

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

Polisan Holding A.Ş.

**January 1 – March 31, 2019 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, 2019

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

Assets	Notes	Current period	Prior period
		Unaudited	Unaudited
		March 31, 2019	December 31, 2018
Current assets		630.264.665	680.043.054
Cash and cash equivalents	4	123.625.887	153.828.929
Financial investments		100.000	100.000
Trade receivables	6	252.911.933	279.959.310
- Trade receivables from related parties	27	6.902.980	11.798.830
- Trade receivables from third parties		246.008.953	268.160.480
Other receivables	7	75.244.336	77.747.308
- Other receivables from related parties	27	17.924.236	78.892
- Other receivables from third parties		57.320.100	77.668.416
Inventories	8	152.576.413	148.642.367
Prepaid expenses	9	14.926.319	11.690.051
Current income tax assets	10	2.248.243	5.013.151
Other current assets	18	8.631.534	3.061.938
Non-current assets		1.580.164.126	1.538.921.246
Other receivables	7	425.539	411.969
- Other receivables from third parties		425.539	411.969
Investments accounted using the equity method	11	406.317.145	420.478.092
Investment properties	12	261.096.907	262.425.908
Tangible assets	14	809.816.241	794.684.400
Right of use assets	13	43.346.684	-
Intangible assets	15	2.945.321	3.135.076
Prepaid expenses	9	40.838.023	40.845.845
Deferred tax assets	25	14.623.498	16.276.504
Other non current assets		754.768	663.452
Total assets		2.210.428.791	2.218.964.300

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, 2019

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

Liabilities	Notes	Current period	Prior period
		Unaudited	Unaudited
		March 31,	December 31,
		2019	2018
Current liabilities		562.936.410	570.386.837
Short term borrowings	5	119.032.326	114.316.676
Short term portion of long term borrowings	5	194.250.693	209.830.191
Trade payables	6	225.661.930	214.714.877
- Trade payables to related parties	27	7.533	389.856
- Trade payables to third parties		225.654.397	214.325.021
Employee benefit obligations	17	6.905.284	5.099.642
Other payables	7	4.768.276	2.205.206
- Other payables to related parties	27	-	230.314
- Other payables to third parties		4.768.276	1.974.892
Deferred income	9	2.590.216	2.455.115
Short term provisions	16	3.844.123	16.826.308
- Other short term provisions		3.844.123	16.826.308
Other current liabilities	18	5.883.562	4.938.822
Non-current liabilities		177.881.579	155.355.045
Long term borrowings	5	80.855.795	60.730.085
Trade payables		34.106	-
- Trade payables to third parties		34.106	-
Long term provisions	17	12.345.664	12.054.512
- Provisions for employee termination benefits		12.345.664	12.054.512
Investments accounted using equity method	11	2.361.462	-
Deferred tax liabilities	25	82.284.552	82.570.448
Equity		1.469.610.802	1.493.222.418
Equity holders of the parent		1.440.321.112	1.464.117.336
Paid-in share capital	19	758.500.000	370.000.000
Adjustment to share capital	19	1.467.266	1.467.266
Share premium/discounts		23.130.220	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss	19	307.196.750	310.362.796
- Revaluation and measurement gain / loss		307.196.750	310.362.796
- Defined benefit plans re-measurement gain / (loss)		(15.125.651)	(11.959.605)
- Tangible assets revaluation		322.322.401	322.322.401
Other comprehensive income or expense to be reclassified to profit/(loss)		(25.539.461)	(24.296.329)
- Currency translation differences		(25.539.461)	(24.296.329)
Restricted reserves		42.221.733	42.221.733
Other reserves	19	(208.727.832)	(208.727.832)
Retained earnings		561.459.482	922.130.032
Profit for the period		(19.387.046)	27.829.450
Non-controlling interests	19	29.289.690	29.105.082
Total liabilities and equity		2.210.428.791	2.218.964.300

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, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		Unaudited	Unaudited
	Notes	January 1 - March 31, 2019	January 1 - March 31, 2018
Profit and loss			
Revenue	20	234.074.201	228.838.376
Cost of sales (-)	20	(196.361.654)	(194.020.307)
Gross profit from commercial activities		37.712.547	34.818.069
General administrative expenses (-)		(22.830.064)	(6.763.216)
Marketing expenses (-)		(2.907.473)	(10.380.968)
Research and development expenses (-)		(1.158.432)	(574.713)
Other operating income	22	5.451.187	3.976.203
Other operating expenses (-)	22	(7.828.733)	(2.416.455)
Profit/Loss from investments accounted using the equity method	11	(16.224.577)	8.388.360
Operating profit		(7.785.545)	27.047.280
Income from investment activities	23	362.595	722.607
Expense from investment activities (-)	23	(449.912)	(5.642.839)
Operating profit before financial income/expense		(7.872.862)	22.127.048
Financial income	24	6.233.966	5.317.161
Financial expenses (-)	24	(12.078.779)	(6.639.746)
Profit before tax from continuing operations		(13.717.675)	20.804.463
Continuing operations tax income/expense			
- Current tax expense	25	(2.957.556)	(4.374.260)
- Deferred tax income/expense	25	(2.405.549)	2.595.007
Profit for the period from continuing operations		(19.080.780)	19.025.210
Profit for the period		(19.080.780)	19.025.210
Attributable to:			
Non-controlling interests		306.266	298.634
Equity holders of the parent		(19.387.046)	18.726.576
Earnings per share		(0,026)	0,051
-Earnings per share from continuing operations	26	(0,026)	0,051

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 other comprehensive income
for the period between January 1 - March 31, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

		Unaudited	Unaudited
		January 1 -	January 1 -
	Notes	March 31, 2019	March 31, 2018
Profit for the period		(19.080.780)	19.025.210
Other comprehensive income:			
Items not to be reclassified to profit or loss		(3.252.467)	(588.102)
- Defined benefit plans re-measurement gain / (loss)	17	(3.646.288)	(504.758)
- Defined benefit plans re-measurement gain / (loss), tax effect	25	729.258	100.952
- Defined benefit plans re- measurement gain /(loss) of investment accounted by equity method	11	(419.296)	(230.369)
- Shares not to be classified in profit or loss from other comprehensive income of investments accounted by equity method, tax effect	11	83.859	46.073
Items to be reclassified to profit or loss		(1.278.369)	(2.711.012)
- Gain/(losses) from currency translation differences		(1.315.974)	(2.711.012)
- Gain/(losses) from currency translation differences of investment accounted by equity method		37.605	-
Other comprehensive income		(4.530.836)	(3.299.114)
Total comprehensive income		(23.611.616)	15.726.096
Attributable to:			
Non-controlling interest		184.608	356.161
Equity holders of the parent		(23.796.224)	15.369.935

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

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

Polisan Holding A.Ş.

**Consolidated statement of changes in equity
for the period between January 1- March 31, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

