

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

Polisan Holding A.Ş.

January 1 – March 31, 2015 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, 2015**

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

Assets	Notes	March 31, 2015	(Audited) December 31, 2014
Current assets:		882.729.629	604.775.668
Cash and cash equivalents	5	77.556.186	80.511.849
Financial assets		193.923	-
Trade receivables	7	676.371.437	402.823.044
- Trade receivables from related parties	26	786.554	456.059
- Trade receivables from third parties		675.584.883	402.366.985
Other receivables		1.751.551	1.525.238
- Other receivables from third parties		1.751.551	1.525.238
Inventories	8	89.213.565	87.836.639
Prepaid expenses		18.323.102	14.843.741
Assets related to current year tax		3.516.812	3.370.612
Other current assets	16	15.292.628	12.428.094
Sub Total		882.219.204	603.339.217
Assets held for sale		510.425	1.436.451
Non-current assets:		948.760.054	934.468.957
Trade receivables		8.986.534	14.027.487
- Trade receivables from other parties	7	8.986.534	14.027.487
Other receivables		-	327.611
- Other receivables from other parties		-	327.611
Financial assets		40.920	40.920
Investments accounted under equity method	10	6.393.331	5.078.764
Investment properties	11	248.573.362	242.783.495
Tangible assets	12	628.180.396	621.814.694
Intangible assets		6.306.106	6.353.404
- Other intangible assets	13	6.306.106	6.353.404
Prepaid expenses		37.908.491	36.788.863
Deferred tax assets	24	12.370.914	7.253.719
Total assets		1.831.489.683	1.539.244.625

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, 2015**

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

Liabilities	Notes	March 31, 2015	(Audited) December 31, 2014
Current liabilities		753.940.190	575.258.003
Short term borrowings	6	33.198.580	101.113.382
Short term portion of long term borrowings	6	242.338.750	234.365.680
Trade payables	7	127.309.142	129.133.970
- Trade payables to related parties	26	12.772.523	8.519.616
- Trade payables to other parties		114.536.619	120.614.354
Provisions for employee benefits	15	4.361.401	4.056.388
Other payables		2.158.804	19.819
- Other payables to related parties		6.208	6.208
- Other payables to third parties		2.152.596	13.611
Provisions	14	2.319.000	-
Deferred Income	9	331.291.462	101.980.430
Current income tax liabilities	24	4.572.749	1.788.960
Other current liabilities	16	6.390.302	2.799.374
Non-current liabilities:		282.634.296	165.926.433
Long term borrowings	6	195.612.889	77.856.491
Deferred Income	9	841.561	3.018.632
Provisions		7.879.586	8.584.188
- Provisions for employee termination benefits	15	7.879.586	8.584.188
Deferred tax liabilities	24	78.300.260	76.467.122
Equity		794.915.197	798.060.189
Equity holders of the parent		775.968.446	779.222.457
Paid-in share capital	17	370.000.000	370.000.000
Adjustment to share capital	17	1.467.266	1.467.266
Share premium	17	23.130.220	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss			
-Provision for employee termination benefits actuarial gain/loss fund	17	(2.391.414)	(3.064.311)
- Revaluation and classification income/loss	17	384.364.814	384.364.814
Other comprehensive income or expense to be reclassified to profit/loss			
- Currency translation differences		570.742	745.789
Restricted reserves	17	22.983.012	22.983.012
Equity effect of acquisition	17	(208.011.543)	(208.011.543)
Prior years' income	17	187.607.210	145.458.512
(Loss)/profit for the period		(3.751.861)	42.148.698
Non-controlling interest	17	18.946.751	18.837.732
Total liabilities and equity		1.831.489.683	1.539.244.625

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

Polisan Holding A.Ş.

Consolidated statement of profit or loss and other comprehensive income
for the period ended January 1 - March 31, 2015
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		(Reclassified)	
	Notes	January 1 – March 31, 2015	January 1 – March 31, 2014
Revenue	18	195.381.331	161.494.322
Cost of sales (-)	18	(146.147.803)	(107.740.904)
Gross profit		49.233.528	53.753.418
Research and development expenses (-)	19	(1.650.562)	(1.428.348)
Marketing, selling and distribution expenses (-)	19	(21.761.689)	(19.128.519)
General administrative expenses (-)	19	(7.874.875)	(7.885.877)
Other operating income	21	22.678.727	16.866.939
Other operating expenses (-)	21	(26.769.493)	(20.417.102)
Profit /loss from investments accounted under equity method	10	1.314.477	749.360
Operating profit		15.170.113	22.509.872
Gains from investment activities	22	271.367	158.245
Financial income	23	5.787.678	9.398.740
Financial expense (-)	23	(23.802.159)	(19.759.790)
Profit before tax		(2.573.001)	12.307.067
Tax Expense		(1.054.819)	(3.491.741)
- Current income tax expense	24	(4.492.908)	(5.683.921)
- Deferred tax income	24	3.438.089	2.192.180
(Loss)/profit for the period		(3.627.820)	8.815.326
Attributable to:			
Non-controlling interest		124.041	79.599
Equity holders of the parent		(3.751.861)	8.735.727
Earnings per share	29	(0,010)	0,024
Other comprehensive income/(expense)			
Items not to be reclassified to profit / loss			
-Actuarial gain/(loss) related to employee termination benefits	18	822.344	(573.708)
-Deferred tax effect of actuarial gain/(loss) related to employee termination benefits		(164.469)	114.742
Items to be reclassified to profit or loss:			
-Changes in foreign currency translation differences		(175.047)	15.202
Other comprehensive income/(expense)		482.828	(443.764)
Total comprehensive (expense)/income		(3.144.992)	8.371.562
Attributable to:			
Non-controlling interest		109.019	71.517
Equity holders of the parent		(3.254.011)	8.300.045

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

Polisan Holding A.Ş.

**Consolidated statement of changes in equity
for the period ended March 31, 2015
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

	Notes	Paid in capital	Adjustment to share capital	Share Premium	Items not to be reclassified to profit/loss		Items to be classified to profit/loss		Retained Earnings				Total equity	
					Revaluation fund	Provision for employee termination benefits actuarial gain/loss fund	Currency translation differences	Restricted reserves	Equity effect of acquisition	Prior years' income	Profit/loss for the period	Equity holders of the parent		Non controlling interests
Balance at January 1, 2015	17	370.000.000	1.467.266	23.130.220	384.364.814	(3.064.311)	745.789	22.983.012	(208.011.543)	145.458.512	42.148.698	779.222.457	18.837.732	798.060.189
Transfers		-	-	-	-	-	-	-	-	42.148.698	(42.148.698)	-	-	-
Total comprehensive income		-	-	-	-	672.897	(175.047)	-	-	-	(3.751.861)	(3.254.011)	109.019	(3.144.992)
Balances at March 31, 2015		370.000.000	1.467.266	23.130.220	384.364.814	(2.391.414)	570.742	22.983.012	(208.011.543)	187.607.210	(3.751.861)	775.968.446	18.946.751	794.915.197
Balances at January 1, 2014	17	370.000.000	1.467.266	23.130.220	214.670.575	(2.029.035)	(90.357)	21.470.963	(208.011.543)	129.849.881	28.120.680	578.578.650	12.575.324	591.153.974
Transfers		-	-	-	-	-	-	-	-	28.120.680	(28.120.680)	-	-	-
Total comprehensive income		-	-	-	-	(450.884)	15.202	-	-	-	8.735.727	8.300.045	71.517	8.371.562
Balances at March 31, 2014		370.000.000	1.467.266	23.130.220	214.670.575	(2.479.919)	(75.155)	21.470.963	(208.011.543)	157.970.561	8.735.727	586.878.695	12.646.841	599.525.536

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

Polisan Holding A.Ş.

