2013

ANNUAL REPORT





Polisan HOLDİNG

Polisan HOME COSMETICS | Poliport | Polisan KİMYA | Polisan HELLAS | Polisan YAPI | Polisan YAPIKİM | Polisan TARIM | ROHM AND HAAS


Çoook çevreci!
Karbon ayak izi

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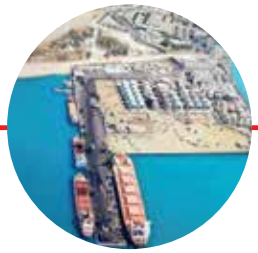
OPERATING ACTIVITIES

Holding: All the services provided for Holding companies such as accounting, finance, budgeting, health, maintenance, investment, human resources.

Paint: Production and sales of paint and insulation systems, and sales of auxiliary products.

Chemical Activities: The production and sales of construction chemicals.



Port Operations: Bulk liquid storage, dry bulk and general cargo, and warehouse services.

Agriculture: Growth and sale of all types of plants and animals.

Real Estate: Construction, plant contracting, trading of installation materials.

SHAREHOLDER STRUCTURE

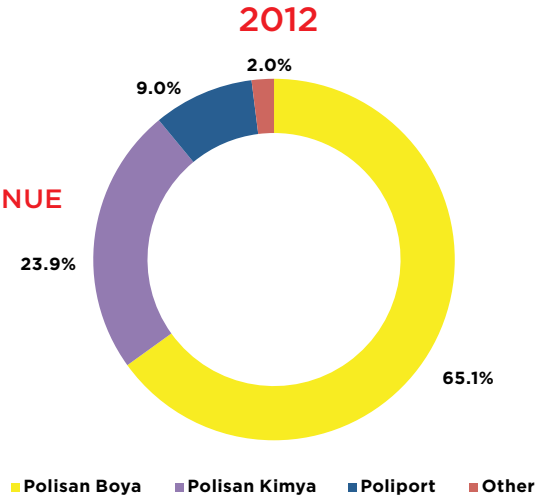
Polisan Holding's shareholder structure is as follows:

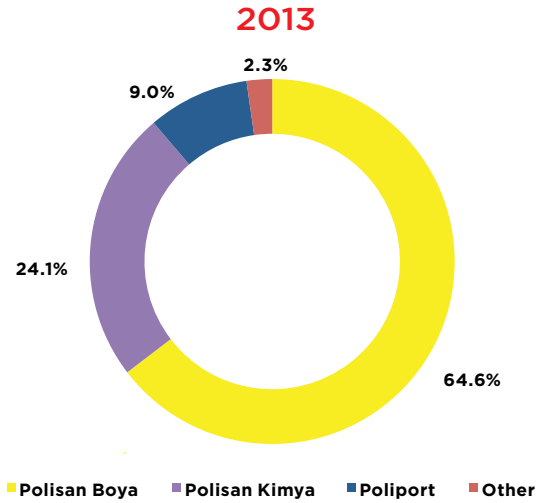
	Share Value (TRY)	Ratio
Bitlis Family	328,429,075	88.76%
Other	21,820,925	5.90%
Float	19,750,000	5.34%
TOTAL	370,000,000	100.00%

*Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. (Rohm and Haas) is a joint-venture, which is managed jointly. Other holding companies are subsidiaries.

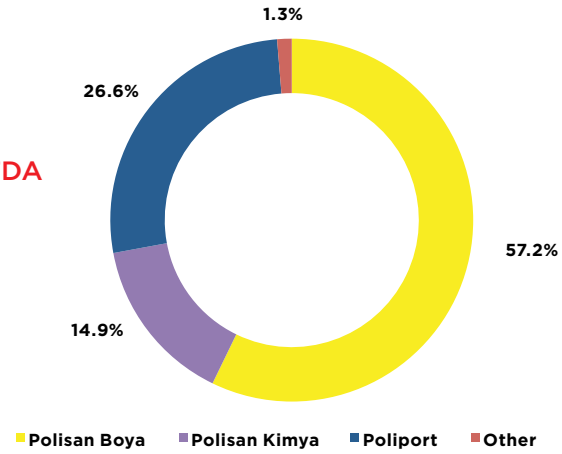
2013 FINANCIAL AND OPERATIONAL OUTLOOK

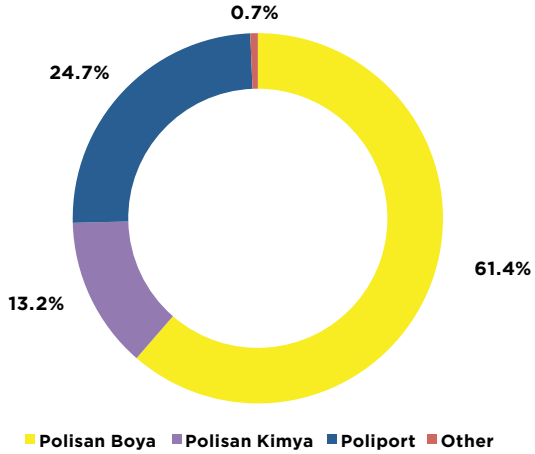
REVENUE

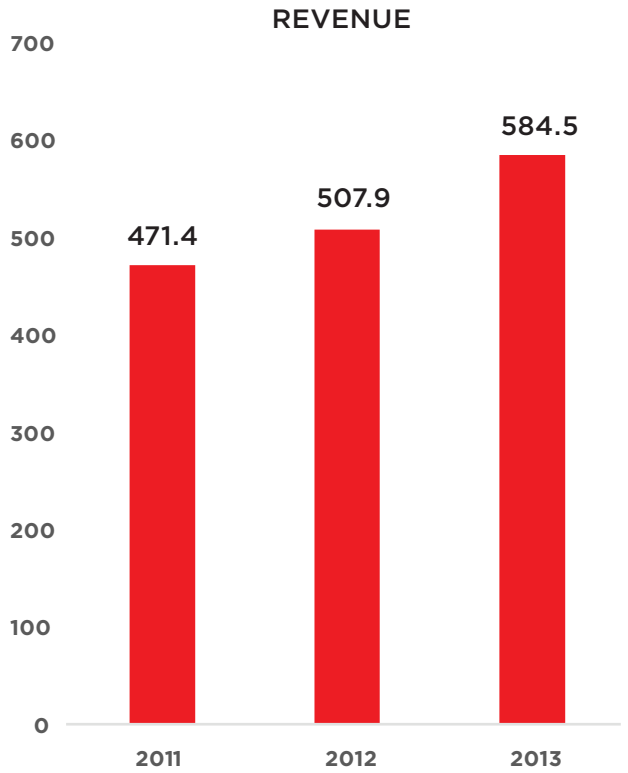


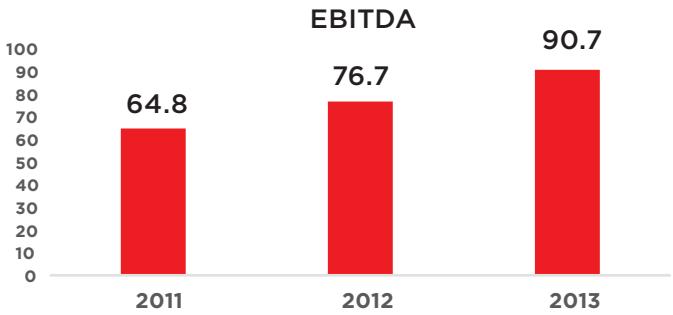


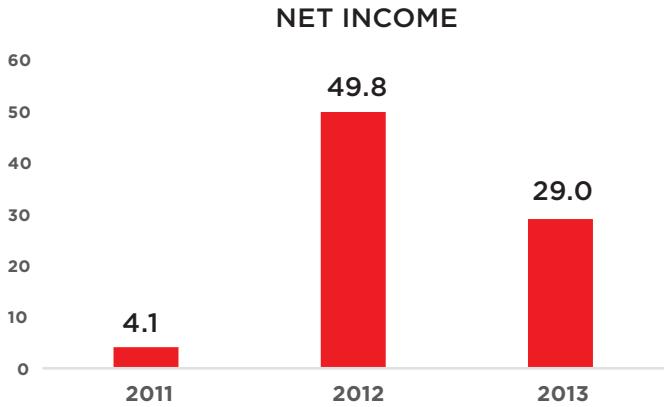
EBITDA











*The shares on the pie charts above exclude intra-group eliminations.

2013 FINANCIAL AND OPERATIONAL OUTLOOK

Summary Income Statement (TRY million)	2012	2013	Change %
Revenue	507.9	584.5	15.1%
Gross Profit	154.0	187.2	21.6%
Gross Profit Margin (%)	30.3%	32.0%	1.7 b.p.
Operational Profit Margin (%)	11.7%	11.9%	0.2 b.p.
Profit Before Interest and Tax (EBIT)	78.6	87.4	11.2%
EBIT Margin (%)	15.5%	15.0%	-0.5 b.p.
Profit Before Interest, Tax and Depreciation (EBITDA)	76.7	90.7	18.3%
EBITDA Margin (%)	15.1%	15.5%	0.4 b.p.
Net Profit	49.8	29.0	-41.8%
Net Profit Margin (%)	9.8%	5.0%	-4.8 b.p.

Summary Balance Sheet (TRY million)	2012	2013
Cash and cash equivalents	27.7	87.2
Current Assets	350.5	486.3
Non-Current Assets	592.8	682.6
TOTAL ASSETS	943.3	1,168.9
Short Term Financial Liabilities	257.6	339.0
Long Term Financial Liabilities	112.8	238.7
Paid in Capital	370.0	370.0
Total Equity	572.8	591.2
TOTAL EQUITY AND LIABILITIES	**943.3**	**1,168.9**

Profitability Ratios	2012	2013
Current Ratio	1.36	1.43
Liquidty Ratio	1.14	1.19
Net Profit / Total Equity	7.7%	4.9%
NET PROFIT / TOTAL EQUITY AND LIABILITIES	5.3%	2.5%

POLISAN HOLDING: A SUCCESS STORY EXTENDING FROM DREAMS TO A 50 YEAR REALITY...

The visionary founder Necmettin Bitlis' running after his dreams and making them real lay in the foundations of Polisan Holding's success. Celebrating its 50 year anniversary of foundation in 2014, Polisan Holding has operations, which are leaders of their sectors and growing beyond Turkey's borders, in the area of paint, chemistry, port, real estate, and agriculture.

Stating with his own words that "Knowledge is anonymous. People who have dreams wins, not the knowledge. Everything starts with dreaming. It is not enough. It is also important you become to embody that dream in your head.", Mr. Bitlis' vision depends on dreaming and taking actions to realize that dream. Mr. Bitlis' first dream when he went into business at his family's dry goods shop in Malatya at the age of 7-8 years old was to start production as merchandizing was not satisfying him.

Mr. Bitlis started to buy yarn and weave and then give business to 100 looms in Topkapı, Yeşildirek, and Yedikule in 1940's when his father came to İstanbul from Malatya. Back then, small businesses in the textile industry used looms. The coloring and the finishing of the fabric that is woven on these looms were done in a big factory. In 1955, Mr. Bitlis has rented a facility, which was used and left by Germans prior to the war, for 8 years in Zeytinburnu as they had to wait for 3-5 months for the finishing of the fabric once they gave it to the factory. Then, he fortified the equipment, which was not used for 17 years in the facility, with three artisans he knew and loved and turned the facility into a combined textile factory where yarn, weaving, finishing, and dying is done. So, he went into the textile business.

