation	-	(8.581.681)
<b>Net book value as of March 31</b>	<b>622.024.634</b>	<b>709.136.348</b>
<b>As of March 31</b>		
Cost	803.215.084	893.695.813
Accumulated depreciation	(181.190.450)	(184.559.465)
<b>Net book value</b>	<b>622.024.634</b>	<b>709.136.348</b>

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

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15. Intangible assets

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

	January 1,2017	Additions	Disposals	March 31, 2017
<b>Cost</b>				
Rights	1.413.383	-	-	1.413.383
Other intangible assets (*)	3.615.745	61.461	(437)	3.676.769
<b>Total</b>	<b>5.029.128</b>	<b>61.461</b>	<b>(437)</b>	<b>5.090.152</b>
<b>Accumulated amortization</b>				
Rights	187.659	23.547	-	211.206
Other intangible assets (*)	2.392.869	164.539	(424)	2.556.984
<b>Total</b>	<b>2.580.528</b>	<b>188.086</b>	<b>(424)</b>	<b>2.768.190</b>
<b>Net Value</b>	<b>2.448.600</b>			<b>2.321.962</b>

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

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

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**16. Provisions, contingent assets and liabilities**

**16.1 Debt provisions**

	<b>March 31, 2017</b>	<b>December 31,2016</b>
Money point provisions	-	-
Lawsuit provisions	599.463	599.463
<b>Total</b>	<b>599.463</b>	<b>599.463</b>

**16.2 Litigation and disputes**

**1) The ongoing lawsuits filed by the Group:**

As of March 31, 2017 total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 36.080.226 (December 31, 2016: TL 34.863.459). The Group has booked an allowance amounting to TL 17.346.417 (December 31, 2016: TL 17.245.085) for the receivables regarding to the ongoing lawsuits and execution proceedings in progress.

**2) The ongoing lawsuits filed against the Group:**

As of March 31, 2017, total amount of the ongoing lawsuits filed against the Group is TL 1.105.789 (December 31, 2016: TL 1.397.289).

**16.3 Pledges and guarantees given/received:**

**1) CPMB's given**

<b>Collaterals, pledges, mortgages, bills given by the Company (TL)</b>	<b>March 31, 2017</b>	<b>December 31,2016</b>
A. Total amount of CPMB's given in the name of its own legal personality	1.698.993.646	1.646.728.809
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	149.654.983	145.667.113
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given in accordance with the 12/2 article of Corporate Governance Announcement	-	-
E. Other CPMB's given	-	-
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.	-	-
	<b>1.848.648.629</b>	<b>1.792.395.922</b>

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

(1) Consists guarantees given for bank loan agreements.



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**16. Provisions, contingent assets and liabilities (continued)**

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

<b>March 31, 2017</b>					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL Equivalent	TL amount	Total TL
Bill of guarantees	209.085.000	137.601.250	1.298.563.646	400.430.000	1.698.993.646
Letter of guarantee	10.000.000	3.600.000	50.455.880	99.199.103	149.654.983
	<b>219.085.000</b>	<b>141.201.250</b>	<b>1.349.019.526</b>	<b>499.629.103</b>	<b>1.848.648.629</b>
<b>December 31, 2016</b>					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL Equivalent	TL amount	Total TL
Bill of guarantees	209.085.000	137.601.250	1.246.298.809	400.430.000	1.646.728.809
Letter of guarantee	10.000.000	3.600.000	48.547.640	96.999.473	145.547.113
Guarantee cheques	-	-	-	120.000	120.000
	<b>219.085.000</b>	<b>141.201.250</b>	<b>1.294.846.449</b>	<b>497.549.473</b>	<b>1.792.395.922</b>

**2) CPMBs received**

<b>March 31, 2017</b>					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL Equivalent	TL amount	Total TL
Mortgages	-	-	-	2.261.680	2.261.680
Letter of guarantee	327.226	9.106.339	36.780.948	5.361.951	42.142.899
Guarantee notes	-	-	-	2.909.983	2.909.983
<b>Total</b>	<b>327.226</b>	<b>9.106.339</b>	<b>36.780.948</b>	<b>10.533.615</b>	<b>47.314.563</b>
<b>December 31, 2016</b>					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL Equivalent	TL amount	Total TL
Mortgages	-	-	-	1.761.680	1.761.680
Letter of guarantee	72.168	9.040.000	33.791.470	5.812.494	39.603.964
Guarantee notes	-	-	-	2.909.983	2.909.983
<b>Total</b>	<b>72.168</b>	<b>9.040.000</b>	<b>33.791.470</b>	<b>10.484.157</b>	<b>44.275.627</b>