Consolidated statement of cash flows
for the period ended March 31, 2015
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	January 1 – March 31, 2015	January 1 – March 31, 2014
A. Cash flows from operating activities:			
Profit/loss for the period		(40.913.211) (3.627.820)	(45.521.797) 8.815.326
Adjustment for reconciliation of profit/loss for the period			
Adjustments for depreciation and amortization expenses	12, 13	9.245.295	5.446.964
Adjustments for provisions		4.014.717	5.818.969
Adjustments for fair value income/loss		-	7.320.322
Adjustments for impairment		-	140.719
Adjustments for profit/ loss on sale of tangible assets	22	(271.367)	(157.839)
Profit /losses from investments accounted under equity method	10	(1.314.477)	(749.361)
Adjustments to tax expense/income		1.054.819	3.491.741
Adjustments for interest income and expense	23	6.902.748	3.753.982
Currency translation differences		(236.776)	(539.828)
Changes in working capital			
(47.223.969) (68.197.726)			
Adjustments for increase/decrease in trade receivables		(269.639.993)	(312.399.247)
Adjustments for increase/decrease in inventories		(1.555.283)	(28.688.227)
Adjustments for increase in other operational receivables		(7.362.225)	(5.308.832)
Adjustments for increase/decrease in trade payables		(1.824.828)	28.772.094
Adjustments for increase in other operational payables		233.158.360	249.426.486
Cash flows from operating activities			
(31.456.830) (34.856.731)			
Employment termination benefits paid	15	(267.065)	(510.331)
Tax payments/returns		(1.855.319)	(5.348.693)
Interest paid	23	(7.333.996)	(4.806.042)
B. Cash flows from investing activities			
(19.857.119) (15.741.070)			
Changes in assets held for sale		926.026	39.232
Purchase of tangible/intangible and investment properties	12, 13	(21.419.042)	(17.140.740)
Proceeds from sale of tangible and intangible assets	15, 16, 25	398.572	429.166
Given advances and debts		-	(120.788)
Interest received	23	431.248	1.052.060
Adjustments for financial assets		(193.923)	-
C. Cash flows from financing activities			
57.814.666 90.491.787			
Changes in borrowings	6	57.814.666	90.491.787
Changes in cash and cash equivalents			
(2.955.663) 29.228.920			
Cash and cash equivalents at the beginning of the period	5	80.511.849	87.178.665
Cash and cash equivalents at the end of the period	5	77.556.186	116.407.585

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

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015
(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 group companies, provide management and ensure that the group companies are using advanced techniques in planning, marketing and financial affairs which consist of finance and fund management, legal, human resources, and information technology. The operating area of the Company involves all business activities primarily in the commercial, industrial, agricultural, tourism, construction, mining, and financial matters as well as participating in the capital and management of both domestic and foreign companies for performing in various activities.

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

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

Operating activities of Polisan Holding A.Ş.'s Joint Venture company and subsidiaries altogether referred to as "the Group" are as follows:

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

The group's main operating activities in principal industries are in Turkey and as follows;

Production and sale of chemical substances
Production and sale of the end and by-products supporting the wood and agricultural industries
Dye manufacturing and sale
Production and sale of concrete chemicals
Port, storage and warehouse services
Services

Polisan Boya Sanayi ve Ticaret A.Ş. ("Polisan Boya"):

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

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

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 the Company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No: 7 Dilovası / Kocaeli.

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

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

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

Operating activities of Poloport are bulk liquid storage services, A-type general warehouse services, and loading and unloading services for dry bulk and general cargo vessels. Poloport was established in 1971 and the 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 activity of Polisan Tarım is the cultivation of all sorts of plants, producing, purchasing and selling all types of natural and organic products, producing wet or dried foods from all types of agricultural products, producing and raising all kinds of livestock, providing all kinds of technology and consultancy services on agriculture, and supervising projects and investments.

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

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

Operating activities of Polisan Yapı consist of construction, plant contracting, constructing water channels, roads, bridges, dams, sewers, infrastructure facilities, 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 the Company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No:7 Dilovası / Kocaeli.

Polisan Yapı Kimyasalları A.Ş. ("Polisan YapıKim"):

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

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

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 the Company's registered office is located in Bayar Cad. Şehit Mehmet Fatih Öngök Sokak, Odak Plaza, A Blok. 5/2 Kozyatağı-Kadıköy/İstanbul.

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

Polisan Hellas S.A. was established on 29 July 2013 in Athens, Greece. Polisan Hellas S.A. is operational in the plastic products sector. 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 Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

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

The number of personnel employed on the basis of the Group's companies is as follows:

Employees	Polisan Holding	Polisan Boya	Polisan Kimya	Polipoort	Polisan YapıKim	Polisan Tarım	Hellas	Total
March 31, 2015	253	773	140	146	13	1	67	1.393
December 31, 2014	249	673	118	131	11	3	67	1.252

2. Basis of presentation of financial statements

2.1 Basis of presentation

Declaration of Conformity

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.

The consolidated financial statements prepared as of 30 March 2015 were approved during the Board of Directors meeting dated 11 May 2015. General assembly has the right to correct the financial tables prepared in line with the legal regulations and these consolidated financial statements.

Preparation Form of Financial Statements

The Group (subsidiaries registered in Turkey and its Joint Venture) complies with the principles and provisions issued by the CMB, Turkish Commercial Code (“TCC”), Tax Law, and provisions of Uniform Chart of Accounts issued by Ministry of Finance in keeping its accounting records and preparing official financial statements. The subsidiary operating in abroad prepares its legal financial statements in compliance with the law and regulations, which are valid in the country that it operates in. The consolidated financial statements based on legal records and stated as TRY are prepared by being subjected to certain amendments and classifications in order to properly reflect the situation of the Group pursuant to Accounting Standards of Turkey published by POA.

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

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in TRY, which is the functional currency of Company and the presentation currency of the Group.

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

2. Basis of presentation of financial statements (continued)

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to the TAS/IFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are included in the "currency translation difference" under the shareholders' equity.

2.2 Consolidation principles

- a) The consolidated financial statements include the accounts of the parent company, Polisan Holding, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/IFRS promulgated by the POA.
- b) The Subsidiary is the Company in which Polisan Holding has the power to control the financial and operating policies for the benefit of Polisan Holding either (a) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Polisan Holding and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Polisan Holding and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by Polisan Holding in its Subsidiaries and the associated dividends are eliminated from equity and income for the period, respectively.

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.

- c) Joint Venture is the entity, which is subject to the control of one or more parties along with Polisan Holding, carrying out an economic activity under contract. Polisan Holding exercises such joint control through direct and indirect voting rights related to the shares held by itself.

"TAS 11 Joint Arrangements", effective for the annual periods on or after January 1, 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

2. Basis of presentation of financial statements (continued)

As of March 31, 2015 and December 31, 2014 the Group's proportion of ownership interests of subsidiaries and joint ventures has been shown in the following table:

Title of the ownership	Shares (%) owned directly and indirectly by the Group		Effective ownership share %	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Polisan Boya	100,00	100,00	100,00	100,00
Polisan Kimya	100,00	100,00	100,00	100,00
Poliport	93,35	93,35	93,35	93,35
Polisan Yapı	100,00	100,00	100,00	100,00
Polisan Tarım	100,00	100,00	100,00	100,00
Polisan YapıKim	51,00	51,00	51,00	51,00
Rohm and Haas	40,00	40,00	50,00	50,00
Polisan Hellas	100,00	100,00	100,00	100,00

Ownerships out of the scope of the consolidation are shown in Note 10.

2.3 New and revised International Financial Reporting Standards:

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

- TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

Standards issued but not yet effective and not early adopted

- TFRS 9 Financial Instruments – Classification and measurement
- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture: Bearer Plants (Amendment)
- TAS 27 Equity Method in Separate Financial Statements (Amendment to TAS 27)
- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendment to TAS 1)
- Annual Improvements to TFRS - 2012-2014 Cycle

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

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

2. Basis of presentation of financial statements (continued)

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

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments - Final standard (2014)

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

2.4 Comparative information and restatement of prior year financial statements

The attached financial tables are prepared comparatively to the previous period in order for 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 tables, the Group reclassifies the financial tables of the previous period to conform the comparativeness and discloses information related to these matters.

In 2015, the Group classified its currency differences arising from trade operations for the period ended March 31, 2014 to operating income/expense and the currency differences arising from financial operations to financial income/expense retrospectively. Furthermore, classifications were made retrospectively from investment income and expense accounts to operating income and expense accounts.

	March 31, 2014 (reclassified)	March 31, 2014 (previously reported)	Difference
Operating income	16.866.939	11.689.910	5.177.029
Operating expenses (-)	(20.417.102)	(20.296.292)	(120.810)
Income from investment activities	158.245	8.797.773	(8.639.528)
Losses from investment activities	-	(2.892.314)	2.892.314
Financial income	9.398.740	10.254.060	(855.320)
Financial expense (-)	(19.759.790)	(21.306.104)	1.546.314

2.5 Changes and errors in accounting policies/estimates

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

The accounting policies used in the preparation of the financial statements for the period ended as at March 31, 2015 are consistent with the accounting policies used in the preparation of the financial statements as of December 31, 2014.

2.6 Offsetting

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

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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2. Basis of presentation of financial statements (continued)

2.7 Summary of significant accounting policies

Significant accounting policies used in preparing condensed interim consolidated financial statements of the Group for the three months period ended March 31, 2015 have been prepared in accordance with the illustrative financial statement and user guide issued in accordance with the decision taken in CMB's 20/670 numbered meeting on June 7, 2013. Accordingly, these condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

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, 2015 may not be an indicator for the whole year.