Taking into account the possibility that the factory's contract might not be renewed when it was due, Mr. Bitlis has bought the textile factory, which was up for sale in Kağıthane in 1961 and founded Şark Mensucat. While he was considering to evaluate the 4 decare spare land right next to the factory to manufacture the imported textile dye, he found out that Israelis wanted to build a glue factory there. Then, Mr. Bitlis negotiated with the Israelis for the production of Poly Vinyl Acetate (PVA), which is the raw material of glue, used in finishing. "San" (an abbreviation for Sanayi standing for Industry in Turkish) was added after "Poli" (meaning very) and Polisan brand, which means "Multi Purpose Industry" and is also easy on the ear, was born. In 1964 POLISAN brand has been registered.

As Polisan started to get bigger and the factory more focused on the production of urea formaldehyde, the yarn and the weaving in the factory was abolished and only finishing has continued. In those times, the chemical industry has imported mainly inflammable and explosive raw materials from Canada and the US. As the materials were inflammable, the cargo boats, which brought the raw materials could not approach Salı Pazarı, hence they were first brought to Çubuklu for customs control from Ahırkapı with barges, then passed on to the shore on the other side. Thus, having had to bear high costs, Mr. Bitlis considered to himself "if one builds a facility by the shore, he will draw us from the business in a year". Then, he started to look for a land by the shore and bought the land in Dilovası where the facilities are located. In 1972-73, the foundations of Poliport have been laid along with the first tanks and then the facility was built.

Having realized that the resin and glue produced was being replicated in the market; Mr. Bitlis decided to start paint production with the idea of producing and branding a market-oriented commodity and avoid the unfair competition. Then, he founded Polisan Boya in 1985. During those days, particularly the brands operating in Istanbul, Ankara, and Izmir were dominant in the market. So, Mr. Bitlis had 200-300 people brought to Istanbul every week from cities such as Erzurum, Malatya, Sivas, in an attempt to increase the brand awareness of Polisan Boya firstly in Anatolia, then in Istanbul and Izmir.

Today, Polisan Holding Board of Directors chaired by Mr. Bitlis encourages initiatives to expand Holding's operational area in line with the needs, evaluating Turkey's and Holding's sources to the fullest, and supports the Holding executives and employers in that manner. While Polisan Holding celebrates its 50. Anniversary, Polisan Boya has become a brand of firsts, not only in Turkey, but also globally, in the area of innovative solutions and products. Poliport, on the other hand, is the only independent and one of the largest chemical storage terminals in Kocaeli, which is one of Europe's leading ports.

Polisan Holding had an agreement with one of the world's largest chemical producers Rohm and Haas in 2004 and formed a JV to carry out emulsion resin business. As Rohm and Haas was acquired by Dow Chemical in 2009, now the partnership continues with Polisan Holding and Rohm and Haas. Polisan Kimya, which is the first formaldehyde producer in Turkey, has established Polisan Yapı Kimyasalları Company, after expanding its business with construction chemicals. Besides, it started Adblue©/AUS 32 production in Turkey and became market leader in this area. Polisan Kimya is continuing its studies initiated last year to produce Expandable Polystyrene (EPS), which is a major insulation material in the area of thermal insulation.

Polisan Yapı has been established in 2006 to evaluate the valuable assets of Polisan Holding. Today, the studies to initiate the flat for land basis projects on the properties in Kağıthane and Kurtköy, which are the fastest growth regions within the context of the urban regeneration project; continue.

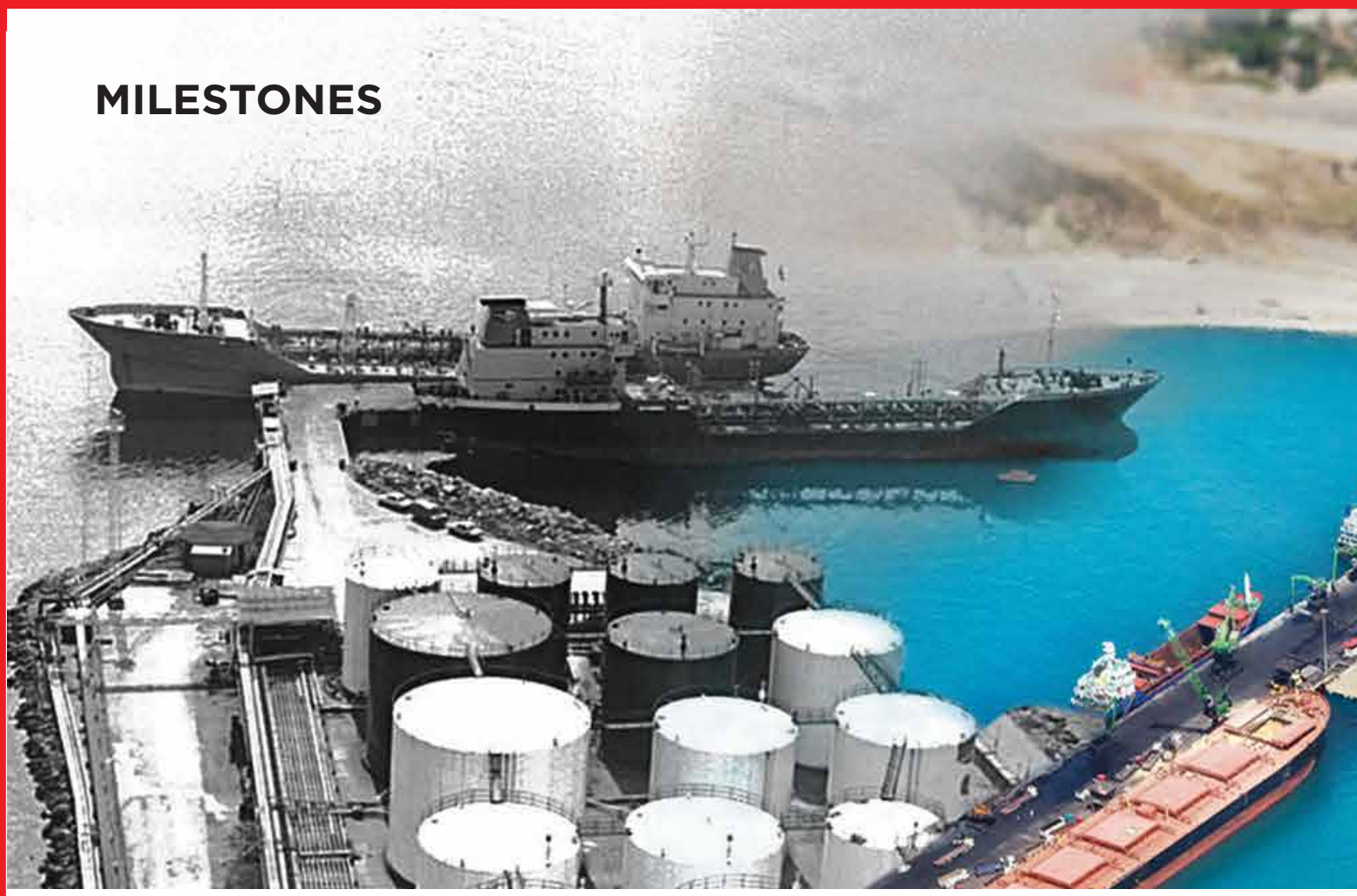
Polisan Tarım was founded in 2011 in line with the measures taken by the Government to reduce Turkey's dependency on food imports. In addition to ornamental plant and stevia, Polisan Tarım grows walnut and almond within the Government's action plan to meet the need in this area. Polisan Tarım is also a new business line that will contribute to Holding's value.

Lastly, Polisan Holding has realized its first investment abroad in 2013 by purchasing an asset, which was up for sale in Greece during the economic bottleneck. Polisan Holding stepped into the "plastic products" segment within the chemicals industry by purchasing 100% of the assets owned by Spanish Artenius Hellas, the sole Polyethylene Terephthalate (PET) resin producer in Greece and Balkan region.

Polisan Holding, carrying out every kind of R&D activities to be the pioneer and the leader in its operating areas, is to strengthen year by year by ensuring the loyalty of its employees and customers. Besides, Polisan Holding's social responsibility projects and sponsorship activities, which aim for the environment with a particular focus on women and children, adopt the principle of adding value to the society.

Having IPO'd its shares on the Bourse Istanbul in 2012 in an attempt to legalize itself as a corporate company, Polisan Holding continues its domestic and international initiatives in an increasing pace, as it is about to celebrate its 50. year in line with its foundation principle of continuous improvement. Polisan Holding is to continue to create high value to its environment and the sectors that it is operating in and have a share in the development of the Turkish society and economy with its superior services and products, in line with its mission.

MILESTONES



1956

- Founded by Bitlis Family, Şark Mensucat's fabric dyeing and weaving integrated facilities started operation in Zeytinburnu.

1961

- Kağıthane Hosiery has been bought and operations continued there.

1964
First Step to 50 Years

- Polivinil Asetat Kimyevi Maddeler Sanayi A.Ş. was established and began production of emulsion resins to be used as paper epoxy, textile finishing material, and paint raw material, in Kağıthane Facilities for the first time in Turkey. In 1967, the Company name was changed to Polisan Kimya Sanayi A.Ş. (Chemical Company).

1968

- The production of formaldehyde resin, used in ply board and formica started, again for the first time in Turkey in Kağıthane Facilities.

1971

- Poliport (Port Operations) was established in Dilovası where Polisan Holding Facilities are located to offer Bulk Liquid Storage Services.

1977

- 100,000 ton capacity urea formaldehyde production facility, armed with the latest technology, was built in Gebze-Dilovası and the production unit in Kağıthane was relocated to Dilovası facilities.

1985

- Polisan Boya Sanayi ve Ticaret A.Ş. (Paint Facility) was established and started paint production.

1994

- The Headquarters relocated to İstanbul from Dilovası.

2000

- The first water based mix machine in the sector was developed, ensuring the factory quality and sales channel was positioned as the production center.
- Polisan Holding A.Ş. (The Holding) was established.

2004

- Polisan Kimya A.Ş. formed a JV with Rohm and Haas, one of the largest emulsion resin producer renown globally.

2006

- Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. (Real Estate Company) was established.

2008

- The brand name of Polisan Boya has been changed to "Polisan" and for the first time in Turkey and globally, Polisan has introduced a new approach, claiming that "we do not produce paint, but home cosmetics, instead". After the registry of the new concept, Polisan products were offered to the consumers as "HOME COSMETICS".

2009

- Polisan Yapı Kimyasalları A.Ş. (Construction Chemicals Company) was established and the sales of concrete additives started. Having had the VDA license, Polisan Kimya has started AUS32 production with the Adblue brand.

2011

- The name of the Polikem Kimya San. ve Tic. A.Ş. has been changed to Polisan Tarımsal Üretim San. ve Tic. A.Ş. (Agriculture Company) and started seedling cultivation activities.
- The loyalty program and collection practice, using a single POS, started in the sector for the first time.

2012

- Polisan Yapı Kimyasalları A.Ş. started the sales of cement chemicals.
- Polisan Holding went public and its shares were started to be traded on Bourse İstanbul.