	Paid in share capital	Adjustment to share capital	Share premium	Tangible assets revaluation	Other accumulated comprehensive income/ expense not to be classified to profit or loss	Other accumulated comprehensive income/ expense to be classified to profit or loss	Restricted reserves	Equity capital affect on procurement	Accumulated profit		Equity holders of the parent	Non-controlling interests	Total equity
					Revaluation and measurement gain / loss	Defined benefit plans remeasurement gain / (loss)			Currency translation differences	Retained earnings			
Balance at January 1, 2019	370.000.000	1.467.266	23.130.220	322.322.401	(11.959.605)	(24.296.329)	42.221.733	(208.727.832)	922.130.032	27.829.450	1.464.117.336	29.105.082	1.493.222.418
Transfers to reserves and retained earnings	388.500.000	-	-	-	-	-	-	-	(360.670.550)	(27.829.450)	-	-	-
Total comprehensive income	-	-	-	-	(3.166.046)	(1.243.132)	-	-	-	(19.387.046)	(23.796.224)	184.608	(23.611.616)
-Profit for the period	-	-	-	-	-	-	-	-	-	(19.387.046)	(19.387.046)	306.266	(19.080.780)
-Other comprehensive income/expense	-	-	-	-	(3.166.046)	(1.243.132)	-	-	-	-	(4.409.178)	(121.658)	(4.530.836)
Balance at March 31, 2019	758.500.000	1.467.266	23.130.220	322.322.401	(15.125.651)	(25.539.461)	42.221.733	(208.727.832)	561.459.482	(19.387.046)	1.440.321.112	29.289.690	1.469.610.802
Balance at January 1, 2018	370.000.000	1.467.266	23.130.220	312.900.151	(10.270.784)	(15.865.646)	40.062.818	(208.727.832)	846.985.924	98.631.272	1.458.313.389	26.612.549	1.484.925.938
Transfers to reserves and retained earnings	-	-	-	-	-	-	-	-	98.631.272	(98.631.272)	-	-	-
Total comprehensive income	-	-	-	-	(646.921)	(2.709.720)	-	-	-	18.726.576	15.369.935	356.161	15.726.096
-Profit for the period	-	-	-	-	-	-	-	-	-	18.726.576	18.726.576	298.634	19.025.210
-Other comprehensive income/expense	-	-	-	-	(646.921)	(2.709.720)	-	-	-	-	(3.356.641)	57.527	(3.299.114)
Balance at March 31, 2018	370.000.000	1.467.266	23.130.220	312.900.151	(10.917.705)	(18.575.366)	40.062.818	(208.727.832)	945.617.196	18.726.576	1.473.683.324	26.968.710	1.500.652.034

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, 2019
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

		Unaudited	Unaudited
		January 1 -	January 1 -
	Notes	March 31,	March 31,
		2019	2018
A. Cash flows from operating activities		40.472.817	6.261.047
Profit/loss for the period		(19.080.780)	19.025.210
- Profit for the period from continuing operations		(19.080.780)	19.025.210
Adjustment for reconciliation of profit/loss for the period		51.691.068	9.604.807
Adjustments for depreciation and amortization expenses	13,14,15	12.151.117	11.227.722
Adjustments related to provisions	16,17	1.539.878	2.169.021
Adjustments related to impairment	6,8	2.465.419	(337.917)
Adjustments for profit/ loss on sale of tangible assets	23	(166.109)	(717.510)
Adjustments related to undistributed profit/losses of investments accounted using the equity method	11	16.224.577	(8.388.360)
Adjustments to tax expense/income	25	5.363.105	1.779.253
Income/loss from derivative instruments, (net)		-	(91.904)
Adjustments for interest income and expense	24	3.944.184	156.518
Adjustments for profit/ loss on sale of investment property	23	253.426	5.637.742
Adjustment related to unrealized foreign currency translation differences		9.915.471	(1.829.758)
Changes in working capital		26.241.557	(16.861.579)
Adjustments for increase/decrease in trade receivables		24.681.877	(30.156.762)
Adjustments for increase/decrease in financial investments		--	199.998
Adjustments for increase/decrease in inventories		(4.033.964)	(9.652.314)
Adjustments for increase in other operational receivables		2.489.402	(7.682.194)
Adjustments for increase/decrease in trade payables		11.461.403	30.840.048
Adjustments for increase in other operational payables		2.563.070	(2.503.415)
Changes in prepaid expenses		(8.144.802)	(679.594)
Changes in other assets		(5.660.912)	4.110.049
Changes in employee termination benefits		1.805.642	(168.564)
Changes in deferred tax		135.101	(3.416.139)
Changes in other liabilities		944.740	2.247.308
Cash flows from operating activities		58.851.845	11.768.438
Employee termination benefits paid	17	(4.559.429)	(352.887)
Other provisions payments	16	(13.317.770)	-
Tax payments/refunds		(501.829)	(5.154.504)
B. Cash flows from investing activities		(20.981.706)	(13.019.035)
Purchase of tangible/intangible assets	14,15	(25.384.544)	(14.828.815)
Proceeds from sale of tangible/intangible assets		2.020.105	1.049.842
Proceeds from sale of investment properties		1.075.575	593.258
Interest received		1.307.158	166.680
C. Cash flows from financing activities		(49.694.153)	64.738.800
Cash inflows from borrowings obtained		82.172.033	169.552.617
Cash outflows related to loan repayment		(128.237.206)	(104.680.109)
Interest paid		(4.115.547)	2.000.235
Interest received		486.567	(2.133.943)
Net increase/decrease in cash and cash equivalents		(30.203.042)	57.980.812
Cash and cash equivalents at the beginning of the period	4	153.828.929	18.972.561
Cash and cash equivalents at the end of the period	4	123.625.887	76.953.373

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

Polisan Holding A.Ş.

**Notes to the condensed consolidated financial statements
for the period between January 1 – March 31, 2019**

(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.)*
- *Tintomix Pigment Pasta Sanayi A.Ş.*
- *Polisan Kimya Sanayii A.Ş.*
- *Poloport 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.*
- *Polisan Maroc S.A.*

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

Production and sale of chemical products
Production and sales of final products supporting the planting and agricultural industries
Production and sale of paint
Production and sale of construction 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.

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

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

Poloport 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.

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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.

Polisan Rus Ltd. (“Polisan Rus”):

Polisan Rus is dormant and has no financial statements.

Polisan Maroc S.A. (Maroc):

Polisan Maroc S.A. was established on July 5, 2018 in Morocco. Polisan Maroc operating in construction chemicals industry

The average number of employees of the Company, it's subsidiaries and joint ventures for the periods ended March 31, 2019 is 1.556 (31 December 2018 - 1.543). 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.

Tintomix Pigment Pasta Sanayi A.Ş. (“Tintomix”):

Tintomix, Polisan Kansai Paint ongoing development of the business as well as pigment pastes and operates inside and outside of Turkey.

Tintomix was established in 2018 and the company's registered office is Maden Mahallesi, Medya kent A9 No:2 Sarıyer-Istanbul.

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**Notes to the condensed consolidated financial statements
for the period between January 1 – March 31, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

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

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

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

Rohm and Haas was established in 2004 and company’s registered office is located in İçerenköy Mah. Umut Sok. No:10/12 Kat:3 Ataşehir / Istanbul.As of March 31, 2019 the average number of personnel employed by Rohm and Haas is 60. (December 31, 2018: 53)

Approval of the financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on May 7, 2019. The General Assembly has the authority to amend the consolidated financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable financial reporting standards

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

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

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

2.1.2 Functional and presentation currency

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

The functional currency of Rohm and Haas, associate of the Group is American Dolar (“USD”).

The functional currency of Polisan Hellas S.A., a subsidiary of the Group operating in Greece, is EURO (“EUR”).

The functional currency of Polisan Maroc S.A. operating in Morocco is Moroccan Dirham (“MAD”).

Polisan Holding A.Ş.

**Notes to the condensed consolidated financial statements
for the period between January 1 – March 31, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

2. Basis of presentation of financial statements (continued)

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

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at March 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows.

- IFRS 16 “Leases”
- TAS 28 “Investments in Associates and Joint Ventures” (Amendments)
- IFRIC 23 Uncertainty over Income Tax Treatments
- *Annual Improvements – 2015–2017 Cycle*
- Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)

(*)These amendments does not have significant effect on the Group's financial position and performance except IFRS 16. The effect of IFRS 16 can be seen on **Note 2.5**.

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 interim 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.

- IFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRS 17 - The new Standard for insurance contracts

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 IFRS. The Company / the Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under IFRS.

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

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

Polisan Holding A.Ş.

**Notes to the condensed consolidated financial statements
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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, 2019 and December 31, 2018 the Group’s proportion of ownership interests of subsidiaries has been shown in the following table:

Title of the subsidiary	Shares owned by the Group (%)		Effective ownership rate (%)	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Polisan Kimya	100,00	100,00	100,00	100,00
Poliport	93,35	93,35	93,35	93,35
Polisan Yapı	100,00	100,00	100,00	100,00
Polisan Tarım	100,00	100,00	100,00	100,00
Polisan Hellas	90,00	100,00	90,00	100,00
Polisan Rus Ltd. (*)	90,00	90,00	90,00	90,00
Polisan Maroc (**)	80,00	60,00	80,00	60,00

(*) The subsidiary is inactive.