2.9 Significant accounting estimations and assumptions

Accounting estimates that have important effects on the net book value of assets and liabilities are as follows:

Receivable / Payable discount:

In the calculation of amortized cost of the trade receivables and payables using effective interest method, expected collection and payment terms are taken into account based on the available data relating to the receivables and payables. The amount of financing income and expense due to the futures buying and selling, recorded in the proceeds from sales during the period with their purchase price, is calculated on an estimated basis according to the effective interest method using related period's turnover rate of the trade receivables and payables and classified under financing income and expense.

The financing income and expense, which stems from the futures buying and selling and involves the cost of purchase and proceeds from sales realized within the period, but yet not accrued, are roughly determined using the average trade receivable and payable turnover rate.

Useful Life:

Tangible and intangible assets are subjected to depreciation and amortizations according to their probable useful lives.

Severance Payment:

Provisions for severance payment are discounted to their values at the date of the balance sheet by calculating the personnel turnover rate based on the previous year's experiences and expectations.

Lawsuit Provisions:

While setting aside provisions for the lawsuits, the probability of losing the related lawsuits and possible outcomes in case the lawsuits are lost are assessed in line with the opinions of the Group's legal attorneys and the Group's management set provisions aside using the available data on hand.

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**Notes to the condensed consolidated financial statements
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3. Business combinations

None (December 31, 2014: None).

4. Segment reporting

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

As of March 31, 2015 financial statement position reporting is as follows:

	Dye	Chemical products	Port management	Services	Elimination between segments	Total
Assets	723.582.560	560.111.108	332.286.889	886.858.488	(671.349.362)	1.831.489.683
Liabilities	638.375.512	320.041.519	42.745.581	79.159.521	(43.747.647)	1.036.574.486
	85.207.048	240.069.589	289.541.308	807.698.967	(627.601.715)	794.915.197

As of December 31, 2014 financial statement position reporting is as follows:

	Dye	Chemical products	Port management	Services	Elimination between segments	Total
Assets	445.397.591	421.275.538	317.524.808	1.028.613.944	(673.567.256)	1.539.244.625
Liabilities	361.922.770	149.157.126	36.825.079	244.009.740	(50.730.279)	741.184.436
	83.474.821	272.118.412	280.699.729	784.604.204	(622.836.977)	798.060.189

Income statement reporting for the period ended March 31, 2015 is as follows:

	Dye	Chemical products	Port management	Services	Elimination between segments	Total	
Revenue		112.091.529	69.665.724	21.128.807	42.047.163	(49.551.891)	195.381.331
Cost of sales (-)		(69.126.344)	(66.607.866)	(13.423.600)	(36.722.822)	39.732.829	(146.147.803)
Gross profit		42.965.185	3.057.858	7.705.207	5.324.340	(9.819.062)	49.233.528
Operational expenses		(28.693.639)	(8.012.999)	(2.829.445)	(211.521)	4.369.712	(35.377.892)
Profit /losses from investments accounted under equity method		-	-	1.314.477	-	-	1.314.477
Operational profit		14.271.546	(4.955.141)	6.190.239	5.112.819	(5.449.350)	15.170.113
Depreciation and amortization shares		1.594.253	1.335.321	5.930.026	421.751	(36.056)	9.245.295
Capital expenditures		5.448.320	4.615.420	7.703.018	8.840.620	(5.188.906)	21.419.042

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**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

4. Segment reporting (continued)

Income statement reporting for the period ended March 31, 2014 is as follows:

	Dye	Chemical products	Port management	Services	Elimination between segments	Total
Revenue	114.205.856	41.883.738	15.542.830	10.773.356	(20.911.458)	161.494.322
Cost of sales (-)	(72.975.935)	(34.524.545)	(10.391.692)	(9.180.654)	19.331.922	(107.740.904)
Gross profit	41.229.921	7.359.193	5.151.138	1.592.702	-	53.753.418
Operating expenses	(23.821.356)	(10.479.967)	(1.026.438)	2.254.845	1.080.008	(31.992.906)
Profit /losses from investments accounted under equity method	-	-	-	749.360	-	749.360
Operational profit	(23.821.356)	(10.479.967)	(1.026.438)	3.004.205	1.080.008	22.509.872
Depreciation and amortization shares	1.519.546	1.126.309	2.812.260	(11.151)	-	5.446.964
Capital expenditures	5.097.643	3.722.976	1.937.224	6.942.643	(559.746)	17.140.740

5. Cash and cash equivalents

As of March 31, 2015 and December 31, 2014 the Group's cash and cash equivalents are as follows:

	March 31, 2015	December 31, 2014
Cash in hand	66.780	49.764
Banks		
- Demand deposits	11.280.156	4.716.201
- Time deposits	56.432.420	55.422.763
Other *	9.776.830	20.323.121
	77.556.186	80.511.849

There is not any blockage in the Group's cash and cash equivalents account as of March 31, 2015 (December 31, 2014 – None).

(*) Other liquid assets consist of credit card receivables that will be matured in less than 3 months.

As of March 31, 2015 details of time deposit on bank accounts are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
TL	%10,6	1 Day	14.257.948	14.258.783
EURO	%1,50	1 Day	6.508.042	18.424.171
US Dollar	%1,60-%2,30	1-90 Days	9.087.784	23.749.466
				56.432.420

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

5. Cash and cash equivalents (continued)

As of December 31, 2014 details of time deposit on bank accounts are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
TL	%3,20 - %9,00	2-34 Days	19.996.595	19.996.595
EURO	%0,1	2 Days	1.364.570	3.849.041
US Dollar	%1,40 - %2,70	26-90 Days	13.617.287	31.577.127
				55.422.763

6. Financial borrowings

As of March 31, 2015 and December 31, 2014 the Group's financial borrowings are as follows:

	March 31, 2015		December 31, 2014	
	Interest rate	Amount	Interest rate	Amount
Short-term borrowings				
Bank borrowings				
- TL	9,70%	33.198.580	%9,75 - %12,00	51.045.577
- EURO	-	-	4,30%	50.067.249
Financial leasing payables,net	-	-	-	556
		33.198.580	101.113.382	
Short term portion of long term borrowings				
Short term interest and capital payment of long term loans				
- TL	9,85%-%10,80	51.902.191	%9,85- % 12,15	46.942.729
- US Dollar	2,90% - %4,40	96.855.632	% 2,90 - % 4,40	124.040.450
- EURO	2,45% - %5,40	93.580.368	% 3,00 - % 5,40	63.382.501
Financial leasing payables,net		559		
		242.338.750	234.365.680	
Long-term borrowings:				
Bank borrowings				
- TL	9,85% - %10,80	23.884.379	%9,85-% 12,15	13.729.224
- US Dollars	2,90% - %4,40	55.196.318	% 2,90 - % 4,40	5.876.415
- EURO	2,45% - %5,40	116.532.192	% 3,00 - % 5,40	58.250.852
		195.612.889	77.856.491	

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

Maturity	March 31, 2015	December 31, 2014	
Until 0 - 3 months	93.780.476	183.100.707	
Between 3 - 6 months	130.655.534	65.048.956	
Between 6 - 12 months	51.101.320	87.329.399	
Between 1 – 2 years	183.781.179	63.837.221	
More than 2 years	11.831.710	14.019.270	
		471.150.219	413.335.553

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

7. Trade receivables and payables

As of March 31, 2015 and December 31, 2014 the Group's trade receivables are as follows:

Short-term trade receivables	March 31, 2015	December 31, 2014
Trade receivables	110.600.436	115.057.180
Receivables from related parties	786.554	456.059
Notes and cheques received	618.018.139	321.834.580
	729.405.129	437.347.819
Allowance for doubtful receivables (-)	(24.451.919)	(23.794.211)
Deferred financial income (-)	(28.581.773)	(10.730.564)
	676.371.437	402.823.044
Long-term trade receivables	March 31, 2015	December 31, 2014
Trade receivables	76.000	99.090
Notes and cheques receivables	9.939.702	15.476.906
	10.015.702	15.575.996
Deferred financial income (-)	(1.029.168)	(1.548.509)
	8.986.534	14.027.487

As of March 31, 2015 and December 31, 2014 movement of provision for doubtful receivables is as follows:

	March 31, 2015	March 31, 2014
Provisions at the beginning of the period	23.794.211	23.284.924
Current year provisions (Not 21)	1.301.321	331.646
Written-off	(474.845)	-
Provisions no longer required (Not 21)	(168.768)	(190.926)
Total	24.451.919	23.425.644

As of March 31, 2015 letter of guarantees amounting to TRY 18.271.111 (December 31, 2014: TRY9.088.611) has been received on receivables of TRY 29.061.006 (December 31, 2014: TRY 28.209.160), which are overdue but not impaired.