2013

- The single Polyethylene Terephthalate (PET) granule & preform plant of Greece and Balkans, working as a continuous facility with full automation was purchased in 2013. The new facility, which started its operations in Greece as Polisan Hellas, has a 15.000 m² indoor area and 75.000 m² land.

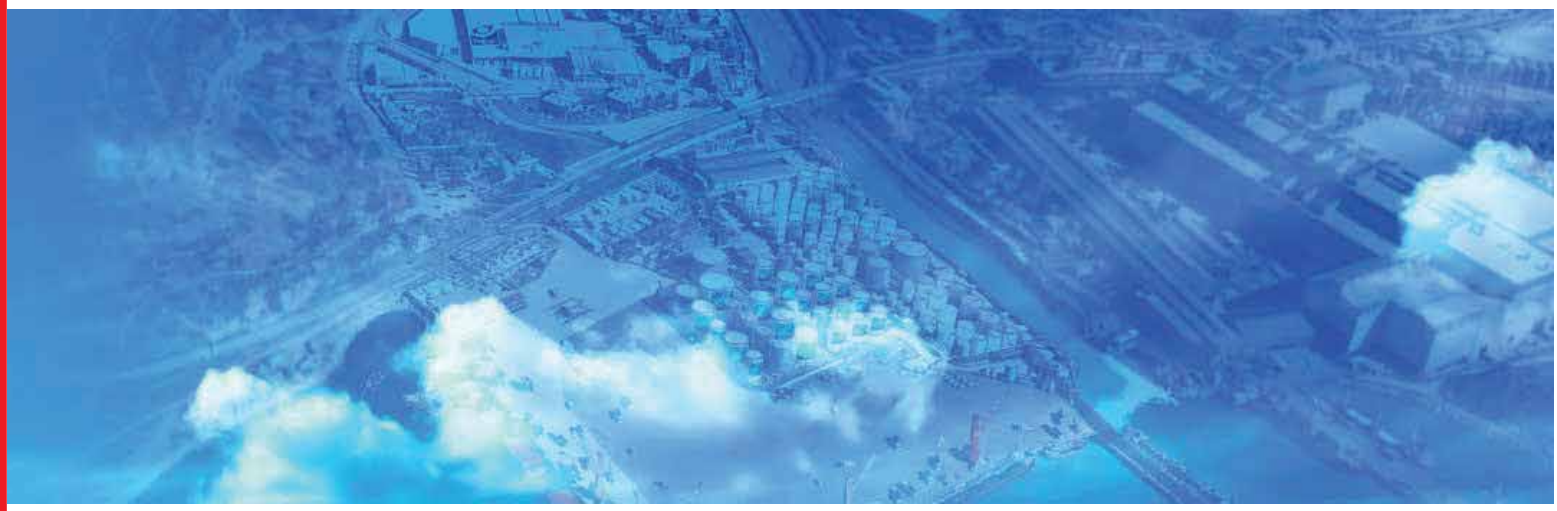
2014

- As it turns 50 in 2014, Polisan Holding, which adopted "continuous development" principle as its motto accelerates its domestic and foreign ventures and continues to be one of Turkey's leading corporations.

OUR VISION

- To be one of the most respected group companies in Turkey
- To be the group of companies, which are most desired to work for by people
- To lead the sectors we compete in and be recognized as the leader

As a result, ensuring sustainable growth and high return to our customers, employees, and shareholders.



OUR MISSION

To have a share in the development of the Turkish society and economy with our superior services, products and create high value to the environment and the sectors that we are in.

OUR STRATEGIC PRIORITIES

Maximizing shareholder value through:

- Sustaining profitable growth of existing businesses
- Maximizing intra-group synergies
- Forming strategic alliances to expand in high margin, new business lines
- Utilizing Holding's other assets in its portfolio
- Professional management dedicated to have a high level of Corporate Governance

CHAIRMAN LETTER

I believe, Polisan Holding, which posted an accelerated growth in recent years, will get even stronger in time and operate at continuous and sustainable profitability levels.

The most outstanding development in the global economy in 2013 was the improvement in the developed countries' economies and the comparatively slowing growth rates in emerging economies. The US economy has posted a better performance than the developed countries' economies, which grew parallel to the expectations. Accordingly, FED's announcements in May 2013, stating that it may reduce the support given to the economy and leave loose monetary policy resulted in capital outflows from the emerging countries' economies and the depreciation of the local currencies against US dollar.

In Turkey, current deficit has increased in 2013 in line with the private sector consumption and public investment expenditures. FED's stance in regards to the monetary policies has negatively impacted the capital inflows and along with the developments in the political arena in Turkey, the Turkish Lira depreciated by 20% against US dollar while the inflation was realized at 7.4%. However, despite the cyclical trends, Turkish economy continued to grow in 2013.

Polisan Holding continued its activities focused on growth in 2013 on the business lines that it is operating and posted a strong operational performance.

The production of Polisan Boya, which has the highest share in Holding's revenues, increased parallel to the growth of the Turkish Paint Industry. Polisan Boya maintained its leadership in the decorative segment and left another successful year behind. Continuing its R&D studies in the context of the "home cosmetics" concept registered for the first time in the world, Polisan Boya offered products and innovative solutions, which are firsts not only in Turkey, but also globally.As for insulation, after the Energy Performance Legislation was officially put in practice, it became mandatory for all buildings to have thermal insulation to save energy until 2017. And the growth trend in the area of insulation, which has been going on since 2008, continued by maintained leadership. In addition to its innovative products and solutions, Polisan Boya keeps at widening production range of auxiliaries, which benefits the Company financially.

Turkey's first formaldehyde resin manufacturer Polisan Kimya kept its focus on the production of new business lines with higher profitability in line with its growth strategy. Accordingly, the share of concrete additives and Adblue©/AUS 32 in revenues increased in 2013. Urbanization, environmental planning and obligation of insulation are expected to further trigger the demand of these products. Within this context, in 2013, Polisan Kimya carried out its studies, initiated to produce Expandable Polystyrene (EPS), which is a major insulation material in the area of thermal insulation.

In addition to evaluating the new opportunities in its operations in Turkey, Polisan Holding expanded overseas in 2013. Polisan Holding has realized its first investment abroad by stepping into the "plastic products" segment within the chemicals industry by purchasing 100% of the assets owned by Spanish Artenius Hellas, the sole Polyethylene Terephthalate (PET) resin producer in Greece and Balkan region. Located on a 75,000 m^2 area, Polisan Hellas' land is eligible to be used for different investments. Additionally, Polisan Holding has undersigned an investment whereas it can use Polisan Kimya's know-how and marketing capabilities, Polisan Boya's sales network, and Poliport's logistic advantages in raw material supply while creating synergies for the Holding in general by means of Polisan Hellas.

Kocaeli Port, where Poliport is carrying out its operations, has been again the Turkey's largest Port in 2013 by capturing a 16% share from the cargo handled in Turkey and 19% share from foreign trade. Kocaeli Port has quite a high growth potential due to its close proximity to the industrial zone where ~45% of Turkey's GDP is generated. Poliport is the only independent and one of the largest chemical storage terminals in Kocaeli Port. The Company continued its growth with higher margin bulk liquid services provided to the chemical industry, which is ranked the second in Turkey's $18 billion exports. The capacity investments initiated for increasing needs are going on.

Polisan Yapı, which has Polisan Holding's valuable real estates, almost finalized the Z Office Project in 2013 and continued studies to initiate a flat for land basis project on its Kurtköy property. Positioned as the second most attractive market for the real estate investors in Europe, Turkey particularly amended the Land Registry and Cadaster Law, Mortgage Law, Tax Laws, and related regulations to reduce the investment process to a few simple steps to ease investors' entrance to the real estate industry in an attempt to preserve and improve the competitive nature of the sector. Additionally, dynamism to be observed in the construction sector along with the Canal İstanbul, 3. Bridge, 3. Airport, İstanbul Financial Center, North Marmara Highway, and Two New Cities Projects, will be the value adding factors not only for the real estates of Polisan Yapı but also Polisan Kimya and Polisan Boya.

In 2013, Polisan Tarım continued its studies to search for feasible land for the plantation of the almond and walnut seedlings, which it nurtured, in line with the Walnut Action Plan and Almond Action Plan introduced by the Government to reduce the dependency on food imports. And, these seedlings were started to be planted. In line with its targets, Polisan Tarım is currently the Turkey's largest walnut and almond seedling manufacturer. By growing different plants, Polisan Tarım both aims to meet the demand of the Turkish economy and increase the value created for its shareholders through a new revenue source in the years to come.

Polisan Holding continued to benefit Turkey in 2013 with its social responsibility projects and sponsorship activities, which are sensitive to environment and aimed at the importance of women in society and development of children.

Being aware of its responsibilities to both Turkey and its shareholders as a listed company, Polisan Holding posted an accelerated growth in recent years, in and outside Turkey, through its investments on new business lines or segments. I believe Polisan Holding will get even stronger in time and operate at continuous and sustainable profitability levels.

I thank to our loyal customers, shareholders, employers, dealers, and vendors who carried Polisan Holding with success up to its 50. year.

NECMETTİN BİTLİS

POLISAN HOLDING BOARD OF DIRECTORS

NECMETTIN BITLIS
He was born on December 1, 1928 in Malatya. After having graduated from Commercial High School, he started working in 1955. Necmettin Bitlis, currently Chairman of the Polisan Holding BoD, is also the Chairman of Polisan Boya, Polisan Kimya, Poliport, Polisan Tarım, Polisan Yapı, Şark Mensucat. Additionally, Mr. Bitlis is the founding member of Malatya Education Fund, President of Dilovası Industrial Zone Entrepreneurs' Board and the member of Turkish Industry and Business Association.

MEHMET EMIN BITLIS
He was born on August 22, 1958. He was graduated from BundesaufbauGymnasium in Horn, Austria in 1978 and Wirtschaets Universiteat in Wien, Austria in 1984. He started his professional career in 1985. Mehmet Emin Bitlis is currently the Deputy Chairman of Polisan Holding, Polisan Boya, Polisan Kimya, Polisan Tarım and Polisan Yapı. Additionally, he is the Board member of Poliport, Polisan Hellas, Şark Mensucat and Rohm and Haas. Mr. Bitlis is also a member of the Malatya Education Fund.

AHMET ERTUGRUL BITLIS
He was born on May 31, 1961 in Istanbul. He was graduated from Boston University, Production Engineering (BSc) in 1983 and he had a master's degree from the same university in 1984 on Mechanical Engineering. He started his professional career in 1986. Ahmet Ertuğrul Bitlis is currently the Board member of Polisan Holding, Polisan Boya, Polisan Kimya, Polisan Tarım, Polisan Yapı, and Şark Mensucat. He is also the Deputy Chairman of Poliport.

AHMET FAIK BITLIS

He was born on August 29, 1962 in Istanbul. He was graduated from Deutsche High School in Istanbul in 1981 and Bosphorus University, Industrial Engineering (BSc) in 1986. He had a master's degree from Istanbul University International Management Program in 1990 and completed Harvard Business School Owners and Presidents Certificate Program in 2004. He started his professional career in 1987. Ahmet Faik Bitlis is currently the Board member of Polisan Holding, Polisan Boya, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, Poliport, and Rohm and Haas. He is the Chairman of Polisan Yapı Kimyasalları. Additionally, Mr. Bitlis is the Chairman of Association of Paint Industry (BOSAD), Treasurer Member at İstanbul Minerals and Metals Exporters' Association (IMMIB), Member of Malatya Education Fund's Board of Trustees, and Member of Board of Directors at Deutsche High School Culture and Education Fund.