(**) Polisan Chemical Company, which has a 100% share of Polisan Holding, established Polisan Maroc Company on July 5, 2018 and increased its voting rights from 60% to 80% by increasing the capital of Polisan Kimya on January 11, 2019

Polisan Holding A.Ş.

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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, 2019 and December 31, 2018:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership rate (%)	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Polisan Kansai Boya	Joint venture	50,00	50,00	50,00	50,00
<i>Tintomix (*)</i>	Joint venture	51,00	-	25,50	-
Rohm and Haas	Associate	40,00	40,00	40,00	40,00

(*) Polisan Kansai Boya and Goteks Kimyevi Maddeler Pigment Preparatları Sanayi ve Ticaret A.Ş. was signed a shareholder agreement on October 3, 2018. Under this agreement Polisan Kansai Boya became 51% shareholder of Tintomix.

- (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).

Polisan Holding A.Ş.

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2. Basis of presentation of financial statements (continued)

2.5 New and revised international financial reporting standards (IFRS)

2.5.1 Emitted and accepted standards

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

Group adopted TFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	1 January 2019
Assets	
Property, plant and equipment (right-of-use assets)	44.788.142
Prepaid expenses	(4.916.356)
Total	39.871.786
Liabilities	
Lease liabilities	39.871.786
Total	39.871.786

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2. Basis of presentation of financial statements (continued)

2.5 New and revised international financial reporting standards (IFRS) (continued)

Set out below are the new accounting policies of the the Group upon adoption of TFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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2. Basis of presentation of financial statements (continued)

2.5 New and revised international financial reporting standards (IFRS) (continued)

	Before changed	Effect of new standards	After changed
Right of use assets	-	43.346.684	43.346.684
Prepaid rent expenses	17.968.080	(3.041.761)	14.926.319
Net asset share of the investments accounted using equity method	406.647.409	(330.264)	406.317.145
Deferred tax assets	14.501.059	122.439	14.623.498
Short-term portion of long-term borrowings	186.160.323	8.090.370	194.250.693
Long term borrowings	48.029.831	32.825.964	80.855.795
Cost of sales (-)	(197.941.629)	(1.579.975)	(196.361.654)
General administration expenses (-)	(22.776.571)	53.492	(22.830.064)
Marketing expenses (-)	(2.928.179)	(20.705)	(2.907.473)
Research and development expenses (-)	(1.161.503)	(3.071)	(1.158.432)
Profit from investments accounted using equity method	(15.894.313)	330.264	(16.224.577)
Financing expenses (-)	(9.916.323)	2.162.456	(12.078.779)
Deferred tax income/(expense)	(2.527.831)	(122.282)	(2.405.549)
Non-controlling interest	334.964	28.698	306.266
Net profit for the period	(18.260.759)	820.021	(19.080.780)

2.6 Comparative information and restatement of prior year financial statements

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

2.7 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.

2.8 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, 2019 may not be an indicator for the whole year.

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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, 2019 and December 31, 2018, total assets and liabilities are as follows:

Assets	March 31, 2019	December 31, 2018
Chemical products	938.494.908	971.421.977
Port	530.466.631	501.350.695
Services	941.325.605	932.887.247
Real estate	257.421.323	256.983.024
Combined	2.667.708.467	2.662.642.943
Add: Carrying values of Joint Ventures (Note 12)	406.317.145	419.016.014
Less: Eliminations	(863.596.821)	(862.694.657)
Consolidated	2.210.428.791	2.218.964.300
Liabilities	March 31, 2019	December 31, 2018
Chemical products	701.502.135	716.512.157
Port	78.621.558	54.141.508
Services	21.446.542	20.078.738
Real estate	61.089.464	59.518.800
Combined	862.659.699	850.251.203
Less: Eliminations	(121.841.710)	(124.509.321)
Consolidated	740.817.989	725.741.882

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3. Segment reporting (continued)

Statement of profit or loss reporting for the period between January 1 – March 31, 2019:

	Chemical products	Port	Services	Real estate	Combined	Add: Joint venture net profit share	Consolidation adjustments	Total
Revenue	199.037.501	37.541.362	16.505.296	25.469	253.109.628	--	(19.035.427)	234.074.201
- Intra segment revenue	189.216.549	36.678.243	8.153.940	25.469	234.074.201	--	--	234.074.201
- Inter segment revenue	9.820.952	863.119	8.351.356	--	19.035.427	--	(19.035.427)	-
Cost of sale (-)	(179.422.587)	(24.484.349)	(5.695.229)	--	(209.602.165)	--	13.240.511	(196.361.654)
Gross profit	19.614.914	13.057.013	10.810.067	25.469	43.507.463	--	(5.794.916)	37.712.547
Operational expenses	(16.629.130)	(4.792.860)	(10.260.595)	(396.858)	(32.079.443)	--	2.805.928	(29.273.515)
Profit from investments accounted using the equity method	(3.861.145)	--	--	--	(3.861.145)	(12.363.432)	-	(16.224.577)
Operating profit	(875.361)	8.264.153	549.472	(371.389)	7.566.875	(12.363.432)	(2.988.988)	(7.785.545)
Expenses from investment activities	281.964	58.777	(428.058)	--	(87.317)	-	-	(87.317)
Operating profit before financial income/expense	(593.397)	8.322.930	121.414	(371.389)	7.479.558	(12.363.432)	(2.988.988)	(7.872.862)
Financial expenses	(17.943.890)	(771.091)	10.592.593	(760.978)	(8.883.366)	-	3.038.553	(5.844.813)
Profit before tax from continuing operations	(18.537.287)	7.551.839	10.714.007	(1.132.367)	(1.403.808)	(12.363.432)	49.565	(13.717.675)
Tax expenses	(1.237.954)	(1.684.222)	(2.377.487)	-	(5.299.663)	--	(63.442)	(5.363.105)
Profit for the period from continuing operations	(19.775.241)	5.867.617	8.336.520	(1.132.367)	(6.703.471)	(12.363.432)	(13.877)	(19.080.780)
Depreciation and amortization	3.840.714	8.060.182	571.220	-	12.472.116	-	(320.999)	12.151.117
Investment expenditures	2.737.943	578.141	22.072.250	-	25.388.334	-	(3.790)	25.384.544
Finance income	515.026	181.843	610.290	-	1.307.159	-	486.566	1.793.725
Finance expense	6.144.906	1.955.985	73.613	760.794	8.935.298	-	(2.717.145)	6.218.153

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3. Segment reporting (continued)

Statement of profit or loss reporting for the period between January 1 – March 31, 2018:

	Chemical products	Port	Services	Real estate	Combined	Add: Joint venture net profit share	Consolidation adjustments	Total
Revenue	197.963.239	31.342.263	17.335.039	723.655	247.364.196	-	(18.525.820)	228.838.376
- Intra segment revenue	190.601.948	30.348.446	7.164.327	723.655	228.838.376	-	-	228.838.376
- Inter segment revenue	7.361.291	993.817	10.170.712	-	18.525.820	-	(18.525.820)	-
Cost of sale (-)	(170.483.467)	(22.762.866)	(16.094.028)	(46.496)	(209.386.857)	-	15.366.550	(194.020.307)
Gross profit	27.479.772	8.579.397	1.241.011	677.159	37.977.339	-	(3.159.270)	34.818.069
Operational expenses	(15.600.070)	(1.695.908)	1.810.178	(295.877)	(15.781.677)	-	(377.472)	(16.159.149)
Profit from investments accounted using the equity method	(2.527.929)	-	-	-	(2.527.929)	10.916.289	-	8.388.360
Operating profit	9.351.773	6.883.489	3.051.189	381.282	19.667.733	10.916.289	(3.536.742)	27.047.280
Expenses from investment activities	410.543	68.009	(937)	(5.397.847)	(4.920.232)	-	-	(4.920.232)
Operating profit before financial income/expense	9.762.316	6.951.498	3.050.252	(5.016.565)	14.747.501	10.916.289	(3.536.742)	22.127.048
Financial expenses	(17.542.997)	353.910	12.829.218	(480.069)	(4.839.938)	-	3.517.352	(1.322.586)
Profit before tax from continuing operations	(7.780.681)	7.305.408	15.879.470	(5.496.634)	9.907.563	10.916.289	(19.390)	20.804.462
Tax expenses	1.571.168	(875.528)	(3.518.793)	1.040.022	(1.783.131)	-	3.879	(1.779.252)
Profit for the period from continuing operations	(6.209.513)	6.429.880	12.360.677	(4.456.612)	8.124.432	10.916.289	(15.511)	19.025.210
Depreciation and amortization	4.263.389	6.764.486	499.845	-	11.527.720	-	(299.998)	11.227.722
Investment expenditures	4.312.197	10.565.657	270.350	-	15.148.204	-	(319.389)	14.828.815
Finance income	149.736	8.492	2.008.687	-	2.166.915	-	-	2.166.915
Finance expense	5.526.340	13.822	-	480.386	6.020.548	-	(3.517.353)	2.503.195

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4. Cash and cash equivalents

	March 31, 2019	December 31, 2018
Cash in hand	96.649	118.537
Banks	123.529.238	153.710.392
- Demand deposits	44.606.730	19.910.289
- Time deposits	78.922.508	133.800.103
Total	123.625.887	153.828.929

No blockage exists on the cash and cash equivalents of the Group as of March 31, 2019 (December 31, 2018 – None).

As of March 31, 2019 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	%2,90 - %3,80	3-32 gün	10.541.642	59.332.580
EURO	%8,00 - %24,90	3 gün	13.397.504	13.397.504
TL	%1,00	3 gün	980.000	6.192.424
Total				78.922.508

As of December 31, 2018 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	3,25% - 5,50%	2-29 days	16.972.000	89.287.995
Euro	1,10%	2 days	4.861.000	29.302.108
TL	22,50%	2 days	15.210.000	15.210.000
Total				133.800.103

5. Financial borrowings

	Interest rate	March 31, 2019	Interest rate	December 31, 2018
Short-term borrowings				
Bank borrowings				
- Euro	%2,00 - %3,00	110.240.329	%3	99.100.276
- TL	%15,40 %39,50	8.791.367	%15,4 - %39,50	15.216.400
Total		119.032.326		114.316.676

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5. Financial borrowings (continued)

	Interest rate	March 31, 2019	Interest rate	December 31, 2018
Short term portion of long term borrowings				
Bank borrowings				
- EURO	%2,25 - %2,40	125.407.441	%2,25 - %2,40	150.402.327
- USD	%4,90 - %4,93	47.794.646	%4,90 - %4,93	46.146.437
- TL	%15,50 - %15,8	12.958.236	%15,50 - %15,80	13.281.427
Finansal kiralama yükümlülüğü				
- Avro	%3,00	67.764	-	-
- TL	%22,50	7.547.619	-	-
- MAD	%2,22	474.987	-	-
Total		194.250.693		209.830.191

	Interest rate	March 31, 2019	Interest rate	December 31, 2018
Long-term borrowings				
Bank borrowings				
- EURO	%2,40 - %3,00	48.029.831	%2,25 - %2,40	50.339.939
-USD	%4,90	1.766.749	%15,50 - %15,80	2.604.345
-TL	-	-	%4,90 - %4,93	7.785.801
Finansal kiralama yükümlülüğü				
- Avro	%3,00	151.283	-	-
- TL	%22,50	30.356.564	-	-
- MAD	%2,22	551.368	-	-
Total		80.855.795		60.730.085

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

Maturity	March 31, 2019	December 31, 2018
0 - 3 months	101.792.272	77.274.845
Between 3 - 6 months	103.493.896	72.796.222
Between 6 - 12 months	107.996.851	174.075.800
Between 1 - 2 years	80.855.795	60.730.085
Total	394.138.814	384.876.952

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6. Trade receivable and payables

As of March 31, 2019 and December 31, 2018 the Group’s trade receivables are as follows:

Trade receivables	March 31, 2019	December 31, 2018
Trade receivables	197.484.776	197.634.133
Receivables from related parties (Note 28)	6.902.980	11.798.830
Notes and cheques receivables	82.415.992	102.052.661
	286.803.748	311.485.624
Allowance for doubtful receivables (-)	(33.891.815)	(31.526.314)
Total	252.911.933	279.959.310

The nature and amount of guarantees obtained for receivables are stated in Note 15.3.

Foreign currency balances of trade receivables are explained in Note 27.

Movement of provision for doubtful receivables for the years ended March 31, 2019 and March 31, 2018 are as follows:

	2019	2018
January 1	31.526.314	17.108.754
Effect of change in accounting policy (Note 2.5)	-	1.009.402
Provisions for doubtful receivables	3.490.768	65.705
Provisions no longer required	(1.125.267)	(453.677)
March 31	33.891.815	17.730.184

As of March 31, 2019 and December 31, 2018 the aging of the overdue but not impaired trade receivables are as follows:

	March 31, 2019	December 31, 2018
1-30 days past due	13.028.058	30.287.565
1-3 months past due	10.306.909	14.165.285
3-12 months past due	9.958.761	2.166.654
1-5 years past due	89.590	91.628
Total	33.383.318	46.711.132

As of March 31, 2019 letter of guarantees amounting to TL 5.000.000 (December 31, 2018: TL 5.105.875) has been received for the past due but not impaired trade receivables amounting to TL 33.383.318 (December 31, 2018: TL 46.711.132). Doubtful receivables are not included into the maturity details.

Trade payables	March 31, 2019	December 31, 2018
Short term trade payables		
Trade payables	217.176.889	202.821.419
Notes and cheques payables	8.957.752	11.825.311
Payables to related parties (Note 28)	7.533	389.856
Deferred financial income (-)	(480.244)	(321.709)
Total	225.661.930	214.714.877

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7. Other receivable and payables

Short term other receivables	March 31, 2019	December 31,2018
VAT and SCT receivables	57.224.237	77.128.550
Deposits and guarantees given	59.980	506.805
Other receivables from related parties (Note 28)	17.924.236	78.892
Receivables from employees	35.883	30.459
Work advances given to personnel	-	2.602
Total	75.244.336	77.747.308

Long term other receivables	March 31, 2019	December 31, 2018
Deposits and guarantees given	425.539	411.969
Total	425.539	411.969

Short term other payables	March 31, 2019	December 31,2018
Taxes and funds payable	4.530.519	1.590.570
Due to related parties (Note 28)	-	230.314
Deposits and guarantees taken	2.173	2.041
Other	235.584	382.281
Total	4.768.276	2.205.206

8. Inventories

	March 31, 2019	December 31,2018
Raw materials and supplies	55.689.854	59.547.837
Work in process	5.328.860	6.481.596
Finished goods	29.576.117	25.838.244
Merchandise	466.692	457.071
Goods in transit	59.823.683	54.823.690
Other inventories	3.719.305	3.422.109
Total	154.604.511	150.570.547
Provision for impairment of inventories (-)	(2.028.098)	(1.928.180)
Total	152.576.413	148.642.367

Movement of provision for impairment of inventories for the year ended March 31, 2019 and March 31, 2018 are as follows:

	2019	2018
1 January	1.928.180	1.152.298
Provisions booked during the period	99.918	81.326
Provisions no longer required (-)	-	(31.271)
Total	2.028.098	1.202.353

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9. Prepaid expenses and deferred income

Prepaid expenses:

	March 31, 2019	December 31, 2018
<u>Short term prepaid expenses</u>		
Prepaid expense for the following months	12.192.899	9.358.733
Advances given for inventories	2.733.420	2.331.318
Total	14.926.319	11.690.051