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

7. Trade receivables and payables (continued)

As of March 31, 2015 and December 31, 2014 the aging of the overdue trade receivables are as follows:

	March 31, 2015	December 31, 2014
1-30 days overdue	17.891.859	24.663.220
1-3 months overdue	4.357.027	3.145.230
3-12 months overdue	3.302.408	1.014.451
1-5 years overdue	27.961.631	24.835.211
	53.512.925	53.658.112

As of March 31, 2015 and December 31, 2014 the Group's trade payables are as follows:

	March 31, 2015	December 31, 2014
Short term trade receivables		
Trade payables	91.912.659	92.732.012
Notes and cheques receivables	23.391.989	28.166.856
Related parties	12.772.523	8.519.616
Deferred financial income(-)	(768.029)	(284.514)
	127.309.142	129.133.970

8. Inventories

As of March 31, 2015 and December 31, 2014 the Group's inventories are as follows:

	March 31, 2015	December 31, 2014
Raw materials and supplies	46.458.585	42.198.946
Work in process	3.273.930	4.141.105
Finished goods	32.865.209	35.876.794
Merchandise	4.417.989	3.721.439
Other inventories	3.705.982	3.228.128
	90.721.695	89.166.412
Provision for impairment of inventories (-)	(1.508.130)	(1.329.773)
Total	89.213.565	87.836.639

As of March 31, 2015 and March 31, 2014 movement of provision of impairment of inventories is as follow:

	2015	2014
As of January 1, 2014	1.329.773	159.406
Increases during the period	178.357	-
Provisions no longer required (-)	-	-
March 31	1.508.130	159.406

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**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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9. Deferred income

Deferred income:

	March 31, 2015	December 31, 2014
<u>Short term deferred income</u>		
Advances taken (*)	349.890.757	107.257.826
Short term deferred income	513.393	523.867
	350.404.150	107.781.693
Deferred financial income (-)	(19.112.688)	(5.801.263)
Total	331.291.462	101.980.430
<u>Long term deferred income</u>		
Advances taken (*)	890.207	3.201.210
Deferred financial income (-)	(48.646)	(182.578)
Total	841.561	3.018.632

(*) Advances received consist of the cheques received from dealers and customers for the sales to be realized by the Group in subsequent periods.

10. Investments accounted under equity method

As of March 31, 2015 and December 31, 2014, the Group's investment accounted for using equity pick up method is as follows:

		March 31, 2015		December 31, 2014
	Share (%)	Amount	Share (%)	Amount
Rohm And Haas	40	6.393.331	40	5.078.764
Total		6.393.331		5.078.764

As of March 31, 2015 and December 31, 2014, the movement of the investments accounted under equity method is as follows:

	2015	2014
As of January 1	5.078.764	4.558.254
Shares from joint ventures' profit	1.314.567	749.360
March 31	6.393.331	5.307.614

Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş. has been accounted for investments accounted under equity method based on the March 31, 2015 and December 31, 2014 financial statements, the information of which are presented below.

	March 31, 2015	December 31, 2014
Total assets	75.512.259	61.926.114
Total liabilities	59.374.906	49.062.250
Profit for the period	3.286.417	1.301.272

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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11. Investment properties

	January 1, 2014	Transfers	March 31, 2014	December 31, 2014	Additions	March 31, 2015
Cost						
Land	218.366.797	(72.000.000)	146.366.797	168.900.000	5.789.867	174.689.867
Buildings	-	72.000.000	72.000.000	73.883.495	-	73.883.495
Total	218.366.797	-	218.366.797	242.783.495	5.789.867	248.573.362

There is a rent annotation of Türkiye Elektrik Kurumu A.Ş. on the land which is located at Pendik/İstanbul and which is one of the investment properties of Polisan Yapı. Besides, TOKİ has preemption right throughout the Sabiha Gökçen Airport approach line.

12. Property, plant and equipment

The movement of property, plant, equipment and related accumulated depreciations for the periods ended March 31, 2015 and December 31, 2014 are as follows:

	2015	2014
As of January 1:		
Cost	817.785.724	573.711.387
Accumulated depreciation	(195.971.030)	(173.214.887)
Net book value	621.814.694	400.496.500
As of January 1	621.814.694	400.496.500
Additions	15.513.521	17.102.568
Disposals	(127.205)	(271.327)
Currency translation differences	61.729	464.673
Current period depreciation	(9.082.343)	(5.162.346)
Net book value at the end of the period	628.180.396	412.630.068
As of December 31:		
Cost	833.321.406	590.740.174
Accumulated depreciation	(205.141.010)	(178.110.106)
Net book value	628.180.396	412.630.068

On the property registered on Polisan Holding and Polisan Kimya, there is a leasing restriction and an eminent domain by Türkiye Elektrik Kurumu A.Ş., a car-park restriction by İ.E.T.T. General Directorate, an expropriation and leasing restriction by Botaş A.Ş. due to the construction of a pipeline, and a leasing restriction by the General Directorate of the Turkish Electricity Agency. The restrictions on the companies are related to the power plant, carpark and pipeline projects. The remaining restrictions arise from land purchasing rights.

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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13. Intangible assets

As of March 31, 2015 and December 31, 2014 movement of intangible fixed assets and relevant amortizations are as follows:

	2015	2014
As of January 1:		
Cost	12.622.694	11.569.236
Accumulated depreciation	(6.269.290)	(5.120.199)
Net book value	6.353.404	6.449.037
Net book value at the beginning of the period		
Additions	115.654	38.172
Disposals	-	-
Currency translation differences	-	(6)
Current period depreciation	(162.952)	(284.618)
Net book value at the end of the period	6.306.106	6.202.585
As of December 31:		
Cost	12.729.960	11.607.402
Accumulated depreciation	(6.423.854)	(5.404.817)
Net book value	6.306.106	6.202.585

14. Provisions, contingent liabilities and contingent assets

14.1 Debt provisions

	March 31, 2015	December 31, 2014
Sales premium provisions	2.319.000	-
	2.319.000	-

14.2 Litigation and disputes

1) The ongoing lawsuits filed by the Group:

As of March 31, 2015 total amount of ongoing lawsuits and execution proceedings filed by the Group is TRY 31.576.395 (December 31, 2014: TRY 39.067.350). The Group has made a provision amounting to TRY 24.451.919 (December 31, 2014: TRY 23.794.211) 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, 2015, total amount of the ongoing lawsuits filed against the Group is TRY 2.568.118 (December 31, 2014: TRY 587.180).

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**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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14. Provisions, contingent liabilities and contingent assets (continued)

14.3 Collaterals, pledges, mortgages, bills given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given (TL)	March 31, 2015	December 31, 2014
A. Total amount of CPMB's given in the name of its own legal personality	-	-
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	1.079.906.300	1.042.121.750
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	76.308.750	86.553.525
D. Total amount of other CPMB's given	-	-
i. Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii. Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii. Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-
	1.156.215.050	1.128.675.275

(1) Bills of guarantees given for the Bank's Loan Agreements.

As of March 31, 2015 and December 31, 2014 the details of the GCP given by the Group is listed below;

	March 31, 2015				
	Foreign Currency Amount US Dollar	Foreign Currency Amount EURO	Foreign Currency Amount TL Equivalent	TL Equivalent	Total TL
Bill of guarantees	129.500.000	6.000.000	355.006.300	724.900.000	1.079.906.300
Letter of guarantee	-	1.100.000	3.113.990	72.194.760	75.308.750
Guarantee notes	-	-	-	1.000.000	1.000.000
	129.500.000	7.100.000	358.120.290	798.094.760	1.156.215.050

	December 31, 2014				
	Foreign Currency Amount US Dollar	Foreign Currency Amount EURO	Foreign Currency Amount TL Equivalent	TL Equivalent	Total TL
Bill of guarantees	129.500.000	6.000.000	317.221.750	724.900.000	1.042.121.750
Letter of guarantee	-	1.100.000	3.102.772	82.450.753	85.553.525
Guarantee notes	-	-	-	1.000.000	1.000.000
	129.500.000	7.100.000	320.324.522	808.350.753	1.128.675.275

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

14. Provisions, contingent liabilities and contingent assets (continued)

2) CPMBs received

March 31, 2015					
	Foreign Currency Amount US Dollar	Foreign Currency Amount EURO	Foreign Currency Amount TL Equivalent	TL Equivalent	Total TL
Mortgages	-	70.200	198.729	27.483.180	27.681.909
Cheques of guarantee	540.000	-	1.409.508	241.500	1.651.008
Letter of guarantee	1.185.506	9.408.907	29.730.082	2.914.834	32.644.916
Guarantee notes	810.620	21.200	2.175.896	3.680.108	5.856.004
	2.536.126	9.500.307	33.514.215	34.319.622	67.833.837