FATMA NILGUN KASRAT

She was born on April 1, 1964 in Istanbul. She was graduated from Notre Dame de Sion French Girls High School in 1983 and Istanbul Technical University (ITU), Chemical Engineering (BSc) in 1987. She started her professional career in 1987. Fatma Nilgün Kasrat is currently the Board member of Polisan Holding, Polisan Boya, Polisan Kimya, Polisan Tarım, Polisan Yapı, Şark Mensucat, and Poliport.

POLISAN HOLDING BOARD OF DIRECTORS

EROL MIZRAHI
He was born on September 2, 1954 in Edirne. He was graduated from University of Istanbul, Faculty of Law in 1977. Having carried out several managerial responsibilities since 1976 within Polisan Holding, he was assigned as the Holding's General Coordinator and General Manager of Polisan Boya at the second half of 1998 and Polisan Holding's CEO as of 2005. Erol Mizrahi is currently the Board member of Polisan Holding, Polisan Boya, Polisan Kimya, Polisan YapiKim, Rohm and Haas, Polisan Tarım, Polisan Yapı, Poliport, Polisan Hellas, and Şark Mensucat. Additionally, he is the Board member of Association of Paint Industry (BOSAD).

ALI FIRAT YEMENICILER
He was born in 1956 in Istanbul. He was graduated from Saint Joseph High School in 1975. After having graduated from University of Istanbul, Chemical Engineering (BSc) in 1981, he had a master's degree at University of Brussels on Petrochemicals (MSc). After having worked at Societe General de Surveillance as Petrochemicals Unit Manager and at Union Carbide as Turkey General Manager between 1985 and 1995, he joined Polisan Holding in 1995. Ali Fırat Yemeniciler is currently the General Manager of Poliport, the Executive Committee Member of Polisan Holding and the member of the Board of Poliport, Polisan Holding, and Polisan Hellas. Additionally, he is the Council Member at Chamber of Shipping and Vice President of Port Operations Committee.

YAHYA MEHMET IZZET OZBERKI
He was graduated from Galatasaray High School and University of Ankara; Political Sciences (BSc), Faculty of Economics, and had a masters degree on Economics, from Middle East Technical University (METU). He has been a Research Fellow at Gazi University for 5 years. Mr. Özberki, who has a work experience of 30 years, owns a Corporate Financier (CF) degree from the Institute of Chartered Accountants of England and Wales.

AHMET TEMIZYUREK
He was graduated from the University of Ankara; Political Sciences (BSc) in 1995. At the same year, he started to work as an Associate Account Expert at the Account Expert Board. Having succeeded at Proficiency Exam, he was assigned as the Account Expert in 1999. He became Chief Account Expert in 2006. He completed his masters at the University of Boston on Financial Economy, E-Trade, Systems and Technologies (MSc) between 2006 and 2008. He resigned his duty as an Account Expert in 2010. He is currently the Sworn Financial Advisor.

CEO LETTER

2013 has been a year of success when we undersigned projects that made us feel proud for Turkey and Polisan Holding as well as a year of growth on all business lines.

In 2013, as Polisan Holding, we had a successful year when we recorded growth on all business lines. Our revenues increased by 15.1% compared to a year ago to TRY584.5 million thanks to our paint, port, and chemical activities. In 2013, the foreign exchange volatility in the emerging markets due to FED's financial policies and the political developments realized in the last quarter of the year in Turkey resulted in the depreciation of Turkish Lira against the US dollar. However, our consolidated EBITDA increased by 18.3% to TRY90.7 million and despite the pressure of the imported raw materials on our profitability along with rising currency, EBITDA margin rose 0.4 basis points to 15.5%. Due to the fictive increase in financial expenses related to our investments to grow business, Holding's net profit decreased by 41.9% to TRY29.0 million.

As Polisan Boya, we maintained our leadership in the decorative segment in 2013, continuing on R&D studies and offering globally unique, innovative solutions so as to ensure customer loyalty and satisfaction. As a result of an industrial cooperation, we offered the Ecologic Plaster and Ecologic Paint, which sweep away the stink, to the service of our customers. We launched Turkey's first water based, Granite effect exterior paint Exelans Granit, which has high-alkali endurance and resistance to fade, rain, damp, and salty damp by the seashore. We also offered the sector's first wood protector spray varnish, which can be easily applied by amateurs. Additionally, we introduced Turkey's and World's first water based metal paint, which can be directly applied to the rusty surfaces and saves time and labor by substituting base coat and top coat application.

We further strengthened our leadership in the insulation market that we have been operating since 2007 within Polisan Boya through services we developed in 2013. Exelans Energy Package System led the Turkish Insulation Market, which has been growing along with the Energy Performance Legislation. With the legislation that was put in practice in 2008, it became mandatory for all buildings to have their Energy Identification Certificates until 2017 by completing the thermal insulation. Between 2008 and 2013, the compounded annual growth rate of Exelans Energy Package System was at 67.0% on square meter basis whereas the compounded annual growth rate of insulation revenues were at 74.1%. In 2013, we broke a new ground not just in the paint and insulation industry, but also in the insurance sector globally, by undersigning a first and launching "Polisan Insulation Insurance". Even though, the pay back period of insulation is a short time as 3-5 years, the initial cost of investment is quite high at 1-3% of the total cost of the building. In case low quality, cheap systems are preferred, the repair and labor expenses are very close to the initial investment amount, which together sums up to an even higher cost. So, we combined Polisan Boya quality with insurance to ease the lives of our customers in their thermal insulation system preference.

In our chemical activities, as Polisan Kimya, we concentrated on the Adblue©/AUS 32 and construction chemicals production while continuing our studies initiated last year to manufacture Expandable Polystyrene (EPS), which is used for thermal insulations, in Turkey. Meanwhile, we established Polisan Hellas that we owned by 100%, to purchase 100% of the assets of Spanish Artenius Hellas, the sole Polyethylene Terephthalate (PET) resin producer in Greece and Balkan region with an annual PET granule and preform production capacity of 80,000 tons. We purchased the facility, which is worth €50 million, for a very negligible amount at approximately €9 million including taxes. We started production in 2014 in this facility, which has a potential revenue generation of €100 million levels when it works at full capacity and the output is completely sold out. Currently, we started to set up our clientele and we will focus on value adding activities for our shareholders by means of this investment.

On the port activities front, while the cargo handled in Europe's leading ports contracted due to cyclic reasons, the cargo handled in Kocaeli Port in 2013 was realized at 2012 levels. However, Kocaeli Port maintained its leadership in terms of its share in the cargo handled in Turkish ports and Turkey's foreign trade. The cargo handled at Poliport increased by approximately 15% compared to a year ago. We have observed an improvement in Poliport's revenues in 2013, which we believe to be sustainable, after the coal importers that were temporarily relocated in 2012 restarted their operations at the Port.

As per Polisan Yapı, Z Office Project, which we own by 42%, has come close to finalization as 2013 was near to end. Z Office Project has 304 offices and 61 shops located on a 9,773 square meter land. While the fine work continues as we approach 2014, we expect these offices to be up for sale this year. We believe these offices in Kağıthane, which is a rapid urbanization area and easily accessible in terms of transportation, are to be sold rapidly. Meanwhile, we continue discussions for a flat for land basis project on Kurtköy property, which is around 175,000 square meter and close to Sabiha Gökçen Airport.

In 2013, Polisan Tarım started to plant 100,000 walnut seedlings and 200,000 almond seedlings that it grew in its own plantations. The agricultural activities started on a 317,000 square meter land in Balıkesir, Ivrindi, is to continue on 1,215,000 square meter land, which increased along with the purchases during the year. Polisan Tarım continues negotiations with the Government to buy and lease land for establishing the Turkey's largest walnut and almond plantation on a total of 1,000 hectare land and to produce 6,000 tons per year. So far, 41,000 walnut and 20,000 almond seedlings were planted, and 100,000 walnut seedlings were started to be grown in 2013, in addition to the existing ones. We aim to add value for both our shareholders and Turkey with the output that we will receive in 7 years.

In 2013, while we carry on our activities, we continued our social responsibility projects aiming to increase the life quality of particularly our women and children. In addition to the "Every Voice One Breath-3" campaign that we initiated to raise the consciousness of the public on the violence against women, we sponsored Famous American Gibney Dance Group, which draws attention on this issue in the US, to come to Turkey. We also supported the Hand in Hand with Small Hearts Association's ball organized for the children who have to live in the nurseries and orphanages bound to the Ministry of Family and Social Policies, General Directorate of Child Services. Additionally, we continued our studies on the Polisan Education, Culture, and Indoor Sports Facility, which we target to complete in 2014.

As we approach 2014, FED's decision to reduce its monthly purchases, which have been going on for a year, may be expected to increase the pressure on the growth of emerging countries. In this context, in order for maintaining the economic stability in Turkey, in addition to the current deficit, Central Bank's financial policies, and inflation management, the application of the structural reforms will be of priority. In 2014, we will continue our studies to ensure cost efficiency with a focus on more profitable, new business lines for the growth to be sustainable. Despite the economic and political uncertainties, along with the contribution of Polisan Hellas in 2014, we aim to grow our revenues at growth rates similar to that in 2013 and maintain our EBITDA margin at 2013 levels.

Looking back in 2013, we see that we undersigned projects, which made us feel proud for our country and Polisan Holding. We thank to our shareholders for their continued support, employees, business partners, and customers.

EROL MİZRAHİ

POLISAN HOLDING EXECUTIVE COMMITTEE

EROL MIZRAHI
He was born on September 2, 1954 in Edirne. He was graduated from University of Istanbul (IU), Faculty of Law in 1977. Having carried out several managerial responsibilities since 1976 within Polisan Holding, he was assigned as the Holding's General Coordinator and General Manager of Polisan Boya at the second half of 1998 and Polisan Holding's CEO as of 2005. Erol Mizrahi is currently the Board member of Polisan Holding, Polisan Boya, Polisan Kimya, Polisan YapiKim, Rohm and Haas, Polisan Tarım, Polisan Yapı, Poliport, Polisan Hellas, and Şark Mensucat. Additionally, he is the Board member of Association of Paint Industry (BOSAD).

ALI FIRAT YEMENICILER
He was born in 1956 in Istanbul. He was graduated from Saint Joseph High School in 1975. After having graduated from University of Istanbul, Chemical Engineering (BSc) in 1981, he had a master's degree at University of Brussels on Petrochemicals (MSc). After having worked at Societe General de Surveillance as Petrochemicals Unit Manager and at Union Carbide as Turkey General Manager between 1985 and 1995, he joined Polisan Holding in 1995. Ali Fırat Yemeniciler is currently the General Manager of Poliport, the Executive Committee Member of Polisan Holding and the member of the Board of Poliport, Polisan Holding, and Polisan Hellas. Additionally, he is the Council Member at Chamber of Shipping and Vice President of Port Operations Committee.