	March 31, 2019	December 31, 2018
<u>Long term prepaid expenses</u>		
Advances given for tangible and intangible assets	40.835.033	40.835.033
Prepaid expense for the following years	2.990	10.812
Total	40.838.023	40.845.845

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

Deferred income:

	March 31, 2019	December 31, 2018
<u>Short term deferred income</u>		
Advances taken	2.030.552	1.310.158
Short term deferred income	559.664	1.144.957
Total	2.590.216	2.455.115

10. Current income tax assets

As of March 31, 2019 and December 31, 2018 the Group's current income tax assets are as follows:

	March 31, 2019	December 31, 2018
<u>Current income tax assets</u>		
Prepaid taxes	2.248.243	5.013.151
Total	2.248.243	5.013.151

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11. Investments accounted using the equity method

As of March 31, 2019 and December 31, 2018, the Group’s investments accounted using equity the method are as follows:

	March 31, 2019		December 31, 2018	
	%	TL	%	TL
Joint venture				
Polisan Kansai Boya	50	406.317.145	50	419.016.014
Associate				
Rohm And Haas	40	(2.361.462)	40	1.462.078
Total		403.955.683		420.478.092

For the periods ended March 31, 2019 and 2018, the movements of the investments accounted under equity method are as follows:

	2019	2018
Polisan Kansai Boya		
January 1	419.016.014	427.544.306
Profit from investments accounted for using equity method	(12.363.432)	10.916.289
Effect of change in accounting policy	-	3.987.828
Other comprehensive income	(335.437)	(184.296)
Rohm And Haas		
January 1	1.462.078	7.488.506
Profit from investments accounted for using equity method	(3.861.145)	(2.527.929)
Other comprehensive income	37.605	-
March 31	403.955.683	447.224.704

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11. 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, 2019 and December 31, 2018 prepared in accordance with TFRS are as follows:

March 31, 2019 – Condensed balance sheet information	Polisan Kansai	
	Boya	Rohm and Haas
Current assets	649.935.746	105.539.882
<i>Cash and cash equivalents</i>	90.535.245	75.248
Non-current assets	825.441.575	61.170.574
Total assets	1.475.377.321	166.710.456
Short term liabilities	469.893.291	170.637.756
<i>Financial borrowings</i>	362.599.886	123.398.618
Long term liabilities	399.326.737	1.976.354
<i>Financial borrowings</i>	305.186.028	603.724
Total liabilities	869.220.028	172.614.110
Net assets	606.157.293	(5.903.654)
Reconciliation of carrying value:		
Ownership of the Group	%50	%40
Net asset share of the Group	303.078.645	(2.361.462)
Goodwill carried at Group level	103.238.500	-
Carrying value	406.317.145	(2.361.462)
December 31, 2018 - Condensed balance sheet information	Polisan Kansai	
	Boya	Rohm and Haas
Current assets	628.777.515	93.249.479
<i>Cash and cash equivalents</i>	35.784.324	678.874
Non-current assets	810.775.848	59.743.988
Total assets	1.439.553.363	152.993.467
Short term liabilities	421.761.376	147.998.817
<i>Financial borrowings</i>	323.132.777	112.350.800
Long term liabilities	386.236.959	1.339.456
<i>Financial borrowings</i>	295.277.804	-
Total liabilities	807.998.335	149.338.273
Net assets	631.555.028	3.655.194
Reconciliation of carrying value:		
Ownership of the Group	50%	40%
Net asset share of the Group	315.777.514	1.462.078
Goodwill carried at Group level	103.238.500	-
Carrying value	419.016.014	1.462.078

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11. Investments accounted using the equity method (continued)

March 31, 2019 – Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	138.947.092	51.094.046
Depreciation and amortisation	(16.327.363)	(258.160)
Interest income	1.086.543	-
Interest expense	(17.964.325)	(4.802.546)
Net profit / loss for the period	(24.726.864)	(9.652.863)
Ownership of the Group	%50	%40
Net profit/loss share of the Group	(12.363.432)	(3.861.145)

March 31, 2018 – Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	238.503.500	43.550.997
Depreciation and amortisation	2.823.959	161.499
Interest income	95.868	-
Interest expense	(11.577.211)	(3.409.288)
Net profit / loss for the period	21.832.577	(6.319.823)
Ownership of the Group	%50	%40
Net profit share of the Group	10.916.289	(2.527.929)

12. Investment properties

	January 1, 2019	Additions	Disposals	March 31, 2019
Cost				
Land	207.952.908	-	-	207.952.908
Buildings	54.473.000	-	(1.329.001)	53.143.999
Total	262.425.908	-	(1.329.001)	261.096.907

	January 1, 2018	Additions	Disposals	March 31, 2018
Cost				
Land	214.602.274	-	(5.166.000)	209.436.274
Buildings	56.247.000	-	(1.065.000)	55.182.000
Total	270.849.274	-	(6.231.000)	264.618.274

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12. Investment properties (continued)

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

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.

13. Right of use asset

The movement of right of use asset for the period is as follows:

Right of use asset	Storage	Site rent	Buildings	Vehicles	Other	Total
Cost Value						
Opening balance as of 1 January 2019	3.387.665	37.465.058	1.086.253	2.849.166	-	44.788.142
Currency translation adjustments	-	-	55.321	10.789	-	66.110
Closing balance as of 31 March 2019	3.387.665	37.465.058	1.141.574	2.859.954	-	44.854.252
Accumulated Depreciation						
Opening balance as of 1 January 2019	-	-	-	-	-	-
Charge of the period	(393.445)	(710.269)	(114.303)	(285.162)	-	(1.503.179)
Currency translation adjustments	-	-	(3.797)	(592)	-	(4.389)
Closing balance as of 31 March 2019	(393.445)	(710.269)	(118.100)	(285.754)	-	(1.507.568)
Carrying value as of 31 March 2019	2.994.220	36.754.789	1.023.474	2.574.200	-	43.346.684

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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, 2019 and March 31, 2018 are as follows:

	March 31, 2019	March 31, 2018
As of January 1		
Cost	897.684.876	819.531.471
Accumulated depreciation	(103.000.476)	(59.551.297)
Net book value	794.684.400	759.980.174
Net book value as of January 1	794.684.400	759.980.174
Additions	25.352.694	14.688.600
Transfers	-	-
Disposals	(1.853.996)	(332.332)
Currency translation differences	2.059.476	2.737.863
Current period depreciation	(10.426.333)	(10.961.096)
Net book value as of March 31	809.816.241	766.113.209
As of March 31		
Cost	923.243.050	836.625.602
Accumulated depreciation	(113.426.809)	(70.512.393)
Net book value	809.816.241	766.113.209

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, 2019 and December 31, 2018 are as follows:

	January 1, 2019	Additions	Disposals	March 31, 2019
Cost				
Rights	1.413.383	-	-	1.413.383
Other intangible assets (*)	6.192.327	31.850	-	6.224.177
Total	7.605.710	31.850	-	7.637.560
Accumulated amortization				
Rights	376.800	23.547	-	400.347
Other intangible assets (*)	4.093.834	198.058	-	4.291.892
Total	4.470.634	221.605	-	4.692.239
Net Value	3.135.076	(189.755)		2.945.321
	January 1, 2018	Addition	Disposals	March 31, 2018
Cost				
Rights	1.413.383	-	-	1.413.383
Other intangible assets (*)	4.963.647	140.215	-	5.103.862
Total	6.377.030	140.215	-	6.517.245
Accumulated amortization				
Rights	281.846	23.547	-	305.393
Other intangible assets (*)	3.043.668	243.079	-	3.286.747
Total	3.325.514	266.626	-	3.592.140
Net Value	3.051.516			2.925.105

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

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16. Provisions, contingent assets and liabilities

16.1 Debt provisions

	March 31, 2019	December 31, 2018
Lawsuit provisions (*)	3.844.123	16.826.308
Total	3.844.123	16.826.308

	2019	2018
January 1	16.826.308	558.062
Current year provisions (Note 22)	335.585	-
Payments	(13.317.770)	-
December 31	3.844.123	558.062

16.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

As of March 31, 2019 total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 52.838.102 (December 31, 2018: TL 111.805.606). The Group has booked an allowance amounting to TL 37.023.839 (December 31, 2018: TL 48.352.623) 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, 2019, total amount of the ongoing lawsuits filed against the Group is TL 2.024.238 (December 31, 2018: TL 1.049.930).