December 31, 2014					
	Foreign Currency Amount US Dollar	Foreign Currency Amount EURO	Foreign Currency Amount TL Equivalent	TL Equivalent	Total TL
Mortgages	-	-	-	26.033.180	26.033.180
Cheques of guarantee	540.000	-	1.252.206	171.500	1.423.706
Letter of guarantee	1.185.506	9.410.907	29.294.415	3.409.834	32.704.249
Guarantee notes	-	21.200	59.799	3.422.983	3.482.782
	1.725.506	9.432.107	30.606.420	33.037.497	63.643.917

15. Employee benefits

Short term:

	March 31, 2014	December 31, 2014
Payables to personnel	2.936.941	2.161.351
Taxes and duties payable	1.424.460	1.345.422
Social security premiums payable	-	549.615
	4.361.401	4.056.388

Long term employee benefit terminations (provisions for employee termination benefits)

In accordance with existing social legislation in Turkey the Company is required to make lump-sum payment to employees whose employments are terminated due to retirement or for reasons other than resignation or misconduct except the ones who are subject to press regulations. In addition, under the existing Social Security Law numbered 506, Clause 60 of which was amended by the Labor Laws dated 06.03.1981, Numbered 2422 and dated 25.08.1999, Numbered 4447, the Company is also required to pay legal severance payments to each employee who has earned the right to retire by receiving severance payments. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TRY 3.541,22 (December 31, 2014: TRY 3.438,22) as of March 31, 2015.

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**Notes to the condensed consolidated financial statements
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15. Employee benefits (continued)

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

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

The main assumption is to increase the maximum liabilities for each service year parallel to the inflation. Therefore, applied discount rate represents the expected real rate, which is adjusted for inflation effects. As of March 31, 2015, provisions in the attached financial tables are calculated by estimating the present value of the potential future liability, which stems from the retirement of the employees. As of March 31, 2015, the provisions are calculated by 3,08% real discount rate (December 31, 2014: 3,58 % real discount rate) based on the assumption of an annual 6,0% inflation rate and 9,8% discount rate. The estimated severance payment amount, which is not paid due to the voluntary resignations and that remains with the Group, is also taken into consideration. The probability of continuing to work on average is calculated as 97,42% (December 31, 2014: 95,37%) for the calculation of Group's severance payment liability and discounted severance payment provisions are calculated based on this rate.

Provisions for Polisan Hellas S.A are calculated using 1,75% inflation rate and 3,20% discount rate assumption.

As of March 31, 2015 and December 31, 2013 movement of the severance payment provision of the Group is as follows:

	2015	2014
Balances at January 1,	8.584.188	7.561.495
Payments	(267.066)	(510.331)
Interest cost	128.722	66.763
Service cost	256.086	347.947
Actuarial (gain)/loss	(822.344)	573.708
Provision as of March 31	7.879.586	8.039.582

16. Other assets and liabilities

As of March 31, 2015 and December 31, 2014 Group's other current assets are as follows:

	March 31, 2015	December 31, 2014
Other current assets		
Deferred VAT	15.194.402	12.380.051
Income accrual	948	48.043
Other	97.278	-
	15.292.628	12.428.094

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

16. Other assets and liabilities (continued)

As of March 31, 2015 and December 31, 2014 Group's other current liabilities are as follows:

	March 31, 2015	December 31, 2014
Short term other liabilities		
Taxes and funds payable	3.668.020	812.397
Prepaid expenses	2.722.282	1.986.977
	6.390.302	2.799.374

17. Capital, reserves and other equity items

The share capital of the Company is TRY 370.000.000 and composed of 370.000.000 shares each with a nominal value of TRY 1, which all have only one voting right and are registered in owner's name. As of March 31, 2015 and December 31, 2014 the Group's partnership structure is as follows:

	March 31, 2015		December 31, 2014	
	Share (%)	Amount	Share (%)	Amount
Necmettin Bitlis	15,18	56.163.449	15,18	56.163.449
Ahmet Faik Bitlis	10,2	37.756.717	10,2	37.756.717
Fatma Nilgün Kasrat	10,2	37.756.717	10,2	37.756.717
Ali Fırat Yemenciler	0,95	3.502.500	0,95	3.502.500
A.Melike Bitlis (Bush)	10,2	37.756.717	10,2	37.756.717
Mehmet Emin Bitlis	16,89	62.493.625	16,89	62.493.625
Ahmet Ertuğrul Bitlis	16,89	62.493.625	16,89	62.493.625
Alaattin Bitlis	1,36	5.018.350	1,36	5.018.350
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
Selahaddin Bitlis	2,21	8.161.175	2,21	8.161.175
Erol Mizrahi	1,89	7.005.000	1,89	7.005.000
Galip Demirel	0,77	2.836.850	0,77	2.836.850
Güldal Akşit	1,15	4.255.275	1,15	4.255.275
Serdar Demirel	1,15	4.255.275	1,15	4.255.275
Melda Bitlis	0,28	1.050.750	0,28	1.050.750
Burcu Bitlis	0,28	1.050.750	0,28	1.050.750
Banu Bitlis	0,28	1.050.750	0,28	1.050.750
Publicly held (*)	8,4	31.063.425	8,4	31.063.425
	100	370.000.000	100	370.000.000
Adjustment to share capital		1.467.266		1.467.266
Total		371.467.266		371.467.266

(*) As of March 31, 2015, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., an affiliate of the Group in the listed part reached to 5,975%. Furthermore, other shareholders Ahmet Ertuğrul Bitlis has a share amounting to TL 227.000, Mehmet Emin Bitlis has a share amounting to TL 141.578, Erol Mizrahi has a share amounting to TL 88.393 and Ali Fırat Yemenciler has a share amounting to TL 42.262 in the listed part as of March 31, 2015. (As of December 31, 2014, the shareholding rate of the Şark Mensucat Fabrikaları A.Ş., an affiliate of the Group in the listed part reached to 6,753%. Furthermore, other shareholders Ahmet Ertuğrul Bitlis has a share amounting to TL 227.000, Mehmet Emin Bitlis has a share amounting to TL 141.578, Erol Mizrahi has a share amounting to TL 88.393 and Ali Fırat Yemenciler has a share amounting to TL 42.262 in the listed part. Furthermore, other shareholders Ahmet Ertuğrul Bitlis has a share amounting to TL 227.000, Mehmet Emin Bitlis has a share amounting to TL 141.578, Erol Mizrahi has a share amounting to TL 88.393 and Ali Fırat Yemenciler has a share amounting to TL 42.262 in the listed part as of December 31, 2014).

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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17. Capital, reserves and other equity items (continued)

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

Restricted Reserves

General reserves comprise prior years' undistributed income and 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

Holding offered 5,34% of its paid-in capital to the public on 16-17-18 May 2012, representing TRY 19.750.000 nominal shares at a price of TRY 2,25 for each share with a nominal value of TRY 1 and TRY 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 TRY 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, 2014.

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

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

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

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

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

According to the Board Decision dated 16 March 2015; it's been decided to make dividend payment amounting to TRY 12.000.000, based on the net distributable profit after including the deduction of TRY 612.966 legal reserves calculated over legal records and addition of TRY 610.339 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1.

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

	March 31, 2015	December 31, 2014
Tangible asset revaluation fund (*)	480.456.018	480.456.018
- tax effect	(96.091.204)	(96.091.204)
Employment termination benefits actuarial gain/loss fund (**)	(2.970.490)	(3.856.719)
- tax effect	594.098	771.344
	381.988.422	381.279.439
Minus: Minority Interest		
Employment termination benefits actuarial gain/loss fund (**)	(18.778)	26.330
- tax effect	3.756	(5.266)
	(15.022)	21.064
Share of equity holders of the parents	381.973.400	381.300.503

Non-controlling interests

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

The movement of non-controlling interests is as follows;

	2015	2014
Balance at the beginning of the period	18.837.732	12.575.324
Share from total comprehensive income	109.019	71.517
Balance as of March 31	18.946.751	12.646.841

Equity effect of acquisition:

The parent company has 71,12% of the the shares of Poliport. Since the difference amounting to TL 208.011.543 between the acquisition cost of the shares and the recorded value of net assets at the rate of the parent company's purchased shares is not an item in the format of the presentation of financial statements required by the CMB, it was presented as "equity effect of acquisition".