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

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**17. Employee benefits**

**Short term employee benefit obligations**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Employee benefit obligations</u></b>		
Social security premiums payable	1.883.224	2.046.986
Payables to personnel	1.223.331	1.748.020
Taxes and duties payable	542.237	803.579
<b>Total</b>	<b>3.648.792</b>	<b>4.598.585</b>

**Long term provisions for employee benefits**

<b>Long term employee benefits</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Provisions for employee termination benefits	7.777.198	6.951.025
Provisions for unused vacation pay	1.969.358	1.575.433
<b>Total</b>	<b>9.746.556</b>	<b>8.526.458</b>

**Provision for employee termination benefits**

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law's 60th clause which is still effective. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TL 4.426,16 as of March 31, 2017 (December 31, 2016: TL 4,297.21).

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

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

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**17. Employee benefits (continued)**

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As of March 31, 2017, provision for employee termination benefits stated in the accompanying consolidated financial statements, has been calculated by estimating the present value of the future probable obligation of the retirement of employees. As of March 31, 2017, the provision has been calculated by taking into consideration a real discount rate of 4,21% (December 31, 2016: 4,21% real discount rate) based on the assumption of an annual 7% inflation rate and 11,5% discount rate. The estimated severance payment amount, which is not paid due to the voluntary resignations and that the estimated rate of severance pay amount which is not paid because of arbitrary leaving and will remain to the company is also considered. The turnover rate to estimate the probability of retirement for the Group is calculated as 95.25% (December 31, 2016: 91.85%) and discounted employee termination benefit is calculated based on this rate.

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

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

	<b>2017</b>	<b>2016</b>
<b>January 1</b>	6.951.025	10.127.250
Payments	(268.983)	(407.047)
Interest cost	206.799	220.221
Current year service cost	730.489	302.041
Actuarial loss	157.868	121.899
<b>March 31</b>	<b>7.777.198</b>	<b>10.364.364</b>

**18. Other assets and liabilities**

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

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Other current assets</u></b>		
Deferred VAT	4.715.097	2.616.762
Other	262.090	53.952
<b>Total</b>	<b>4.977.187</b>	<b>2.670.714</b>

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Short term other liabilities</u></b>		
Accrued expenses	3.564.125	3.673.389
Taxes payable	4.637.750	2.774.962
<b>Total</b>	<b>8.201.875</b>	<b>6.448.351</b>

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

	March 31, 2017		December 31, 2016	
	Share (%)	Amount	Share (%)	Amount
Necmettin Bitlis	15,18	56.163.449	15,18	56.163.449
Ahmet Faik Bitlis	10,20	37.756.717	10,20	37.756.717
Fatma Nilgün Kasrat	10,20	37.756.717	10,20	37.756.717
Ali Fırat Yemenciler	0,95	3.502.500	0,95	3.502.500
A.Melike Bitlis (Bush)	10,20	37.756.717	10,20	37.756.717
Mehmet Emin Bitlis	16,89	62.493.625	16,89	62.493.625
Ahmet Ertuğrul Bitlis	16,89	62.493.625	16,89	62.493.625
Alaattin Bitlis	1,36	5.018.350	1,36	5.018.350
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Selahaddin Bitlis	2,21	8.161.175	2,21	8.161.175
Erol Mizrahi	1,89	7.005.000	1,89	7.005.000
Galip Demirel	0,77	2.836.850	0,77	2.836.850
Güldal Akşit	1,15	4.255.275	1,15	4.255.275
Serdar Demirel	1,11	4.117.343	1,11	4.117.343
Melda Bitlis	0,28	1.050.750	0,28	1.050.750
Burcu Bitlis	0,28	1.050.750	0,28	1.050.750
Banu Bitlis	0,28	1.050.750	0,28	1.050.750
Şark Mensucat	0,04	137.932	0,04	137.932
Publicly traded (*)	8,40	31.063.425	8,40	31.063.425
	<b>100</b>	<b>370.000.000</b>	<b>100</b>	<b>370.000.000</b>
Adjustment to share capital		1.467.266		1.467.266
<b>Total</b>		<b>371.467.266</b>		<b>371.467.266</b>

(\*) As of March 31, 2017, the shareholding rate of Şark Mensucat Fabrikaları AŞ, a related party the Group, in the listed shares of the Company is 6,458%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 719.096 in listed shares of the Company (As of December 31, 2016, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., a related party of the Group, in the listed shares of the Company was 6,360%. Furthermore, Mehmet Emin Bitlis, other shareholder of the Company, has a share amounting to TL 719.096 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.