Ongoing major cases:

On January 12, 2018, a fuel oil transfer operation between the tanks at the port facility was detected by Poliport, where some fuel poured into the water and reached the sea. Emergency Procedures have been put into practice at the time of detection, the location reached by the fuel is blinded on the sea and the Group contacted simultaneously with the company providing mooring and guidance services to the Kocaeli Gulf Region. The company in question was included in the intervention operation immediately because it was mobilized on the Poliport ground and served the area from the ground. Emergency Response Squadrons initiated an intervention operation by laying a fence barrier over the sea to contain the pollution. Mare Deniz Temiz Hizmetleri A.Ş.. Which is contracted in line with the Coastal Facilities Emergency Response Plan, invited to the site at the time of the incident, and they reached the facility within 30 minutes to complete the barrier process and started cleaning operations.

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

On January 13, 2018, Poliport was associated with the occurrence of sea pollution at a point 20 miles east of the Poliport plant. An administrative penalty amounting to TL 2.100.000 was charged to Poliport for causing environmental pollution and TL 301.100 due to the damage to marine life on 18 January 2018. The Group management has been paid this administrative penalty.

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16. Provisions, contingent assets and liabilities (continued)

The result of high fuel oil spillage to the sea on January 12, 2018, the pollution has occurred around marine across the Kocaeli Gulf Region. It has been notified in an official letter that the responsible side of the incident is determined to be Poliport and a penalty amounting to USD 9.540.295 including VAT was charged to the Poliport by the Damage Assessment Commission established in the Kocaeli Governor's Office in order to determine the responsibility for the pollution. The Company's management believes that it is the unfair decision and filed a lawsuit for the cancellation. The case is ongoing and the case is being investigated by the local court.

Subsequently, Poliport has been informed by T.C. The Ministry of Transport, Maritime Affairs and Communications the General Directorate of Maritime and Inland Regulatory Affairs with an official letter. According to this letter; On January 12, 2017, as a result of high fuel consumption to the sea, pollution occurred in the vicinity of the Izmit Bay and it was determined that Poliport was responsible for the incident by the Damage Assessment Commission established under the responsibility of Kocaeli Governorate and USD 9.540.295 compensation was decided with the related article. The Company Management considers that the decision is unfair and has filed a lawsuit for the annulment. As of 31 December 2018, a total of USD 4.798.696 was agreed upon, after the payments were made with the related companies amounting to USD 7.925.604. As of 31 March 2019, the amount paid was TL 13.317.771 and the amount of provision amounting to TL 2.573.960 was recorded.

16.3 Pledges and guarantees given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given by the Company (TL)	March 31, 2019	December 31, 2018
A. Total amount of CPMB's given in the name of its own legal personality	4.022.757.347	2.311.168.591
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	182.073.274	787.815.442
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given in accordance with the 12/2 article of Corporate Governance Announcement	-	-
i. Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii. Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii. Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-
	4.204.830.621	3.098.984.033

The ratio of other CPMB's given by the Group to its equity is 0%, as of March 31, 2019. (December 31, 2018 - 0%)

(1) Consists guarantees given for bank loan agreements.

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16. Provisions, contingent assets and liabilities (continued)

As of March 31, 2019 and December 31, 2018 the details of the CPMB’s given by the Group is listed below;

March 31, 2019					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL Equivalent	TL amount	Total TL
Bill of guarantees	360.025.000	198.131.250	3.278.316.453	744.440.894	4.022.757.347
Letter of guarantee	10.000.000	2.631.500	72.911.922	109.041.352	181.953.274
Guarantee notes	-	-	-	120.000	120.000
	370.025.000	200.762.750	3.351.228.375	853.602.246	4.204.830.621
December 31, 2018					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantees	314.575.424	68.931.250	2.070.467.423	849.491.348	2.919.958.771
Letter of guarantee	10.232.228	2.631.500	69.693.410	109.211.852	178.905.262
Guarantee notes	-	-	-	120.000	120.000
Total	324.807.652	71.562.750	2.140.160.833	958.823.200	3.098.984.033

2) CPMBs received

March 31, 2019					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL Equivalent	TL amount	Total TL
Mortgages	-	-	-	10.127.555	10.127.555
Letter of guarantee	-	9.203.901	58.157.606	2.160.000	60.317.606
Guarantee notes	-	27.300	172.504	5.900.000	6.072.504
Total	-	9.231.201	58.330.110	18.187.555	76.517.665
December 31, 2018					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Letter of guarantee	-	9.185.875	55.372.454	3.411.471	58.783.925
Mortgages	-	-	-	9.427.555	9.427.555
Guarantee notes	-	27.300	164.564	5.700.000	5.864.564
Total	-	9.213.175	55.537.018	18.539.026	74.076.044

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 2018: None).

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17. Employee benefits

Short term employee benefit obligations

	March 31, 2019	December 31, 2018
<u>Employee benefit obligations</u>		
Social security premiums payable	3.216.898	2.006.713
Payables to personnel	3.173.058	2.652.624
Taxes and duties payable	515.328	440.305
Total	6.905.284	5.099.642

Long term provisions for employee benefits

Long term employee benefits	March 31, 2019	December 31, 2018
Provisions for employee termination benefits	10.164.553	10.440.253
Provisions for unused vacation pay	2.181.111	1.614.259
Total	12.345.664	12.054.512

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 6.017,60 as of March 31, 2019 (December 31, 2018: TL 5.434,42).

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, 2019, 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, 2019, the provision has been calculated by taking into consideration a real discount rate of 4,91% (December 31, 2018: 4,91% real discount rate) based on the assumption of an annual 10% inflation rate and 15,40% 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 96,04% (December 31, 2018: 93,59%) 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 1.6%.

The movement of the severance payment provision of the Group for the periods ended March 31, 2019 and March 31, 2018 is as follows:

	2019	2018
January 1	10.440.253	8.178.078
Payments	(4.559.429)	(352.887)
Interest cost	371.234	235.944
Current year service cost	266.207	251.857
Actuarial loss	3.646.288	504.758
March 31	10.164.553	8.817.750

18. Other assets and liabilities

Other current assets of the Group as of March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
<u>Other current assets</u>		
Deferred VAT	7.548.675	2.132.541
Other	1.082.859	929.397
Total	8.631.534	3.061.938
	March 31, 2019	December 31, 2018
<u>Short term other liabilities</u>		
Accrued expenses	5.339.504	4.538.944
Taxes payable	544.058	399.878
Total	5.883.562	4.938.822

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19. Capital, reserves and other equity items

The share capital of the Company is TL 758.500.000 and composed of 758.500.000 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, 2019 and December 31, 2018 the Group's partnership structure is as follows:

	March 31, 2019		December 31, 2018	
	Share (%)	Amount	Share (%)	Amount
Mehmet Emin Bitlis	23,32	176.854.218	23,32	86.270.350
Ahmet Ertuğrul Bitlis	23,18	175.788.215	23,45	85.750.349
Ahmet Faik Bitlis	11,30	85.733.186	9,80	36.256.717
Fatma Nilgün Kasrat	9,80	74.326.270	9,80	36.256.717
A. Melike Bitlis (Bush)	8,56	64.916.770	10,20	37.756.717
Selahaddin Bitlis	1,67	12.640.659	1,99	7.351.175
Erol Mizrahi	1,76	13.335.250	1,76	6.505.000
Melis Bitlis	1,71	12.974.553	1,71	6.329.050
Güldal Akşit	1,26	9.581.085	1,42	5.263.700
Serdar Demirel	1,23	9.339.324	1,39	5.135.768
Alaattin Bitlis	0,82	6.187.618	1,14	4.203.350
Ali Fırat Yemenciler	0,88	6.667.625	0,88	3.252.500
Melda Bitlis	0,28	2.154.038	0,28	1.050.750
Burcu Bitlis	0,28	2.154.038	0,28	1.050.750
Banu Bitlis	0,28	2.154.038	0,28	1.050.750
Publicly traded (*)	13,67	103.693.113	12,30	46.516.357
	100	758.500.000	100	370.000.000
Adjustment to share capital		1.467.266		1.467.266
Total		759.967.266		371.467.266

(*) As of 31 March 2019, the Group's shareholders hold 11.33% of the shares in the publicly traded shares. (As of 31 December 2018 Group related company Şark Mensucat Fabrikaları A.Ş. holds %7,11 of public shares where shareholder Mehmet Emin Bitlis holds TL 535.899 shares.