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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18. Revenue and cost of sales

Details regarding to revenue and cost of sales for the periods ended March 31, 2015 and March 31, 2014 are as follows:

	January 1 - March 31, 2015	January 1 - March 31, 2014
Domestic sales	180.929.935	163.552.591
Foreign sales	33.504.792	12.114.004
Gross sales	214.434.727	819.710.116
Sales returns	(2.856.280)	(2.113.763)
Sales discounts	(15.711.408)	(10.380.750)
Other discounts	(485.708)	(1.677.760)
Total sales discounts (-)	(19.053.396)	(14.172.273)
Net sales	195.381.331	161.494.322
Cost of sales	January 1 - March 31, 2015	January 1 - March 31, 2014
Direct raw material and supply expenses	94.984.967	62.735.098
Direct labour expenses	3.769.984	2.401.968
Production overheads	5.188.325	11.478.218
Depreciation and amortization	207.128	669.126
Work in process used		
-Beginning inventory	4.141.105	3.251.491
- Ending inventory	(3.273.930)	(3.858.716)
Changes in finished goods inventory		
-Beginning inventory	35.876.794	15.899.963
- Ending inventory	(32.865.209)	(14.628.720)
Cost of goods sold	108.029.164	77.948.428
- Beginning inventory	3.721.439	2.996.905
- Purchases during the period	18.564.281	20.160.881
- Ending inventory	(4.417.989)	(4.744.840)
Cost of merchandise sold	17.867.731	18.412.946
Personnel expenses	7.804.349	5.786.040
Other service expenses	8.242.603	2.564.190
Depreciation and amortization	4.203.956	3.029.300
Cost of service sold	20.250.908	11.379.530
Cost of sales	146.147.803	107.740.904

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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19. General administrative expenses, marketing expenses, research and development expenses

Group's operating expenses for the periods ended March 31, 2015 and March 31, 2014 are as follows:

	January 1 - March 31, 2015	January 1 - March 31, 2014
<u>Research and development expenses</u>		
Personnel expenses	1.369.769	1.048.858
Depreciation and amortization expenses	114.152	124.421
Office expenses	112.712	143.149
Travel expenses	16.564	13.625
Other	37.365	98.295
	1.650.562	1.428.348
<u>Marketing, sales and distribution expenses</u>		
Transportation expenses	7.181.768	6.332.092
Personnel expenses	5.868.400	5.047.828
Advertising and promotion expenses	3.753.330	4.271.258
Depreciation and amortization expenses	1.392.335	1.299.319
Vehicle expenses	1.050.909	934.592
Turnover premium expenses	484.154	-
Taxes, duties and charges	324.718	88.037
Travel expenses	223.740	153.276
Office expenses	210.921	188.342
Rent expenses	200.203	174.627
Communication expenses	178.239	77.352
Entertainment expenses	122.262	69.231
Sponsorship expenses	55.368	114.461
Consultancy expenses	39.343	97.378
Other	675.999	280.726
	21.761.689	19.128.519

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**Notes to the condensed consolidated financial statements
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19. General administrative expenses, marketing expenses, research and development expenses (continued)

	January 1 - March 31, 2015	January 1 - March 31, 2014
<u>General administrative expenses</u>		
Depreciation and amortization expenses	3.327.724	324.798
Personnel expenses	2.507.876	4.914.809
Lawsuit and consultancy expenses	492.179	772.677
Insurance expenses	349.377	188.584
Rent expenses	278.647	192.975
Taxes, duties and charges	276.980	515.992
Vehicle expenses	115.217	87.777
Communication expenses	61.011	86.956
Maintenance expenses	53.404	157.507
Office expenses	47.937	7.189
Donation and aids	39.858	345.836
Travel expenses	39.392	35.976
Registration expenses	34.024	111.472
Entertainment expenses	17.935	6.220
Other	233.314	137.109
	7.874.875	7.885.877

20. Expenses by nature

	January 1 - March 31, 2015	January 1 - March 31, 2014
<u>Personnel expenses</u>		
Cost of goods sold	3.769.984	2.401.968
Cost of goods and services	7.804.349	5.786.040
Research and development expenses	1.369.769	1.048.858
Marketing, selling and distribution expenses	5.868.400	5.047.828
General administrative expenses	2.507.876	4.914.809
	21.320.378	19.199.503

	January 1 - March 31, 2015	January 1 - March 31, 2014
<u>Depreciation and amortization</u>		
Cost of goods sold	207.128	669.126
Cost of goods and services	4.203.956	3.029.300
Research and development expenses	114.152	124.421
Marketing, selling and distribution expenses	1.392.335	1.299.319
General administrative expenses	3.327.724	324.798
	9.245.295	5.446.964

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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21. Other income and expenses from operations

Group's other income and expenses from operations for the periods ended March 31, 2015 and March 31, 2014 are as follows:

	January 1 - March 31, 2015	January 1 - March 31, 2014 (Reclassified)
<u>Other operating income</u>		
Deferred financial income	20.025.218	6.113.800
Foreign currency translation income	1.565.199	9.766.653
Incentive income	651.383	-
Provisions no longer required	168.768	190.926
Insurance income	16.410	63.160
Rent income	-	112.238
Other	251.749	620.162
	22.678.727	16.866.939

	January 1 - March 31, 2015	January 1 - March 31, 2014 (Reclassified)
<u>Other operating expenses</u>		
Deferred financial expense	23.881.056	12.024.074
Foreign currency translation expense	1.315.595	7.996.235
Allowance for doubtful receivables	1.301.321	331.646
Provision for impairment inventories	178.357	-
Other	93.164	65.147
	26.769.493	20.417.102

22. Income and expenses from investing activities

Group's income and expenses from investing activities for the periods ended March 31, 2015 and March 31, 2014 are as follows:

	January 1 - March 31, 2015	January 1 - March 31, 2014 (Reclassified)
<u>Gains from investment activities</u>		
Gain on sale of fixed asset	271.367	158.245
	271.367	158.245

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
for the period ended January 1 - March 31, 2015 (continued)
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23. Financial income and expense

Group's financial income and expense for the periods ended March 31, 2015 and March 31, 2014 are as follows:

	January 1 - March 31, 2015	January 1 - March 31, 2014 (Reclassified)
<u>Financial income</u>		
Foreign exchange gains	5.356.430	9.398.740
Interest income	431.248	-
	5.787.678	9.398.740
<hr/>		
	January 1 - March 31, 2015	January 1 - March 31, 2014 (Reclassified)
<u>Financial expenses</u>		
Foreign exchange losses	16.303.106	14.709.869
Loan interest expenses	7.333.996	4.806.042
Bank commission expenses	98.574	196.786
Letters of guarantee commissions	66.483	47.093
	23.802.159	19.759.790

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

Corporate tax

Necessary provisions are made in the accompanying financial statements in regards to the estimated tax liabilities of the Group's operating results in the current period.

The corporate tax rate to be accrued over the taxable corporate income is calculated based on the taxable income, which remains after subtracting the tax-exempt gain, the income not subject to taxation and other discounts (previous years' losses, if any and investment incentives utilized over preference) and adding the non-deductible expenses, which were expensed during the determination of the corporate income, however, should not be deducted, to the taxable income. The corporate tax rate implied on the profits for the calendar year 2015 is 20% (2014: 20%)

In Turkey, advance tax is calculated and accrued on a quarterly basis. The advance tax rate that needs to be calculated over the corporate income during the taxation of 2015 corporate income by the advance tax periods is 20%. (2014: 20%). Losses can be carried forward for a maximum of five consecutive years so as to be deducted from the taxable income to arise in the years to come. However, losses cannot be deducted from the previous years' profits retrospectively.

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

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**Notes to the condensed consolidated financial statements
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24. Income taxes (including deferred tax assets and liabilities) (continued)

Confirmation with the tax authority on the tax amount is not a valid application in Turkey. Corporate tax returns must be submitted to related tax office until the afternoon of 25th day of the 4th month, following the end of the accounting period. In addition to this, the authorities who are authorized for the tax investigation may review the accounting records within five years and in case of a detection of incorrect transaction, the tax amount to be paid may change

In Turkey no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other tax payer companies. However, profits distributed in dividend to individuals and non-resident companies are subject to withholding at the rate of 15%.

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

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

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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24. Income taxes (including deferred tax assets and liabilities) (continued)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS/IFRS purposes and its statutory tax financial statements. These differences usually arise from the recognition of some revenue and expense items in different reporting periods for IAS/IFRS and tax purposes and these differences are given below. The tax rate used for the calculation of deferred tax asset and liabilities is 20% as of March 31, 2015 and December 31, 2014.