ISMAIL HALUK ERSEN
He was born in 1955 in İstanbul. He was graduated from Galatasaray High School and Istanbul Technical University (ITU), Chemical Engineering (BSc), respectively. He had a master's degree on Polymers Chemistry (MSc) at the same university. He has worked as Research Fellow at ITU until 1981, and then he started to work for private sector companies. He held various managerial positions at Yaşar Group's Multinational JV's. Then, he worked as the Country Manager and General Manager of Rohm and Haas, Turkey between 1999 and 2010. Haluk Erşen, who has been working within Polisan Holding since 2010, is currently the General Manager of Polisan Kimya and he is the Board Member of Polisan Yapı Kimyasalları ve Polisan Hellas.

AHMET TURKSELCI

He was born in 1960 in Trabzon. He was graduated from Hacettepe University; Faculty of Economics & Administrative Sciences, Department of Economics in 1984. Then, he held various managerial positions in Banking and Manufacturing sectors for 30 years. Mr. Türkselçi is Human Resources Director at Polisan Holding since July 2012. He is also a member of Peryön.

NECATI HAKOGLU

He was born in 1952 in Adana. After having graduated from ITU, Chemical Engineering in 1974, he had a masters degree (MBA) from IU, Faculty of Economics. Having had a total work experience of 30 years at Henkel, and after its spin-off, at Cognis, Mr. Hakoğlu has been the Site Director of Polisan Holding's Dilovası Facilities and member of Polisan Holding's Executive Committee since 2008. Additionally, he is the General Manager of Şark Mensucat since the beginning of 2014. Mr. Hakoğlu is the Board Member of Kocaeli Chamber of Industry and Turkish Chemical Manufacturers Association. He is also the Executive Committee Member of the Turkish Quality Association.

The total amount of salaries and side benefits paid to the Senior Management is TRY2,122,985 as of December 31, 2013. Of this, TRY1,707,276 is salary, TRY406,364 is bonus, TRY9,345 is severance payment and other benefits (December 31, 2012:TRY1,991,768). Holding defines Board Members, General Managers and Deputy General Managers as Senior Management.

EVALUATION OF 2013 AND TARGETS

POLISAN HOLDING CONTINUES PROFITABLE GROWTH TREND...

POLISAN HOLDING

TRY (million)	FY 2012	FY 2013	YoY (%)	Q4 2012	Q3 2013	Q4 2013	YoY (%)	QoQ (%)
Revenue	507.9	584.5	15.1%	106.8	147.2	123.4	15.5%	-16.2%
EBITDA	76.7	90.7	18.3%	14.4	25.4	9.4	-34.5%	-62.9%
EBITDA Margin	15.1%	%15.5	0.4 b.p.	13.5%	17.2%	7.6%	-5.9 p.p.	-9.6 p.p.
Net Income	49.8	29.0	-41.9%	19.1	8.9	-0.8	-104.1%	-108.8%

Polisan Holding's revenues increased by 15.1% in 2013 compared to a year ago and were realized at TRY584.5 million due to the strong performance posted by Polisan Holding's activities in paint, chemistry, and port operations.

Along with that, particularly due to Polisan Boya's operational profitability, consolidated EBITDA, which was at TRY76.7 million in 2012, has increased by 18.3% to TRY90.7 million. Meanwhile, EBITDA margin grew by 0.4. p.p. to 15.5% despite the rising cost of imported raw materials along with increasing foreign exchange rate.

Net profit decreased by 41.9% compared to 2012 to TRY29.0 million due to the fictive increase in financial expenses along with fluctuating foreign currencies.

As for 4Q13, the positive impact of the increase in f/x rates had particularly on Polisan Kimya's and Poliport's sales prices, resulted in a 15.5% rise compared to 4Q12 in revenues, which were realized at TRY123.4 million. However, due to the increase in costs of f/x denominated raw materials, EBITDA margin declined 5.9 p.p. to 7.6%. Consequently, again due to the fictive impact of f/x fluctuations on financial expenses, TRY19.1 million net profit turned into a TRY0.8 million net loss with a 104.1% decline.

Polisan Holding's strong operational performance in 2013 was supported by the increase in revenues and profitability of its main business lines.

POLISAN BOYA'S SHARE IN GROWING INSULATION MARKET INCREASES...

POLISAN BOYA

TRY (million)	FY 2012	FY 2013	YoY (%)	Q4 2012	Q3 2013	Q4 2013	YoY (%)	QoQ (%)
Revenue	340.9	390.2	14.5%	60.5	92.9	66.1	9.3%	-28.8%
EBITDA	41.9	56.2	34.3%	4.4	13.3	2.7	-38.2%	-79.3%
EBITDA Margin	12.3%	14.4%	2.1 p.p.	7.3%	14.3%	4.2%	-3.1 p.p.	-10.1 p.p.
Net Income	18.7	5.9	-68.4%	-1.4	0.9	-9.9	n.m.	n.m.

Polisan Boya's revenues in 2013 were realized at TRY390.2 million, increasing by 14.5% compared to 2012 mainly due to higher paint production and prices as well as growing contribution of insulation revenues.

Despite the cost of imported raw material, which increased along with f/x rates in the fourth quarter, EBITDA increased by 34.3% compared to 2012. This was mainly due to the fact that the raw material prices stabilized overall in 2013 after its fluctuation in 2012. During the same period, EBITDA margin rose 2.1 p.p. to 14.4%.

Due to the fictive impact of increasing f/x rates on financial expenses during the fourth quarter, net profit in 2013 decreased by 68.4% compared to 2012 and was realized at TRY5.9 million.

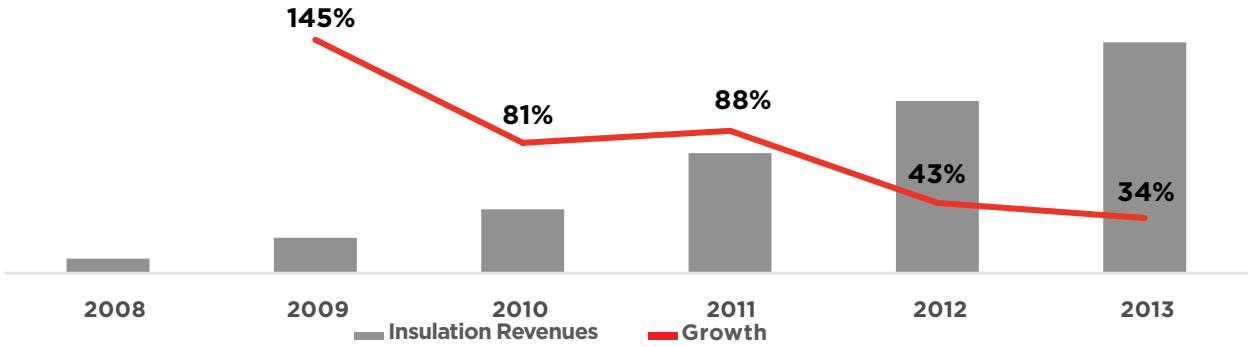
Along with increasing sales volume and prices, Polisan Boya's revenues in 4Q13 increased by 9.3% compared to 4Q12 and were realized at TRY66.1 million. However, EBITDA margin declined by 3.1 p.p. to 4.2% due to the f/x fluctuation in the fourth quarter and the fact that the largest cost item; namely, raw material is imported.

Again, due to the fictive impact of f/x fluctuations on financial expenses, the net loss, which was at TRY1.4 million in 4Q12 was realized at TRY9.9 million in 4Q13.

Looking at business lines, the revenues of paint, insulation, and auxiliaries increased by approximately 11.6%, 34.1%, and 38.1%, respectively in 2013 compared to 2012.

The main reason of the increase of paint revenues is the increasing sales volume parallel to the market and higher prices.

Insulation revenues started to grow after the Energy Performance Legislation was officially put in practice and that insulation of the buildings became obligatory to save energy. Continuation of this trend may be expected as all buildings should have Energy Identification Certificates until 2017.



As for auxiliaries, it is a business line, contributing to Polisan Boya's revenues, though at quite a small share.

POLISAN KIMYA FOCUSES ON NEW BUSINESS LINES, GENERATING HIGHER REVENUES...

POLISAN KIMYA

TRY (million)	FY 2012	FY 2013	YoY (%)	Q3 2012	Q3 2013	Q4 2013	YoY (%)	QoQ (%)
Revenue	125.4	145.8	16.2%	34.7	40.2	42.6	22.7%	5.9%
EBITDA	10.9	12.1	11.2%	3.1	4.7	2.6	-14.9%	-44.3%
EBITDA Margin	8.7%	8.3%	-0.4 p.p.	8.9%	11.7%	6.2%	-2.7 p.p.	-5.5 p.p.
Net Income	6.2	3.6	-41.3%	1.4	2.6	-0.7	-149.9%	-127.2%

Polisan Kimya's revenues increased 16.2% to TRY145.8 million in 2013. Meanwhile, Polisan's chemical activities continued to grow in more profitable, new business lines as well as countries outside of Turkey.

EBITDA margin was realized at 8.3%, just by a 0.4 p.p. impact despite the increasing imported raw material costs. Due to the fictive impact of increasing f/x rates on financial expenses, net profit decreased by 41.3% to TRY3.6 million.

As for 4Q13, the increasing sales volume of the higher revenue generating products in the product mix and the positive impact of the increasing f/x rates on the sales prices resulted in an increase in Polisan Kimya's revenues by 22.7% compared to 4Q12 to TRY42.6 million. However, EBITDA margin decreased by 2.7 p.p. to 6.2% due to the impact of f/x fluctuation while TRY1.4 million net profit recorded in 4Q12 turned into a net loss of TRY0.7 million in 4Q13 due to the fictive increase on financial expenses.

Looking at business lines, the revenues of formaldehyde, Adblue©/AUS 32, construction chemicals, and other products increased by approximately 6.6%, 41.4%, 37.4%, and 46.8%, respectively in 2013 compared to 2012.

While the growth rate of revenues coming from the formaldehyde and resins, which have vertical integration in their sectors, has been diminishing; the growth in other products accelerates in line with the growth strategy, which focuses on the production of new business lines, generating higher revenues. Urbanization, environmental planning, and obligation of insulation will be the triggering factors for the increasing share of concrete additives and Adblue©/AUS 32 in revenues.

EVALUATION OF 2013 AND TARGETS

POLIPORT IS AGAIN ON TRACK OF GROWTH TREND IN 2013...

POLIPORT

TRY (million)	FY 2012	FY 2013	YoY (%)	Q4 2012	Q3 2013	Q4 2013	YoY (%)	QoQ (%)
Revenue	47.2	54.4	15.2%	12.8	14.4	15.7	22.2%	8.8%
EBITDA	20.3	22.7	11.8%	6.2	6.5	7.2	16.4%	10.8%
EBITDA Margin	43.0%	41.7%	-1.3 p.p.	48.3%	45.1%	46.0%	-2.3 p.p.	0.9 p.p.
Net Income	7.4	10.4	40.2%	2.2	3.2	4.2	91.9%	28.6%

Poliport, operating in the Turkey's largest port; Kocaeli, increased its revenues by 15.2% in 2013 compared to 2012. One of the main reasons of the increase was the removal of the one-time negative impact on the company's operations, which stemmed from the relocation of the coal importers in 2012, and the handling of coal, which restarted in 2013.