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**19. 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**

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

**Dividend distribution**

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

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

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

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

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

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**19. Capital, reserves and other equity items (continued)**

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

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Tangible asset revaluation fund	264.940.235	264.940.235
- tax effect	(52.988.047)	(52.988.047)
Employment termination benefits actuarial gain/(loss) fund	(11.433.025)	(11.517.875)
- tax effect	2.286.605	2.303.575
<b>Share of equity holders of the parent</b>	<b>202.805.768</b>	<b>202.737.888</b>
<b>Non-controlling interest</b>		
Employment termination benefits actuarial gain/(loss) fund	44.773	39.968
- tax effect	(8.955)	(7.993)
	<b>35.818</b>	<b>31.975</b>
<b>Total</b>	<b>202.841.586</b>	<b>202.769.863</b>

**Actuarial gains and losses employee benefits provisions**

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

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

**Non-controlling interests**

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

<b>Non-Controlling Interest</b>	<b>2017</b>	<b>2016</b>
January 1	19.867.576	19.129.418
Share of total comprehensive income	104.283	339.009
<b>March 31</b>	<b>19.971.859</b>	<b>19.468.427</b>

**Other reserves:**

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

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20. Revenue and cost of sales

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

	January 1- March 31, 2017	January 1- March 31, 2016
Domestic sales	116.400.916	68.315.805
Foreign sales	46.917.460	38.595.452
<b>Gross sales</b>	<b>163.318.376</b>	<b>106.911.257</b>
Sales returns	(136.427)	(430.144)
Sales discounts	(7.606)	(23.368)
Other discounts	(92.257)	(3.737)
<b>Sales deductions (-)</b>	<b>(236.290)</b>	<b>(457.249)</b>
<b>Net sales</b>	<b>163.082.086</b>	<b>106.454.008</b>
	January 1- March 31, 2017	January 1- March 31, 2016
<b>Cost of sales</b>		
Direct raw material and supply expenses	90.378.986	54.947.426
Direct labour expenses	2.203.873	1.563.181
Production overheads	12.588.406	8.038.961
Depreciation and amortization	2.235.106	615.820
Changes in work in process inventory		
- Opening inventories	1.455.568	1.633.905
- Closing inventories	(1.799.762)	(1.325.963)
Changes in finished goods inventory		
- Opening inventories	15.876.859	12.991.321
- Closing inventories	(17.192.648)	(21.746.756)
<b>Cost of goods sold</b>	<b>105.746.388</b>	<b>56.717.895</b>
- Inventories at the beginning of the period	516.926	450.026
- Purchases during the period	(5.949.382)	5.443.006
- Inventories at the end of the period	(610.033)	(135.798)
<b>Cost of merchandise sold</b>	<b>(6.042.489)</b>	<b>5.757.234</b>
Personnel expenses	16.613.630	7.764.529
Other service expenses	9.277.631	14.568.107
Depreciation and amortization	8.880.988	5.153.562
<b>Cost of services rendered</b>	<b>34.772.249</b>	<b>27.486.198</b>
<b>Cost of other sales</b>	21.022	56.974
<b>Total cost of sales</b>	<b>134.497.170</b>	<b>90.018.301</b>

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21. Expenses by nature

	January 1- March 31, 2017	January 1- March 31, 2016
<b><u>Depreciation and amortization</u></b>		
Cost of goods and services rendered	8.880.988	5.153.562
Cost of goods sold	2.235.106	615.820
General administrative expenses	1.176.314	764.111
Marketing expenses	302.138	498.965
Research and development expenses	68.097	8.391
<b>Total</b>	<b>12.662.643</b>	<b>7.040.849</b>

	January 1- March 31, 2017	January 1- March 31, 2016
<b><u>Personnel expenses</u></b>		
Cost of goods and services rendered	16.613.630	7.764.529
General administrative expenses	4.341.309	1.967.731
Cost of goods sold	2.203.873	1.563.181
Marketing expenses	549.742	633.591
Research and development expenses	472.699	355.391
<b>Total</b>	<b>24.181.253</b>	<b>12.284.423</b>