	March 31, 2015		December 31, 2014	
	Cumulative Revaluation differences	Asset/ (liability)	Cumulative Revaluation differences	Asset/ (liability)
Tangible and intangible amortizations adjustment differences	(14.293.362)	2.898.416	5.737.413	(1.147.482)
Tangible assets revaluation increment	510.802.570	(74.060.301)	467.537.951	(75.262.737)
Deferred finance income (short term)	19.931.263	(3.986.253)	(6.539.831)	1.307.966
Deferred finance expense (short term)	(28.751.840)	5.750.368	284.514	(56.903)
Provision for employee termination benefits	(7.700.591)	1.540.118	(8.419.204)	1.683.842
Allowance for doubtful receivables	(2.369.338)	473.868	(2.369.338)	473.868
Adjustment for inventories	(370.053)	74.011	(456.175)	91.235
Subsidiaries and joint ventures impairment	(291.295)	58.259	(1.032.528)	206.506
Adjustment for interest accruals	-	-	(27.417)	5.483
Prior year losses	(4.139.741)	827.948	(3.166.765)	633.353
Turnover premium provisions	(2.319.000)	463.800	-	-
Hellas	-	-	(10.967.177)	2.851.466
Other	(110.008)	30.420	-	-
Deferred tax liability, net		(65.929.346)		(69.213.403)
Deferred tax asset		12.370.914		7.253.719
Deferred tax liability		(78.300.260)		(76.467.122)

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

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

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

	2015	2014
As of January 1	(69.213.403)	(57.273.453)
Tax income/(expense) for the period	3.438.089	2.192.180
Deferred tax effect of actuarial gain and loss	(164.469)	114.742
Translation differences	10.437	-
As of March 31	(65.929.346)	(54.966.531)

The Group's tax income / (charge) are as follows;

Tax income/expense	January 1 - March 31, 2015	January 1 - March 31, 2014
Coprorate tax expense	(4.492.908)	(5.683.921)
Deferred tax income	3.438.089	2.192.180
	(1.054.819)	(3.491.741)

Maturities of deductible prior year losses	March 31, 2015	December 31, 2014
0-1 year	373.032	-
1-2 years	402.688	-
2-3 years	1.784.068	-
3-4 years	1.579.953	1.586.812
4-5 years	-	1.579.953
	4.139.741	3.166.765

25. Earning/(loss) per share

The calculation of earnings per share is based on net profit for the related year/interim period ended divided by weighted average number of ordinary shares outstanding during the year or the interim period. As of March 31, 2015 and as of March 31, 2014, Group's earning per share is as follows:

	January 1 - March 31, 2015	January 1 - March 31, 2014
Profit for the period/(loss) (TL)	(3.751.861)	8.735.727
Weighted average number of ordinary shares issued	370.000.000	370.000.000
Profit/(loss) per share (TL)	(0,010)	0,024

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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26. Related party disclosures

a) Benefits to top management

Between the periods of January 1 and March 31, 2015, benefits provided to top management amounts to TL 1.030.726, TL 516.526 and TL 514.200 of this amount occur from the wages and bonus, respectively (January 1 – March 31, 2014: TL 930.382). The Group's top management consist of the board of directors members, general manager and vice general manager.

b) Due from related parties

	March 31, 2015	December 31, 2014
Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	745.914	416.985
Şark Mensucat Fabrikası A.Ş	40.640	39.074
	786.554	456.059

c) Due to related parties

	March 31, 2015	December 31, 2014
Trade payables		
Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	12.772.523	8.519.616
	12.772.523	8.519.616

d) Related party transactions

	January 1 - March 31, 2015		January 1 - March 31, 2014	
	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	Şark Mensucat Fabrikası A.Ş	Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş
Purchases				
Raw material	-	9.327.457	-	12.898.655
Service	-	50.865	-	50.865
Translation difference	-	609.531	-	556.852
		9.987.853	-	13.506.372
Sales				
Goods	12.179	-	7.980	-
Service	108.647	998.435	81.218	913.926
Rent	2.208	-	2.208	-
Maturity differences	-	-	80.349	-
Translation difference	-	-	-	1.817
	123.034	998.435	171.755	915.743

Polisan Holding Anonim Şirketi

**Notes to the condensed consolidated financial statements
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27. Financial instruments and financial risk management

Financial risk management

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

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

Credit risk

Holding financial instruments also carries the risk of failure of complying with the terms of the agreement by the other party.

Group management minimizes these risks with the credibility analysis carried out for each customer and reviewed occasionally. The Group's collection risk mainly stems from the trade receivables. The Group manages these risks that may arise from its customers with the credit limits defined for customers and through guarantee letter, pledge, warranty, and guarantee cheques when necessary.

The use of credit limits is continuously monitored by the Group and the credit quality of the customer is frequently assessed taking into account the financial position of the customer, past experiences and other factors. The limit is being assigned to the customers considering their credit history and credibility based on the updated data and information. Trade receivables are evaluated taking into account the Group's policies and procedures and in line with this, provisions for doubtful receivables are set aside and recorded on the balance sheet on a net basis.

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27. Financial instruments and financial risk management (Continued)

The Group's financial instruments and amounts exposed to credit risk are shown below;

					March 31, 2015
	Receivables			Time deposits	Other cash & cash equivalent
	Trade receivables		Other receivables		
	Related party	Other	Other		
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	786.554	679.120.656	1.751.551	67.712.577	9.776.829
- Maximum risk exposure secured with guarantees	-	67.833.837	-	-	-
A. Net book value of neither past due nor impaired financial assets	786.554	646.523.877	1.751.551	67.712.577	9.776.829
B. Net book value of restructured financial assets	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	29.061.006	-	-	-
- Secured with guarantees	-	28.209.160	-	-	-
D. Net book value of impaired assets	-	3.300.417	-	-	-
- Past due (gross amount)	-	27.752.336	-	-	-
- Impairment (-)	-	(24.451.919)	-	-	-
- Secured with guarantees	-	3.300.417	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-

- (1) Elements, such as deposits and guarantees received, which are increasing the loan reliability, are not taken into consideration during the determination of the amounts.
- (2) Detailed breakdown of guarantees, pledges, etc received for the trade receivables are presented in **Note 14.3**, including the customers without a balance as of March 31, 2015.
- (3) Not overdue and not impaired trade receivables represent balance of the customers that the Group has ongoing trade relations and does not have collection problem.

					December 31, 2014
	Receivables			Time deposits	Other cash & cash equivalent
	Trade receivables		Trade receivables		
	Related party	Other	Other		
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	456.059	428.018.805	1.566.158	60.138.964	20.323.121
- Maximum risk exposure secured with guarantees	-	63.643.917	-	-	-
A. Net book value of neither past due nor impaired financial assets	456.059	398.809.645	1.566.158	60.138.964	20.323.121
B. Net book value of restructured financial assets	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	28.209.160	-	-	-
- Secured with guarantees	-	9.088.611	-	-	-
D. Net book value of impaired assets	-	1.000.000	-	-	-
- Past due (gross amount)	-	24.794.211	60.096	-	-
- Impairment (-)	-	(23.794.211)	(60.096)	-	-
- Secured with guarantees	-	1.000.000	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-
Total	456.059	428.018.805	1.566.158	60.138.964	20.323.121

- (1) Elements, such as deposits and guarantees received, which are increasing the loan reliability, are not taken into consideration during the determination of the amounts.
- (2) Detailed breakdown of guarantees, pledges, etc received for the trade receivables are presented in **Note 14.3**, including the customers without a balance as of March 31, 2015.
- (3) Not overdue and not impaired trade receivables represent balance of the customers that the Group has ongoing trade relations and does not have collection problem.

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**Notes to the condensed consolidated financial statements
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27. Nature and level of risk derived from financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group may fail to meet its commitments related with financial instruments. The Group manages its liquidity risk by diversifying the sources of funds and holding enough cash and cash equivalents to meet its potential liabilities.

The Group's liquidity risk is as follows:

March 31, 2015

	Book value	Total contractual cash outflow	Less than 3 months	3-6 months	6-12 months	1-2 years	2-5 years
Financial borrowings	471.150.219	473.843.764	94.835.144	130.934.496	52.461.235	183.781.179	11.831.711
Trade payables	127.309.142	128.077.171	97.669.325	30.407.846	-	-	-

December 31, 2014

	Book value	Total contractual cash outflow	Less than 3 months	3-6 months	6-12 months	1-2 years	2-5 years	
Financial borrowings	413.335.553	413.335.553	183.100.70	7	65.048.956	87.329.399	63.837.221	14.019.270
Trade payables	129.133.970	129.418.484	95.631.652	33.711.840	74.992	-	-	

Market Risk

Market risk is the change in foreign exchange and the value of other financial contracts, affecting the Group negatively. The fluctuations in the related instruments result in a change in Group's income statement and shareholders' equity.