EBITDA has increased by 11.8% compared to 2012, however along with the effect of the change in the product mix handled, EBITDA margin slightly decreased by 1.3 p.p. to 41.7%. Net profit has increased by 40.2% to TRY10.4 million due to the increase in income stemming from the f/x rate differences.

As for 4Q13, Poliport's revenues increased by 22.2% compared to 4Q12 to TRY15.7 million. However, EBITDA margin has been affected from the change in the product mix handled and was realized at 46.0%. Net profit has increased by 91.9% to TRY4.2 million due to the f/x income.

Looking at business lines, the revenues of bulk liquid storage, stevedoring services, and warehouse services increased by approximately 6.2%, 27.7%, and 51.7%, respectively in 2013 compared to 2012.

Increasing business volume due to Turkey's foreign trade, Poliport's increasing capacity, and synergies expected to be created with the Holding companies are to contribute to the sustainability of the growth and profitability trend in 2013.

ACTUAL RESULTS AND FORWARD LOOKING EXPECTATIONS

In 2013, Polisan Holding has realized all of its targets on all business lines. The macroeconomic hurdles in global markets and Turkey may continue in 2014. However, Polisan Holding continues its market share increasing activities by taking measures, which will decrease the impact of potential f/x fluctuations to minimum, at different business lines that it is operating. Despite the economic and political uncertainties, Polisan Holding aims to increase its revenues by 2013's growth rates and post an EBITDA margin at 2013 levels in 2014 along with the Polisan Hellas' contribution in Greece.

Polisan

HOME COSMETICS

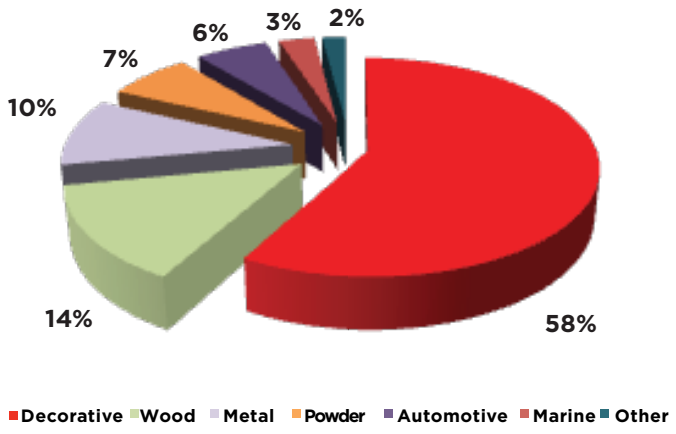
PAINT

PAINT INDUSTRY IN TURKEY

TURKISH PAINT INDUSTRY IS AN ~$2 BILLION MARKET.

Turkish Paint Industry, which has an annual production capacity of approximately 850,000 tons with ~60% Capacity Utilization Rate, is currently ranked the sixth largest paint producer in Europe. Having a value of $2 billion with 750,000 tons by the end of 2012, the share of Turkish Paint Industry in global paint market is approximately 2%. Based on 2011 sales figures, it is also the third largest market in Europe.

Decorative segment has the largest share in the market with an ~60%:



Being a sub-product segment of chemicals industry, Paint Industry is integrated to a wide range of industrial areas, such, in particular, as construction, automotive, metal, electronics industry, printing, woods-furniture.

Based on the breakdown of usage areas, construction paint captures the largest share by 58% from the Turkish Paint Industry and this is followed by wood paint by 14%, metal paint by 10%, powder paint by 7%, automotive paint by 6%, marine paint by 3%, and 2% by other paints. The annual production of decorative paint is approximately 520,000 tons.

Turkish market is also going through consolidation like the global market:

It is forecast that approximately 80% of the global paint production is carried out by 20 companies and 40% of the market is dominated by the 3 large companies. In recent years, in addition to the developments particularly in the area of environment, technology and R&D, it is being observed that small and medium scale companies are to merge with large groups along with increasing raw material costs.

Paint companies in Turkey are clustered in the Marmara, Aegean, Central Anatolia, and Mediterranean Regions, with the industries they are integrated into. Based on the Paint Industry Association's ("BOSAD") forecasts, in Turkey where there are 600 producers of differing scales from large to small, only 20 of the manufacturers have mid to large scale production capacity and technology. The market, 70% captured by the 4 largest producers, is going through a consolidation along with increased competition. So that, the share of black market/off-standard production, which was at 40% levels five years ago, has decreased to 25% levels. Particularly, for the last 10 years, Turkey has become a very attractive regional market armed with production facilities at global technology standards along with majority of the large scale paint companies that have become accredited and studies of R&D centers in the incentive system. There are already two international brands operating in Turkey.

Investments are shifting to emerging companies and Turkey's exports are increasing:

The global paint production is shifting from the developed US and EU member economies towards regions such as Asia, Korea, India, and China along with increasing demand in developing countries. In this context, it is observed that the exports in Turkish paint and its raw materials' industries have rapidly increased to $700 million levels in 2012 from $30 million levels at the beginning of 2000's. Exports were mainly made to Middle East, Middle Asia and Balkan Countries where construction sector is buoyant.

Based on the industrial evaluation carried out by BOSAD during the IX. Development Plan, the multinational paint manufacturers, particularly working in matured West European paint market operating at low growth rates and high costs, began to shift their investments towards new member European Union ("EU") countries or Middle and East European candidate countries. Accordingly, Turkey is one of the markets with growth potential both in terms of production and exports.

High working capital requirement due to seasonality:

April through September is the peak period for the Paint Industry in terms of demand. There is need for high working capital requirement due to seasonality and costs increase particularly at times when Turkish Lira depreciates against foreign currencies as 70% of the sector's main inputs and excipients are not manufactured in Turkey but imported, instead. The imports of the Paint Industry in 2012 were realized approximately at $1.8 billion. In the days to come, the investment opportunities for the main raw materials of a particular economic and commercial scale are subject to evaluation, particularly within the foreign capital investments framework and state's incentive system, depending on the economies of scale.

~85% of the production is composed of water based paints:

It is possible to manufacture human and environment conscious products that have also long-lasting lives by means of new production techniques developed. Besides, there is increasing interest in paints, which are more durable, service-oriented, easily rubbed, high performance, rich in terms of color variation and have reduced environmental effects (such as the ones, which involve less Volatilizable Organic Compound (VOC) or do not involve heavy metal, etc). 85% of the paint manufactured in the Turkish market is water based.

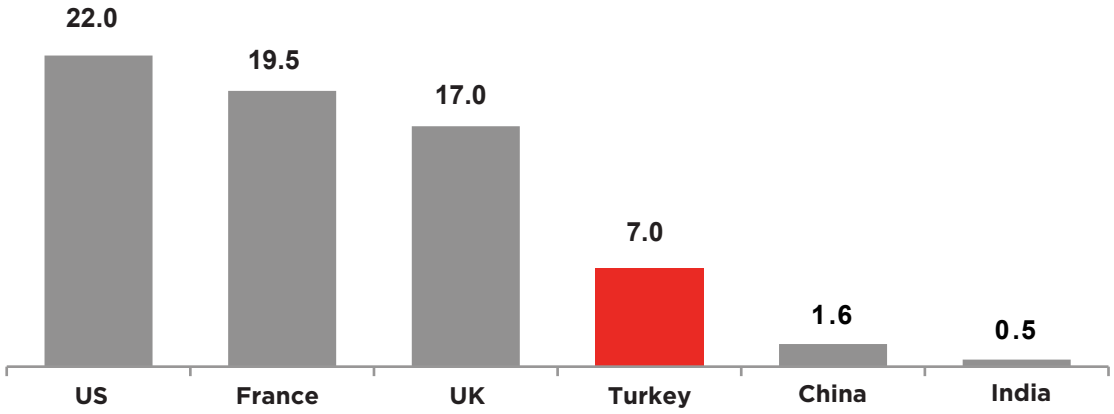
Buy-It-Yourself trends gain importance:

The clientele of the Turkish Paint Industry is composed of sales channel (wholesalers, retailers, and construction markets), household, and painters. In recent years, the painters and the end users are emphasizing the color preference and quality even more. Accordingly, instead of manufacturing every type of color to be delivered to the retailers, manufacturing the base colors and using mix machines to provide products with colors and shades of preference for the customers' taste at the retail point of sales have gained importance.

There is a rapid growth in exterior insulation along with changing legislation:

Since the legislation on Energy Performance in Buildings has become effective, the insulation of buildings is mandatory for energy saving.

Per capita paint consumption is quite low in Turkey:



Per capita paint consumption in developed countries, at around 20-25 kg on average, is approximately 12 kg in Turkey. As per decorative paint, it is only 7 kg.

Demand in Turkish decorative paint segment continuously grows:

The compounded annual growth rate of production in Turkish Paint Industry between 2005 and 2012 is 6%. As 90% of the demand for decorative paint, which captures approximately 60% share from the industry, stems from the renovation related requirements, the demand for decorative paint may still continue even in years when the construction sector contracts.

The factors ensuring continuous growth of the Turkish Paint Industry are:

- Turkey's young and increasing population
- Decreasing population per household
- Increasing income level of the household
- Urban Regeneration Project
- 18 million households available for renovation
- Strong demand for buildings particularly in the regions affected by the earthquake
- 100,000 new building permissions received annually
- Obligation for exterior insulation
- Obligation for thermal insulation

Paint Industry's target within its 2023 vision is to reach a scale of $8 billion along with the foreign investments and exports as well as the developments in the area of interior architecture, Urban Regeneration Project, and demand for thermal insulation systems.

POLISAN BOYA SANAYI VE TICARET A.S.

POLISAN BOYA; THE INVENTOR AND EXECUTOR OF THE FIRSTS IN TURKEY AND GLOBALLY!

Having started the commercial activities in 1920's with textile, Bitlis Family has stepped into the chemicals industry in Turkey in 1964 as the first emulsion resins manufacturer in Turkey and commenced production in 1985 with the Polisan Boya brand name.

The brand name of "Polisan" whose primary activities are to produce and sell paint, varnish, resin and other surface coating and insulation materials was originated from the words "Poli Vinil Asetat" (Poly Vinyl Acetate; PVA, is a glue, the raw material, binding the paint) and "Sanayi" (stands for Industry in Turkish).

Polisan Boya leads the decorative paint segment, capturing the largest 60% share from Turkish Paint Industry.

Basing its differentiation strategy on the "Polisan does not produce paint, it produces Home Cosmetics" approach; Polisan Boya has emphasized the fact that paint is not all about colors and in addition to its functional benefits of maintenance and repairment, paint provides esthetics for the environment.

Accordingly, it is the first company introducing "Home Cosmetics" approach to the World along with the "Home Cosmetics" concept that it has registered since 2008. And it takes firm steps forward to be a global brand name with the innovative practices and solutions adopted for the first time not only in Turkey but also globally.

It has restructured its shops in the sales channel so as to promote "Buy-it-Yourself" concept as a habit for women.

Polisan Insulation Insurance, which insures thermal insulation systems made up of Exelans Energy products, is a global first in the area of insulation.

It has produced Turkey's first "oil-paint" equivalent, water based, high gloss, top coat paint with its health caring, environmentalist, and innovative identity.

It has developed Turkey's first 7 feature interior, 9 feature exterior paint, water-based, Granite effect exterior paint, wood protector spray varnish, and World's first water-based metal paint.