The company increased its capital to TL 758.500.000 from TL 370.000.000 through internal sources method on January 9, 2019.

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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 Communique Serial II, Number: 19.1 regarding to the dividends, which is effective as of February 1, 2015.

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

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

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

There are no dividends paid as of 31 March 2019 (2018- TL 17.500.000)

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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

	March 31, 2019	December 31, 2018
Tangible asset revaluation fund	402.903.001	402.903.001
- tax effect	(80.580.600)	(80.580.600)
Employment termination benefits actuarial gain/(loss) fund	(18.907.064)	(14.949.506)
- tax effect	3.781.413	2.989.901
Share of equity holders of the parent	307.196.750	310.362.796
Non-controlling interest		
Employment termination benefits actuarial gain/(loss) fund	(102.388)	91.970
- tax effect	20.478	(18.394)
	(81.910)	73.576
Total	307.114.840	310.436.372

Actuarial gains and losses employee benefits provisions

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

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

Non-controlling interests

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

Non-Controlling Interest	2019	2018
January 1	29.105.082	26.628.526
Effect of change in accounting policy (Note 2.5)	-	(15.977)
Share of total comprehensive income	184.608	356.161
March 31	29.289.690	26.968.710

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, 2019 and 2018 are as follows:

	January 1- March 31, 2019	January 1- March 31, 2018
Domestic sales	187.031.288	163.489.288
Foreign sales	47.770.883	66.150.073
Gross sales	234.802.171	229.639.361
Sales returns	(555.538)	(337.795)
Sales discounts	(7.789)	(263.151)
Other discounts	(164.643)	(200.039)
Sales deductions (-)	(727.970)	(800.985)
Net sales	234.074.201	228.838.376
	January 1- March 31, 2019	January 1- March 31, 2018
Cost of sales		
Direct raw material and supply expenses	145.633.366	145.439.573
Direct labour expenses	2.932.199	4.211.864
Production overheads	18.220.758	11.886.699
Depreciation and amortization	2.868.831	2.799.860
Changes in work in process inventory		
- Opening inventories	6.481.596	3.009.206
- Closing inventories	(5.328.860)	(4.301.034)
Changes in finished goods inventory		
- Opening inventories	25.838.244	15.677.433
- Closing inventories	(29.576.117)	(11.020.675)
Cost of goods sold	167.070.017	167.702.926
- Inventories at the beginning of the period	457.071	397.969
- Purchases during the period	5.728.617	5.877.896
- Inventories at the end of the period	(466.692)	(1.832.225)
Cost of merchandise sold	5.718.996	4.443.640
Personnel expenses	5.987.390	6.636.598
Other service expenses	9.637.025	8.353.506
Depreciation and amortization	7.252.019	6.883.637
Cost of services rendered	22.876.434	21.873.741
Cost of other sales	696.207	-
Total cost of sales	196.361.654	194.020.307

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21. Expenses by nature

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Depreciation and amortization</u>		
Cost of goods and services rendered	7.252.019	6.883.637
Cost of goods sold	2.868.831	2.799.860
General administrative expenses	1.445.968	1.070.359
Marketing expenses	427.393	353.391
Research and development expenses	156.906	120.475
Total	12.151.117	11.227.722

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Personnel expenses</u>		
General administrative expenses	13.654.412	11.116.583
Cost of goods and services rendered	5.987.390	6.636.598
Cost of goods sold	2.932.198	4.211.864
Marketing expenses	1.266.596	1.058.791
Research and development expenses	1.038.113	841.381
Total	24.878.709	23.865.217

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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, 2019 and 2018 are as follows:

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Other operating income</u>		
Foreign exchange gains	1.486.921	1.143.120
Provisions no longer required	1.338.288	414.145
Insurance income	963.721	510.743
Deferred financial income	480.246	179.762
Scrap income	295.723	647.081
Rent income	243.581	210.547
Incentive income	77.449	206.451
Other	565.258	664.354
Total	5.451.187	3.976.203

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Other operating expenses</u>		
Foreign exchange losses	3.503.303	862.577
Allowance for doubtful receivables (Note 6)	3.490.768	65.705
Lawsuits provision expenses (Note 16)	335.585	-
Provision for inventory impairment (Note 7)	99.918	81.326
Other	499.077	1.406.847
Total	7.828.733	2.416.455

23. Income and expenses from investment activities

The Group’s income and expenses from investing activities for the periods ended March 31, 2019 and 2018 are as follows:

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Income from investment activities</u>		
Gain on sale of fixed assets	187.595	722.607
Gain on sale of investment properties	175.000	
Total	362.595	722.607

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Expenses from investment activities</u>		
Loss on sale of investment properties	428.426	5.637.742
Loss on sale of fixed asset	21.486	5.097
Total	449.912	5.642.839

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24. Financial income and expenses

The Group’s financial income and expenses for the periods ended March 31, 2019 and 2018 are as follows:

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Financial income</u>		
Foreign exchange gains	4.440.241	3.150.246
Interest income	1.793.725	2.166.915
Total	6.233.966	5.317.161

	January 1- March 31, 2019	January 1- March 31, 2018
<u>Financial expenses</u>		
Foreign exchange losses	4.608.719	3.673.750
Interest expenses	6.218.153	2.503.195
Letters of guarantee commission expenses	864.768	319.318
Bank charges and pos expenses	387.139	143.483
Total	12.078.779	6.639.746

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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 (2018: 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% (2019 and 2020 tax periods 22 %). The tax rate of the subsidiary of the Group operating in Greece is 29% (2018: 29%). 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)

Current and deferred income tax

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

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

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

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

As of March 31, 2019 and 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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

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

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

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

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

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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.

	March 31, 2019		December 31, 2018	
	Cumulative differences	Asset/ (liability)	Cumulative differences	Asset/ (liability)
PPE, intangible assets and right of use assets	683.002.072	(132.611.917)	647.001.009	(125.754.152)
Deferred finance income	480.244	(105.654)	321.709	(70.776)
Provision for employee termination benefits	(10.164.553)	2.032.911	(10.440.253)	2.127.942
Unused vacation pay liability	(2.181.111)	437.131	(1.614.259)	322.852
Allowance for doubtful receivables	(12.658.720)	2.543.060	(11.950.829)	2.438.744
Adjustment for inventories	(1.734.208)	386.265	(1.691.301)	481.515
Tax losses carry forwards	(29.104.894)	6.310.367	(28.088.823)	7.728.563
Investment incentive income (*)	(181.446.137)	38.252.874	(185.054.296)	39.046.669
Litigation provision	(12.220.353)	2.683.505	(16.826.308)	3.696.815
Financial leasing obligations	(39.889.978)	7.977.995	-	-
Other	(20.688.540)	4.432.409	(15.703.752)	3.673.320
Deferred tax liability, net	375.574.933	(67.661.054)	375.661.602	(66,308,508)
Deferred tax asset		14.623.498		55.323.173
Deferred tax liability		(82.284.552)		(121.617.116)
Deferred tax liability, net		(67.661.054)		(66.293.943)

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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;

	2019	2018
January 1	(66.293.943)	(81.789.368)
Tax expense effect of change in accounting policies	-	(429.500)
Tax expense of continuing operations	(2.405.549)	2.595.007
Deferred tax effect of actuarial gain/loss	729.258	100.952
Currency translation differences	309.180	817.460
March 31	(67.661.054)	(78.705.449)