Exchange rate risk

The Group's foreign currencies denominated financial instruments are exposed to exchange rate risk as a result of exchange rate fluctuations. As of March 31, 2015 and December 31, 2014, Group's foreign currency position is as follows:

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

	March 31, 2015				
	TL	USD	EURO	GBP	Other
1. Trade receivables	8.130.415	2.197.255	846.070	-	-
2a. Monetary financial assets	42.637.624	9.166.145	6.606.904	2.245	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	1.548.984	3.254	544.262	10	111
4. Current assets (1+2+3)	52.317.023	11.366.654	7.997.236	2.255	111
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	29.441.360	-	10.400.000	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	29.441.360	-	10.400.000	-	-
9. Total assets (4+8)	81.758.982	11.366.654	18.397.236	2.255	111
10. Trade payables	34.519.579	7.166.538	5.583.781	355	15.306
11. Borrowings	143.522.816	36.898.981	16.676.356	-	-
12a. Monetary liabilities	13.016	2.300	2.477	-	-
12b. Non-monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	178.055.411	44.067.819	22.262.614	355	15.306
14. Trade payables	-	-	-	-	-
15. Borrowings	116.039.438	21.353.656	21.301.397	-	-
16 a. Monetary liabilities	-	-	-	-	-
16 b. Non-monetary liabilities	-	-	-	-	-
17. Non current liabilities (14+15+16)	116.039.438	21.353.656	21.301.397	-	-
18. Total liabilities (13+17)	294.094.849	65.421.475	43.564.011	355	15.306
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	19.196.067	-	6.780.906	-	-
20. Off-balance sheet derivative instruments net position (19a-19b)	(212.355.867)	(54.054.821)	(25.166.775)	1.900	(15.195)
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(243.326.810)	(54.058.075)	(36.111.037)	1.890	(15.306)

	December 31, 2014				
	TL	USD	EURO	GBP	Other
1. Trade receivables	7.820.823	1.936.219	1.180.350	582	-
2a. Monetary financial assets	32.431.905	13.691.926	238.821	3.103	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	806.475	-	285.913	-	-
4. Current assets (1+2+3)	41.059.203	15.628.145	1.705.084	3.685	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	1.692	-	600	-	-
8. Non-current assets (5+6+7)	1.692	-	600	-	-
9. Total assets (4+8)	41.060.895	15.628.145	1.705.684	3.685	-
10. Trade payables	163.176.158	-	57.785.362	69.715	-
11. Borrowings	237.490.199	53.491.073	40.220.424	-	-
12a. Monetary liabilities	12.320	2.300	2.477	-	-
12b. Non-monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	400.678.677	53.493.373	98.008.263	69.715	-
14. Trade payables	-	-	-	-	-
15. Borrowings	64.127.266	2.534.139	20.651.204	-	-
16 a. Monetary liabilities	-	-	-	-	-
16 b. Non-monetary liabilities	-	-	-	-	-
17. Non current liabilities (14+15+16)	64.127.266	2.534.139	20.651.204	-	-
18. Total liabilities (13+17)	464.805.943	56.027.512	118.659.467	69.715	-
19. Off-balance sheet derivative instruments net position (19a-19b)	7.686	-	2.725	-	-
19a. Derivative assets	19.134.283	-	6.783.523	-	-
19b. Derivative liabilities	19.126.597	-	6.780.798	-	-
20. Net foreign currency position asset/liability (9-18+19)	(423.737.362)	(40.399.367)	(116.951.058)	(66.030)	-
21. Net foreign currency position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(424.553.215)	(40.399.367)	(117.240.296)	(66.030)	-

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27. Nature and level of risk derived from financial instruments (continued)Sensitivity analysis:

As of March 31, 2015 and December 31, 2014 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, 2015	Pre-tax profit/loss		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	(63.513.164)	63.513.164	(50.810.531)	50.810.531
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	(63.513.164)	63.513.164	(50.810.531)	50.810.531
<i>The impact of 10% increase/decrease of EURO against TL</i>				
4- EURO net asset/liability	(15.303.300)	15.303.300	(12.242.640)	12.242.640
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	(15.303.300)	15.303.300	(12.242.640)	12.242.640
<i>The impact of 10% increase/decrease of other foreign currencies against TL</i>				
7- Other foreign currency net asset/liability	(4.255)	4.255	(3.404)	3.404
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(4.255)	4.255	(3.404)	3.404
Total (3+6+9)	(78.820.719)	78.820.719	(63.056.575)	63.056.575
<i>The impact of 10% increase/decrease of USD against TL</i>				
1- USD net asset/liability	(14.110.239)	14.110.239	(11.288.191)	11.288.191
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	(14.110.239)	14.110.239	(11.288.191)	11.288.191
<i>The impact of 10% increase/decrease of EURO against TL</i>				
4- EURO net asset/liability	(10.222.673)	10.222.673	(8.178.139)	8.178.139
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	(10.222.673)	10.222.673	(8.178.139)	8.178.139
<i>The impact of 10% increase/decrease of other foreign currencies against TL</i>				
7- Other foreign currency net asset/liability	(4.255)	4.255	(3.404)	3.404
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(4.255)	4.255	(3.404)	3.404
Total (3+6+9)	(24.337.167)	24.337.167	(19.469.734)	19.469.734

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

Exchange rate risk

The Group is exposed to interest rate risk stemming from the changes in interest rates due to libor bank loans. While there is no risk related to the fixed interest rate bank loans and term deposits, it may be affected by interest rates to be realized in the future due to the loans and deposits held for the continuation of operations.

As of March 31, 2015 and December 31, 2014 the Group's interest rate position table is as follows:

	March 31, 2015	December 31, 2014
Fixed interest rate financial instruments		
Time deposits	56.432.420	55.422.763
Total	56.432.420	55.422.763
Fixed interest rate financial instruments		
Financial borrowings	33.198.580	19.127.154
Total	33.198.580	19.127.154
Floating interest rate financial instruments		
Financial borrowings	437.951.639	413.334.997
Total	437.951.639	413.334.997

Sensitivity Analysis:

If the TRY denominated interest rate was higher/lower by 100 basis points while all other variables were held constant, as of March 31, 2015, profit before tax would be lower/higher by TRY 48.060 (December 31, 2014: TRY 268.506).

Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains the most feasible capital structure in line with its targets to maximize the return for the shareholders and minimize the cost of capital; thereby the continuation of the Group's operations.

The Group follows the equity by using debt to equity ratio, obtained by dividing the total net debt to total equity. The total net debt is calculated by deducting cash and cash equivalents from total liabilities. The total equity is the sum of equity and total net debt as presented in the balance sheet.

	March 31, 2015	December 31, 2014
Total liabilities	1.036.574.486	741.184.436
Minus: Cash and cash equivalents (Note 5)	(77.556.186)	(80.511.849)
Net debt	959.018.300	660.672.587
Total Shareholders' Equity	794.915.197	798.060.189
Total Capital	1.753.933.497	1.458.732.776
Net debt/total equity rate	45%	45%

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

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

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

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

Financial assets

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

Financial liabilities

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

Fair Value Measurement Categories;

The Group has formed 3 unique categories in order to comply with the IFRS 7 fair value measurements. These categories are created according to the data used for fair value measurements. Categories are as follows:

1st Category: Price determined in active market

2nd Category: Data that can be determined either directly or indirectly other than the price determined in active market.

3rd Category: Data that is not based on any market information.

29. Other matters

In the Z Office Project in which Polisan Yapı has a share of 42% and DAP has a share of 58%, Polisan Yapı received the title deeds with property ownership for 126 offices and 28 shops which constitutes an area of 10.683 m2 in total gross. The works regarding the rental of Caasa Gayrimenkul Yönetim ve Danışmanlık A.Ş., AVM MFI Ortakları Proje Yönetimi A.Ş. ve Kentsel Hizmetler Yapı ve İşletme Sanayi Ticaret A.Ş. offices and shops are ongoing. In the Z Office Project, 2 offices were sold and 12 offices were rented as of May 2015.

A flat for land agreement was signed with Dop Yapı Mimarlık İnşaat Gıda Turizm Hizmetleri Sanayi ve Ticaret Limited Şirketi and joint initiative Dap Yapı İnşaat Sanayi ve Ticaret A.Ş for the land in Pendik with an area of approximately 175 thousand m2 within the body of Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.

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

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30. Subsequent events

Affiliate Şark Mensucat Fabrikaları A.Ş., bought 212.988 shares from the listed part of the Company.

In the Ordinary General Meeting held on April 16, 2015, it was decided that the decree of the Board of Directors regarding profit distribution taken on March 16, 2015 and previously communicated to the shareholders should be approved and the gross profit share amounting to TL 12.000.000 should be distributed on April 22, 2015.