It has developed the sector's first water based mix machine, providing products at the factory quality while turning sales channel into the production center and ensuring effective inventory management.

Using a single POS, it started the sector's first loyalty program and collection practice, which ensures both a problem free collection process and loyalty of the painters registered in the system.

Dilovası Facilities, located 400 meters away from the Gulf Transit Project, strengthens Polisan Boya's logistic position.

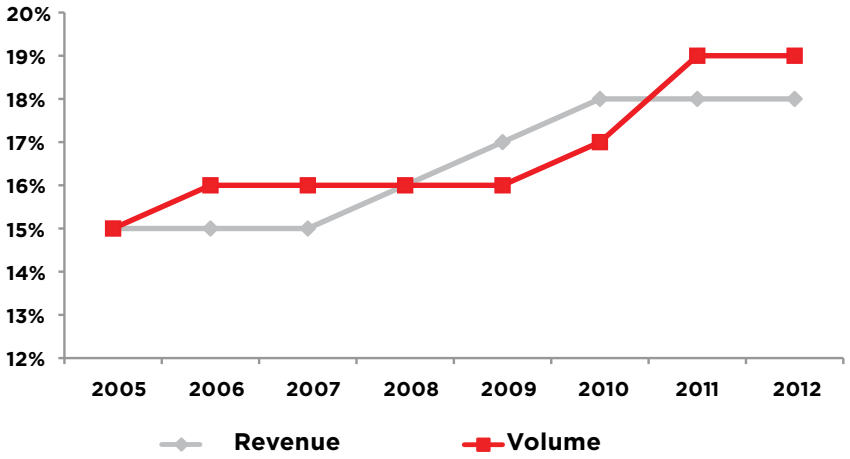
Parallel to the increasing foreign interest to the Turkish Paint Industry, foreign investors are interested in and in discussions for a potential cooperation and partnership with also Polisan Boya; one of Turkey's leading paint companies.

In the long term, Polisan Boya targets to move from its existing production facilities in Dilovası Organized Industrial Zone ("OSB") to the land in Gebze Chemical Specialization Organized Industrial Zone ("GEBKIM") owned by Polisan Kimya and then increase its capacity to 250,000 tons.

POLISAN BOYA IS THE LEADER OF DECORATIVE PAINT SEGMENT!

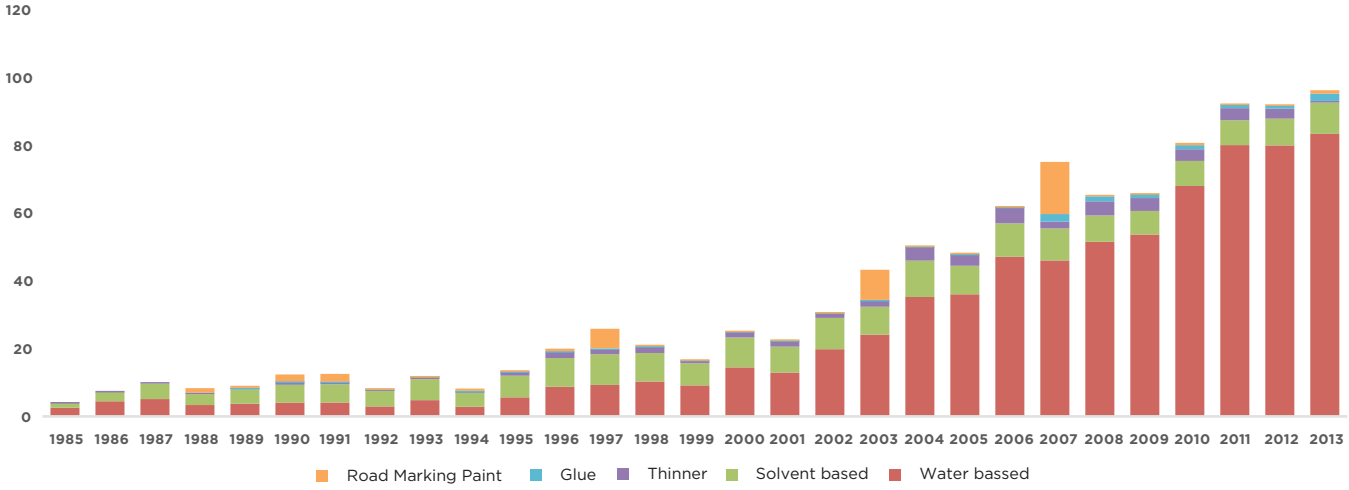
Located on a 23,000 square meter open/closed land, Polisan Boya facility in the Dilovası Organized Industrial Zone manufactures products at global standards. The region's close proximity to two main highways, a railway and the port, increases its logistic importance even more.

Based on BOSAD 2012 data, Polisan Boya, which had a 18% share in revenues, and 19% in volume, led the decorative segment, having the largest share in the paint industry. Polisan Boya maintained its leadership in 2013 as well.

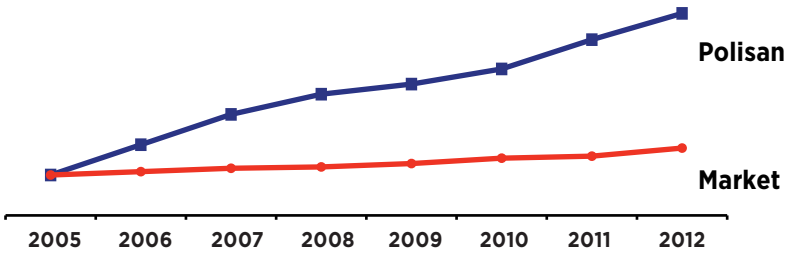


Having increased its production capacity by 18 times to 180,000 tons since when it was established in 1985 with an annual production capacity of 10,000 tons/year, Polisan Boya grows faster than the market in general. By adjusting its capacity according to the months when demand is at its peak, Polisan Boya carries out its production and sales activities using low inventory levels.

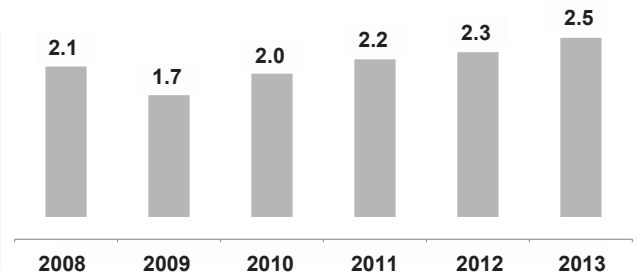
Polisan Boya's actual production figures by years are presented in the graphic below:



Based on the most recent official data published by BOSAD, the compounded annual growth rate of the market between 2005 and 2012 was 6% versus Polisan Boya's growth rate at 10%.



According to the estimated BOSAD data, domestic market size of paint industry, including exports, is expected to reach to approximately $2.5 billion in 2013. The production of the sector is estimated to grow by approximately 5% while Polisan Boya's production to grow parallel to the sector.



Source: BOSAD, $ billion

POLISAN BOYA HAS THE WIDEST PRODUCT PORTFOLIO IN THE MARKET

The products manufactured and sold under the core business segments of Polisan Boya can be classified as construction (interior, exterior decorative paints, glue, thinner), insulation systems (thermal and water), and auxiliaries (roller group, paint brush, etc.). Evolving business segments are furniture, marine, and industrial groups. Polisan Boya has the widest range of products on all price segments in the decorative paint market with more than 250 Polisan branded products excluding packaging and color options.

PRODUCTS LAUNCHED IN 2013 ARE FIRSTS BOTH IN TURKEY AND ALSO GLOBALLY!

In 2013, Polisan Boya has continued its new product development project supported by TÜBİTAK (Turkish Scientific and Technologic Research Institution). Additionally, it has continued TURQUALITY studies to be an R&D Center and invest for increasing brand's value internationally.

In 2013, new product design and development studies continued for marine, industrial, and construction groups. Some of the new products offered to the market are as follows:

Ecologic paint that sweeps away stinks

In 2013, Polisan Boya, in cooperation with Seranit, has offered Ecologic Paint to the service of its customers, after the Ecologic Plaster. By means of the particular elements in its compound, the Seraoxicoat Ecologic Plaster has the feature to sweep away the stink such as meal, toilet, paint, and drug odors. Astro3 Oxi-paint Ecologic Paint, which is available at Polisan Boya sales points, provides with benefits such as sweeping away the stink, balancing moisture, ensuring resistance against dirt and stain, preventing emanation of mold and fungi by means of the activated, natural elements in its compound.

Turkey's first water based, Granite effect exterior paint

In 2013, Polisan Boya offered Exelans Granit, the exterior paint appearing like the real and natural Granite and covering flaws, to the service of its customers. Exelans Granit, which is easily applicable, has high-alkali endurance, and resistance to fade, rain, damp, and salty damp by the seashore. It is applied as a top-coat on the surfaces painted with the Exelans Macro exterior paint with any color of preference.

Turkey's first wood protector spray varnish

Polisan Boya has developed "Wood & Wood" wood sprays and offered wood protector products, which can be easily applied by amateurs, for the likes of its customers.

Turkey's and World's first water based metal paint

Having adopted as a principle to manufacture healthy and environmentalist products, Polisan Boya has brought in to the sector its water based, anti-rust Polimetal product, which can be directly applied to the rusty services and saves time and labor by substituting base coat and top coat application.

INSULATION INDUSTRY IN TURKEY

One of the main operating areas of Polisan Boya is insulation.

The Legislation regarding the Energy Performance in Buildings has been published on December 5, 2008 and defined TS8825 heat insulation rules, making it mandatory to prepare an Energy ID Card for the buildings to be granted a new building license as of January 1, 2011. Within this context, it is mandatory for all buildings used by households to get Energy ID Card until 2017.

Within TS 825, locations in Turkey are classified under four different degree-day regions according to their geographic location and climate conditions. In this way, the U values defined for the regions and the thickness of the panel to be used for insulation based on the acceptance criteria such as monthly temperature averages and solar energy radiation magnitudes, are as follows:

Region	(W/m^2K)	Panel Thickness
1. Region	0.032	4 cm
2. Region	0.032	5 cm
3. Region	0.032	6 cm
4. Region	0.032	8 cm

Energy ID Card includes information such as the insulation properties of the existing households or new buildings, efficiency of the heating and/or cooling systems, the minimum energy requirement and energy consumption of the building. Energy ID Card, valid for 10 years from the date of issuance, is to be reissued at the end of the validity period, in compliance with the related period's legislation. Accordingly, building's annual energy consumption per area of use and greenhouse gas emission are classified based on a reference scale ranging from "A" to "G" on the Energy ID Card. As energy consumption for heating and cooling is less at the buildings, whose Energy Class is A, the buildings with strong insulation will gain further value in time during buying, selling, and renting. The insulation to be carried out in line with the legislations:

- Saves approximately 35% to 56% on heating and cooling expenses of the buildings,
- The exterior thermal insulation prevents the formation of heat bridges and that dark spots, mold and unhealthy environments, which may stem from sweating and condensation,
- Contributes to the decline in greenhouse gas emission due to diminishing oil waste and this way prevention of global warming,
- Contributes to reduce the import dependency of Turkey on energy,
- Ensures lengthening of the buildings' lives by preventing the condensation in the carrier system (column, joist, shear wall),
- Secures comfortable living areas by providing balanced room temperature in the house,
- Prevents maintenance expenses by ensuring the protection of the building's outer shell from atmospheric conditions such as extreme hot/cold differences, rain, and frost.