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**22. Other income and expenses from operations**

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

	January 1- March 31, 2017	January 1- March 31, 2016
<b><u>Other operating income</u></b>		
Foreign exchange gains	4.804.996	391.152
Deferred financial income	1.685.514	1.030.395
Provisions no longer required	19.261	30.119
Rent income	162.843	197.161
Incentive income	28.735	37.348
Insurance income	-	15.764
Other	282.628	747.716
<b>Total</b>	<b>6.983.977</b>	<b>2.449.655</b>

	January 1- March 31, 2017	January 1- March 31, 2016
<b><u>Other operating expenses</u></b>		
Deferred financial expense	2.195.923	814.324
Foreign exchange losses	454.458	40.104
Allowance for doubtful receivables	215.472	7.221
Provision for inventory impairment	-	204.013
Other	1.050.774	833.732
<b>Total</b>	<b>3.916.627</b>	<b>1.899.397</b>

**23. Income and expenses from investment activities**

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

	January 1- March 31, 2017	January 1- March 31, 2016
<b><u>Income from investment activities</u></b>		
Gain on sale of fixed assets	46.732	-
<b>Total</b>	<b>46.732</b>	<b>-</b>

	January 1- March 31, 2017	January 1- March 31, 2016
<b><u>Expenses from investment activities</u></b>		
Loss on sale of investment properties	9.267	-
Other	-	36.691
<b>Total</b>	<b>9.267</b>	<b>36.691</b>

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**24. Financial income and expenses**

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

	<b>January 1- March 31, 2017</b>	<b>January 1- March 31, 2016</b>
<b><u>Financial income</u></b>		
Foreign exchange gains	4.656.319	642.001
Interest income	1.984.391	107.792
<b>Total</b>	<b>6.640.710</b>	<b>749.793</b>

	<b>January 1- March 31, 2017</b>	<b>January 1- March 31, 2016</b>
<b><u>Financial expenses</u></b>		
Foreign exchange losses	7.335.195	379.611
Interest expenses	2.049.501	3.443.539
Letters of guarantee commission expenses	318.573	244.988
Bank charges and pos expenses	162.232	95.832
<b>Total</b>	<b>9.865.501</b>	<b>4.163.970</b>

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**25. Income taxes (including deferred tax assets and liabilities)**

**Corporate tax**

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

Corporate tax is calculated on tax basis which is the total income of the Company after adding of certain disallowable expenses, deducting of income exemptions which are not subjected to tax and other deductions (prior periods' losses if any and investment incentives if considered). The corporate tax rate is 20% in Turkey (2016: 20%).

The tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The tax rate applied in taxation of temporary corporate income of companies is 20% (2016: 20%). The tax rate of the subsidiary of the Group operating in Greece is 29% (2016: 20%). Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. Tax losses cannot be carried back to offset profits from previous periods.

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

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

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

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

**Deferred Tax**

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

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	<b>Cumulative differences</b>	<b>Asset/(liability)</b>	<b>Cumulative differences</b>	<b>Asset/(liability)</b>
Property, plant and equipment and intangible assets	515.653.759	(68.450.388)	520.560.688	(66.632.478)
Deferred finance income	176.860	(35.372)	138.998	(27.800)
Deferred finance expense	(2.011.565)	402.313	(1.508.654)	287.075
Provision for employee termination benefits	(7.850.753)	1.570.151	(6.951.025)	1.417.504
Unused vacation pay liability	(1.969.357)	393.872	(1.575.433)	315.087
Allowance for doubtful receivables	(2.093.110)	411.996	(684.984)	167.564
Adjustment for inventories	(377.057)	75.411	(922.298)	227.402
Impairment of subsidiary and associate	(291.295)	14.565	(291.295)	14.565
Tax losses carry forwards	(25.989.633)	5.197.926	(15.189.160)	3.780.864
Investment incentive income	(13.930.582)	1.532.364	(13.930.582)	1.532.364
Litigation provision	(599.463)	119.893	(599.463)	119.893
Other	(3.315.798)	663.159	(3.154.890)	811.048
<b>Deferred tax liability, net</b>	<b>457.402.006</b>	<b>(58.104.110)</b>	<b>475.891.902</b>	<b>(57.986.912)</b>
Deferred tax asset		17.170.987		16.151.858
Deferred tax liability		(75.275.097)		(74.138.770)
<b>Deferred tax liability, net</b>		<b>(58.104.110)</b>		<b>(57.986.912)</b>