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

Tax expense/(income)	January 1- March 31, 2019	January 1- March 31, 2018
Tax expense for the period	(2.957.556)	(4.374.260)
Deferred tax income/(expense)	(2.405.549)	2.595.007
Total	(5.363.105)	(1.779.253)

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, 2019 and 2018, earnings per share of the Group are as follows:

	January 1- March 31, 2019	January 1- March 31, 2018
Profit from continuing operations for the period(TL) (parent)	(19.387.046)	18.726.576
Weighted average of ordinary shares issued	758.500.000	370.000.000
- Earnings per share from continuing operations	(0,026)	0,051
Earnings per share (TL)	(0,026)	0,051

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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 1.885.500 for the period January 1 - March 31, 2019. The TL 984.600 of related amount is comprised from wage and salaries, TL 900.900 of the related amount is comprised of bonuses (January 1 - December 31, 2018: TL 4.985.656). Key management of the Group is identified as Board members, general manager and vice general managers.

b) Trade receivables from related parties

	March 31, 2019	December 31, 2018
<u>Trade receivables from related parties</u>		
Polisan Kansai Boya (***)	5.088.464	7.606.621
Rohm and Haas (*)	1.782.164	4.143.313
Şark Mensucat Fabrikası A.Ş. (**)	31.771	48.896
Tintomix (****)	581	-
Total	6.902.980	11.798.830

c) Other receivables from related parties

	March 31, 2019	December 31, 2018
<u>Other receivables from related parties</u>		
Şark Mensucat Fabrikası A.Ş. (**)(****)	17.621.637	-
Rohm and Haas (*)	302.599	78.892
Total	17.924.236	78.892

d) Trade payables to related parties

	March 31, 2019	December 31, 2018
<u>Trade payables to related parties</u>		
Polisan Kansai Boya (***)	7.533	389.856
Total	7.533	389.856

e) Other payables to related parties

	March 31, 2019	December 31, 2018
<u>Other payables to related parties</u>		
Volkan Toplu (****)	-	224.106
Mehmet Haluk Sevel (****)	-	3.104
Recep Haldun Sevel (****)	-	3.104
Total	-	230.314

(*) 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, 2019			January 1 – March 31, 2018		
	Polisan Kansai Boya Sanayi ve Ticaret A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.	Polisan Kansai Boya Sanayi ve Ticaret A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.
Raw material	-	-	-	120.520	-	20.334.218
Services	953.668	-	-	7.996.279	-	58.741
Foreign exchange differences	-	-	-	-	-	523.482
Total	953.668	-	-	8.116.799	-	20.916.441

Sales:

	January 1 – March 31, 2019			January 1 – March 31, 2018		
	Polisan Kansai Boya Sanayi ve Ticaret A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.	Polisan Kansai Boya Sanayi ve Ticaret A.Ş.	Şark Mensucat Fabrikası A.Ş.	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş.
Raw material	280.182	120.693	-	203.337	-	-
Services	8.138.580	-	2.942.169	-	-	2.431.052
Rent	202.333	3.834	-	4.454	-	-
Foreign exchange differences	-	-	9.001	-	-	-
Credit finance income	-	486.567	-	-	2.000.235	-
Total	8.621.095	611.094	2.951.170	207.791	2.000.235	2.431.052

The transactions with Rohm Haas, a related party of the Group, mainly consist of raw material purchases, and Şark Mensucat is finance activities.

As of March 31, 2019 there is no impairment on trade receivables from related parties. (December 31, 2018: 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, 2019 and December 31, 2018, the foreign currency position of the Group is as follows:

	March 31, 2019				
	TL equivalent	USD	EURO	GBP	Other
1. Trade receivables	18.933.211	1.428.164	1.724.209	-	-
2a. Monetary financial assets (Including cash, banks)	65.891.678	10.565.372	1.014.073	2.428	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	746	133	0	0	-
4. Current assets (1+2+3)	84.825.635	11.993.669	2.738.282	2.428	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	56.869.200	-	9.000.000	-	-
7. Other	-	-	0	-	-
8. . Non-current assets (5+6+7)	56.869.200	-	9.000.000	-	-
9. Total assets (4+8)	141.694.835	11.993.669	11.738.282	2.428	-
10. Trade payables	41.549.175	2.148.847	4.661.424	-	-
11. Borrowings	74.544.217	8.491.693	4.233.331	-	-
12a. Monetary liabilities	-	-	-	-	-
12b. Non- monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	116.093.392	10.640.540	8.894.755	-	-
14. Trade payables	-	-	-	-	-
15. Borrowings	-	-	-	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non- monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-
18. Total liabilities (13+17)	116.093.392	10.640.540	8.894.755	-	-
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position(9-18+19)	25.601.443	1.353.129	2.843.527	2.428	-
21. Net foreign currency position of monetary items (IFRS 7.B23)	-	-	-	-	-
(=1+2a+5+6a-10-11-2a-14-15-6a)	(31.268.503)	1.352.996	(6.156.473)	2.428	-

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

	December 31, 2018				
	TL Equivalent	USD	Euro	GBP (TL equivalent)	Other
1. Trade receivables	17.030.941	1.116.163	1.851.181	-	-
2a. Monetary financial assets (Including cash, banks)	93.618.652	16.979.192	709.467	2.428	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	3.814	724	-	-	-
4. Current assets (1+2+3)	110.653.407	18.096.079	2.560.648	2.428	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	54.252.000	-	9.000.000	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	54.252.000	-	9.000.000	-	-
9. Total assets (4+8)	164.905.407	18.096.079	11.560.648	2.428	-
10. Trade payables	53.493.966	3.508.762	5.811.552	207	1.303
11. Borrowings	71.825.303	8.771.586	4.259.931	-	-
12a. Monetary liabilities	-	-	-	-	-
12b. Non-monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	125.319.269	12.280.348	10.071.483	207	1.303
14. Trade payables	-	-	-	-	-
15. Borrowings	12.320.651	1.479.937	752.298	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non-monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	12.320.651	1.479.937	752.298	-	-
18. Total liabilities (13+17)	137.639.920	13.760.285	10.823.781	207	1.303
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position(9-18+19)	27.265.487	4.335.794	736.867	2.221	(1.303)
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(26.990.327)	4.335.070	(8.263.133)	2.221	(1.303)

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

Sensitivity analysis;

As of March 31, 2019 and December 31, 2018 the Group’s profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a 10% increase or decrease in the foreign currency, with all other variables held constant.

As of March 31, 2019	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	761.520	(761.520)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	761.520	(761.520)	-	-
<i>The impact of 10% increase/decrease of EURO against TL:</i>				
4- EURO net asset/liability	(3.890.152)	3.890.152	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	(3.890.152)	3.890.152	-	-
<i>The impact of 10% increase/decrease of other foreign currencies against TL:</i>				
7- Other foreign currency net asset/liability	1.781	(1.781)	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	1.781	(1.781)	-	-
Total (3+6+9)	(3.126.850)	3.126.850	-	-

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

As of December 31, 2018	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	2.280.637	(2.280.637)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	2.280.637	(2.280.637)	-	-
<i>The impact of 10% increase/decrease of EURO against TL</i>				
4- EURO net asset/liability	(4.981.017)	4.981.017	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	(4.981.017)	4.981.017	-	-
<i>The impact of 10% increase/decrease of other foreign currencies against TL</i>				
7- Other foreign currency net asset/liability	1.347	(1.347)	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	1.347	(1.347)	-	-
Total (3+6+9)	(2.699.033)	2.699.033	-	-

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 amount of paid donations and aids in the period of January 1 - March 31, 2019 is TL 138.036 .

30. Subsequent events

At the Ordinary General Assembly Meeting held on April 25th 2019 TL 25.000.000 gross profit distribution is approved and net profit payment was made on May 3rd, 2019 accordingly.