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

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

	<b>2017</b>	<b>2016</b>
January 1	(57.986.912)	(60.307.036)
Tax expense of continuing operations	(1.005.424)	855.849
Tax expense of discontinuing operations	-	2.171.533
Deferred tax effect of actuarial gain/loss	(16.970)	16.138
Currency translation differences	905.196	47.811
<b>March 31</b>	<b>(58.104.110)</b>	<b>(57.215.705)</b>

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

<b>Tax expense/(income)</b>	<b>January 1- March 31, 2017</b>	<b>January 1- March 31, 2016</b>
Tax expense for the period	(3.873.880)	(2.178.170)
Deferred tax income/(expense)	(1.005.424)	855.849
<b>Total</b>	<b>(4.879.304)</b>	<b>(1.322.321)</b>

**26. Earnings/ (losses) per share**

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

	<b>January 1- March 31, 2017</b>	<b>January 1- March 31, 2016</b>
Profit from continuing operations for the period(TL) (parent)	16.234.558	1.878.434
Profit from discontinuing operations for the period (TL)	-	8.048.937
Weighted average of ordinary shares issued	370.000.000	370.000.000
- Earnings per share from continuing operations	0,044	0,005
- Earnings per share from discontinuing operations	0,000	0,022
<b>Earnings per share (TL)</b>	<b>0,044</b>	<b>0,027</b>

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**27. Related party disclosures**

**a) Key management compensation**

The total amount of wage and salaries and similar benefits paid to the key management is TL 1.356.212 for the period January 1 - March 31, 2017. The TL 693.012 of related amount is comprised from wage and salaries, TL 663.200 of the related amount is comprised of bonuses (January 1 - December 31, 2016: TL 2.965.792). Key management of the Group is identified as Board members, general manager and vice general managers.

**b) Trade receivables from related parties**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Trade receivables from related parties</u></b>		
Şark Mensucat Fabrikası A.Ş. (**)	2.014.393	116.691
Rohm and Haas (*)	553.826	710.254
Polisan Kansai Boya (***)	6.012.271	10.125.143
	<b>8.580.490</b>	<b>10.952.088</b>
Deferred financial expense (-)	(71.377)	(80.344)
<b>Total</b>	<b>8.509.113</b>	<b>10.871.744</b>

**c) Other receivables from related parties**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Other receivables from related parties</u></b>		
Şark Mensucat Fabrikası A.Ş. (**)	50.997.500	50.997.500
Rohm and Haas (*)	-	132.869
<b>Total</b>	<b>50.997.500</b>	<b>51.130.369</b>

**d) Trade payables to related parties**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Trade payables to related parties</u></b>		
Rohm and Haas (*)	96.683	115.310
<b>Total</b>	<b>96.683</b>	<b>115.310</b>

**e) Other payables to related parties**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b><u>Other payables to related parties</u></b>		
Mehmet Haluk Sevel	3.104	3.104
Recep Haldun Sevel	3.104	3.104
<b>Total</b>	<b>6.208</b>	<b>6.208</b>

(\*) Associate

(\*\*) Company owned by the parent company

(\*\*\*) Joint venture

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27. Related party disclosures (continued)

f) Sales/purchases transaction with related parties

Purchases:

	January 1 – March 31, 2017			January 1 – March 31, 2016		
	Polisan Kansai Boya Sanayi ve Ticaret A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.	
Raw material	-	-	17.598.272	-	11.298.890	
Services	142.504	-	50.865	-	50.865	
Foreign exchange differences	-	-	639.849	-	165.669	
<b>Total</b>	<b>142.504</b>	<b>-</b>	<b>18.288.987</b>	<b>-</b>	<b>11.515.424</b>	

Sales:

	January 1 – March 31, 2017			January 1 – March 31, 2016		
	Polisan Kansai Boya Sanayi ve Ticaret A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.	
Raw material	961.219	-	-	1.025	-	
Services	5.661.904	196.394	1.418.263	117.553	1.295.328	
Rent	1.109.397	2.490	-	2.373	-	
Foreign exchange differences	-	-	23.893	-	458	
Credit finance income	-	1.583.756	-	-	-	
<b>Total</b>	<b>7.732.520</b>	<b>1.782.640</b>	<b>1.442.156</b>	<b>120.951</b>	<b>1.295.786</b>	

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

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

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## **28. Nature and level of risk derived from financial instruments**

### **Financial risk management**

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

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



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

**Foreign exchange risk**

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

	<b>March 31, 2017</b>				
	<b>TL equivalent</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Other</b>
1. Trade receivables	5.102.734	726.405	629.337	-	-
2a. Monetary financial assets (Including cash, banks)	201.878.800	53.429.855	1.908.937	1.822	1
2b. Non-monetary financial assets	1.911	-	743	(220)	-
3. Other	937.318	255.058	2.370	-	-
<b>4. Current assets (1+2+3)</b>	<b>207.920.763</b>	<b>54.411.318</b>	<b>2.541.388</b>	<b>1.602</b>	<b>1</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	35.174.700	-	9.000.000	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>35.174.700</b>	<b>-</b>	<b>9.000.000</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>243.095.463</b>	<b>54.411.318</b>	<b>11.541.388</b>	<b>1.602</b>	<b>1</b>
10. Trade payables	46.542.182	4.793.506	7.445.829	-	-
11. Borrowings	-	-	-	-	-
12a. Monetary liabilities	12.740.239	3.501.330	77	-	-
12b. Non-monetary liabilities	-	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>59.282.421</b>	<b>8.294.836</b>	<b>7.445.906</b>	<b>-</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Borrowings	6.316.069	-	1.616.066	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non-monetary liabilities	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>6.316.069</b>	<b>-</b>	<b>1.616.066</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>65.598.490</b>	<b>8.294.836</b>	<b>9.061.971</b>	<b>-</b>	<b>-</b>
<b>19. Off-balance sheet derivative instruments net position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Derivative assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Derivative liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency position(9-18+19)</b>	<b>177.496.973</b>	<b>46.116.482</b>	<b>2.479.417</b>	<b>1.602</b>	<b>1</b>
<b>21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-2a-14-15-6a)</b>	<b>141.383.044</b>	<b>45.861.424</b>	<b>(6.523.697)</b>	<b>1.822</b>	<b>1</b>

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

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

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

Sensitivity analysis:

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

<b>As of March 31, 2017</b>	<b>Profit/Loss before tax</b>		<b>Shareholder’s equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<i>The impact of 10% increase/decrease of USD against TL:</i>				
1- USD net asset/liability	16.687.138	(16.687.138)	-	-
2- USD hedged portion (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>16.687.138</b>	<b>(16.687.138)</b>	-	-
<i>The impact of 10% increase/decrease of EURO against TL:</i>				
4- EURO net asset/liability	(2.549.656)	2.549.656	-	-
5- EURO hedged portion (-)	-	-	-	-
<b>6- EURO net effect (4+5)</b>	<b>(2.549.656)</b>	<b>2.549.656</b>	-	-
<i>The impact of 10% increase/decrease of other foreign currencies against TL:</i>				
7- Other foreign currency net asset/liability	823	(823)	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>823</b>	<b>(823)</b>	-	-
<b>Total (3+6+9)</b>	<b>14.138.305</b>	<b>(14.138.305)</b>	-	-

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

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

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

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

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

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

**Financial assets**

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

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

**Financial liabilities**

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

*Fair value measurement categories;*

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

1st category: the price set in active market

2nd category: inputs that are observable either directly or indirectly other than the prices set in active market

3rd category: inputs that is not based on observable market data

**30. Other matters**

The Extraordinary General Assembly Meeting was held on March 28, 2017 in regards to the merger of Polisan Holding's 100% subsidiary Polisan Kimya A.Ş. with Polisan Holding's another 100% subsidiary Polisan Yapi Kimyasalları A.Ş. As a result of the decisions taken at the meeting, Polisan Yapi Kimyasalları A.Ş. has been transferred to Polisan Kimya Sanayii A.Ş. as a whole, with all of its assets and liabilities, and the registration procedures have been completed on March 31, 2017.

The amount of paid donations and aids in the period of January 1 - March 31, 2017 is TL 195.480.

**31. Subsequent events**

At the Ordinary General Assembly Meeting of the year 2016 held on March 15, 2017, gross profit distribution amounting to TL 17.500.000 was approved. The cash dividend payment date is determined as of May 4, 2017.