Accordingly, insulation is not only an obligation but also a factor, increasing the value of the buildings. Per capita consumption in Turkey's insulation industry at 0.06 cubic meters coincide with 6% of the consumption level in the US and 10% of that in Europe. Accordingly, Turkey market, yet in the infancy stage, has been going through a rapid growth trend since 2008. Turkey's thermal insulation industry's compounded annual growth rate between 2008 and 2013 is approximately 21% on square meter basis.

POLISAN EXELANS PRODUCTS ARE THE LEADER OF THE INSULATION MARKET

Polisan Boya has been operating in the growing Turkish Insulation Industry since 2007. Between 2008 and 2013, the compounded annual growth rate of Exelans Energy Package System, which is a Polisan Boya brand, was at 67.0% on square meter basis whereas the compounded annual growth rate of insulation revenues were at 74.1%.

The share of Exelans products in the Turkish market is increasingly growing since 2008 when the legislation was put into effect.

EXELANS ENERJi
YALITIM SİSTEMLERİ

Why Exelans Energy?

- Reliable brand that provides tailor-made exterior thermal insulation solutions for the buildings' architectural and structural needs,
- High quality products, which are continuously improved in line with market conditions and in compliance with standards,
- Long lasting performance package systems that do not lose their technical values over time,
- Best quality service during sales and technical application provided by the well equipped personnel,
- Expert Contractors who have Polisan Expert Application Certificate in order for preventing mistakes during application of the exterior thermal insulation systems,
- Perfect Decorative Appearance provided with Exelans Energy decorative topcoats and Polisan Boya options.

Which products are there in Exelans Energy Package System?

Polisan Boya Exelans Energy Package Systems contain all types of thermal insulation materials in Turkey for thermal gain and to prevent heat loss such as panels used for walls, roofs, and bases; coatings, air channels, and pipes used for windows and doors; and foams used for installations.

Exelans Energy Thermal Insulation System, which can be bought from authorized Polisan Boya dealers spread all over Turkey, is composed of 4 different packages (EPS, XPS, Rock wool, Carbon EPS) and thermal insulation materials in these packages are as follows:

- Thermal insulation panels (EPS, Neopor, Carbon Innova, XPS, Rock wool)
- Thermal insulation adhesive mortar
- Fibered thermal insulation plaster
- 160 gr/m² thermal insulation glass fiber mesh
- Thermal insulation mechanic dowel varieties
- Thermal insulation profiles (PVC, aluminum meshed or unmeshed corner profiles, sub-basement profiles)
- Thermal insulation special profiles (Windowsill extension, dilatation, dropper corner, woodwork ending etc profiles)
- Thermal insulation decorative coating
- Exterior paint primers
- Exterior paints (plain or rough)

EXELANS ENERGY WATER INSULATION

Water, penetrating into the buildings, causes ferrous metals in load-bearing parts of the constructions to rust, thus bearing capacity to decline. Additionally, water causes concrete to rot and crack. Accordingly, walls contacting soil, foundations and pavements footing on ground, balconies, terraces and inclined roofs, wet areas such as bathrooms, lavatories, and WCs, water tanks, structures such as artificial lagoons and pools, retaining walls, concrete flumes, parking lot roofs, highways, railways, and structures such as bridges and viaducts are the areas for the use of bituminous water insulation mats.

In addition to ensuring the building's safety, Exelans energy water insulation application provides with a healthy and comfortable living space by preventing the drip of water from roofs or ceilings, and thus formation of bacteria and mold. It is also used to increase the mechanic resistance of the bituminous water insulation mats against the structural moves and loads received.

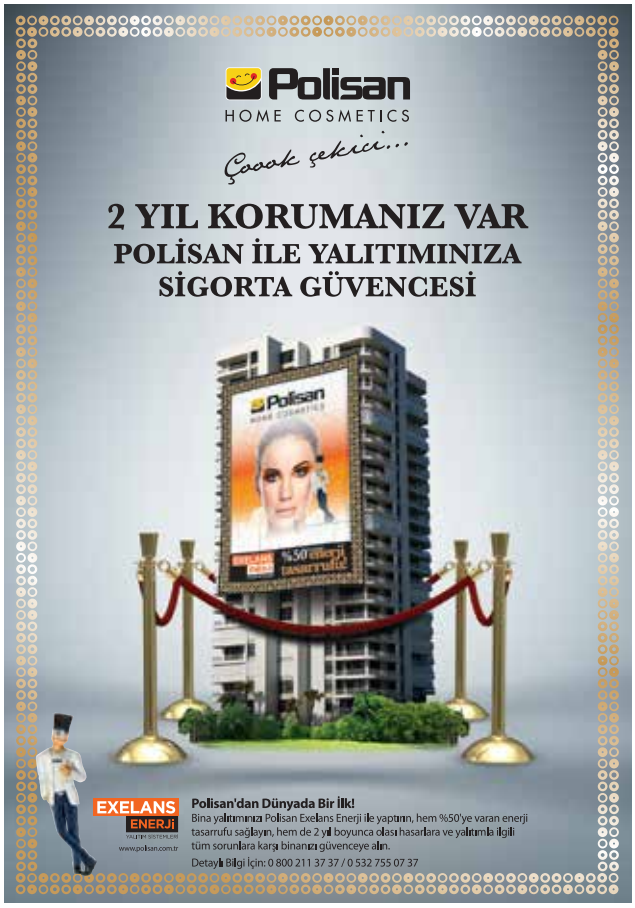
IN 2013, POLISAN BOYA HAS INTRODUCED A NEW SOLUTION TO THE WORLD ALSO IN THE AREA OF INSULATION:

POLISAN INSULATION INSURANCE

Polisan Boya broke a new ground not just in the paint and insulation industry, but also in world insurance sector by launching "Polisan Insulation Insurance" in 2013.

The initial cost of investment on thermal insulation system is quite high at 1-3% of the total cost of the building although the pay back period is 3-5 years due to the savings gained from insulation.

Even though cheaper insulation systems called "assembly" without any guaranties were also preferred in the market in the past, their numbers are diminishing in recent years. This is due to the fact that any intervention, repair, and labor expenses are almost as much as the initial investment amount in case there is a flaw, defect on the building surface stemming from the quality of the material used or wrong application. As a result, either professionals for the construction projects or apartment building superintendents for renovation now prefer branded systems.



In an attempt to ease the lives of the decision makers, Polisan Boya has combined its product quality with the service quality for this system, which has a high initial cost and launched the "Insulation Insurance" so as to cover all insulation, paint, whitewash, maintenance and all related work in Turkey with the condition that Polisan Boya's thermal insulation brand, Exelans energy products are being used and the labor is carried out by the expert contractors who are authorized by Polisan Boya.

CONTRIBUTION TO REVENUES WITH POLISAN BRANDED, HIGH QUALITY COMMERCIAL PRODUCTS

Commercial Products, which have a small share in Polisan Boya revenues, are the high-quality, auxiliary products, manufactured by the third parties. These products are offered to the painters and the needers, directly through Polisan Boya sales channel, with the Polisan brand.

So that, the painters and the people in need can easily obtain auxiliary products such as paint brush, roller group, effect fixture helping to process different patterns on walls, silicon, foam, mastic, satin coat, masking band, and spatula to be required for painting at Polisan Boya quality standards while Polisan Boya increases its revenues.

POLISAN BOYA DIFFERENTIATION STRATEGY

MOST EXTENSIVE SALES CHANNEL

Polisan Boya has established an extensive sales channel throughout Turkey in order to offer its quality product portfolio to painters and end users in the fastest way possible.

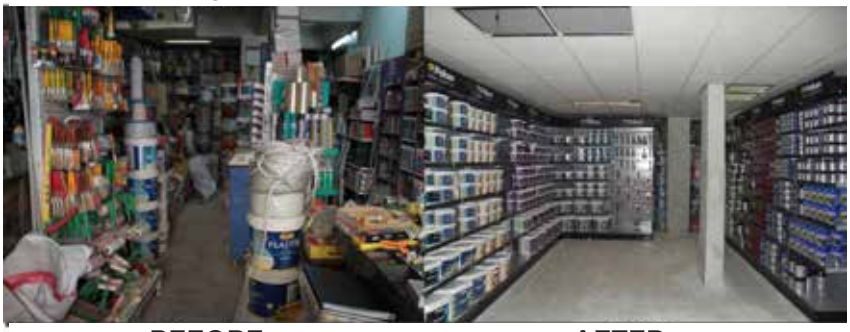
Polisan Boya has the widest sales channel in Turkey with 37 distributors, 6,000 dealers, and 650 direct sellers and its products are being sold by 140 shops at 4 chain stores. Polisan Boya has 1,000 exclusive dealers.

POLISAN SHOP CONCEPT DESIGNED FOR WOMEN

Rising consumer awareness in recent years, resulted in an increase in the number of end users, particularly women, visiting merchandizers to buy paint, as much as the painters. Indicating an increase in this trend and considering paint as the home cosmetics, in 2008, Polisan Boya initiated Polisan Shop investment, which is Turkey's only "Concept Merchandizing" example that extensive at a standard context.

BEFORE AFTER

Since 2008, more than 250 dealers in Turkey have provided with the criteria of being transformed to "Polisan Shops" and "Polisan Shop Improvement Points", were recreated by the Corporate Channel Application teams composed of experts in the area of organization and exhibition, and multiplied their revenues.



BEFORE AFTER

Polisan Boya continues its investments to help organize hardware and paint retailer's or contractor's stores according to the set standards, enabling these sales points to offer more comfortable and joyful shopping experience to their customers.

DISTRIBUTORS AND DEALERS TURNING INTO PRODUCTION CENTERS WITH NEW GENERATION MIX SYSTEM

In addition to its capacity increase and process improvement investments at Dilovası production facilities, by means of New Generation Mix System coloring machines and Modula Systems, which are deployed in sales points, Polisan Boya turns each and every Polisan Boya sales point into a "production center", having a value of an integrated factory investment.

NEW GENERATION MIX SYSTEM:

The New Generation Mix System, developed by Polisan Boya R&D's technological infrastructure and innovative approach in 2008 as the industry's most improved and Turkey's first water based New Generation Mix System, has been serving at 1,700 sales points as of 2013 with a total investment of $15 million. The New Generation Mix System is a color system composed of a computer loaded with formulas, a colorizing machine, and a mixing machine set. In line with its slogan "There is no limit in color!", Polisan Boya ensures that the customer gets whichever color he wants, whenever he wants with the New Generation Mix System, which has 402 color Colorium Interior, 200 color Colorium Exterior, 2000 color Colorium Universal, and RAL Kartela color collections

Why New Generation Mix System?

- Sales points offer thousands of colors to the likes of the customers without having to maintain inventory for all cartela colors and provides customers' needs instantly,
- Minimizes inventory cost of the sales points,
- Prevents loss of time,
- Saves storage space at sales points and makes room for variety,
- Ensures paint manufacturing any color of desire by means of Optimix Color Detection System.

MODULA SYSTEM:

The Modula System, which has higher capacity than mix machines, is used by 37 distributors and ensures that each distributor is positioned like a factory, dealers receive instant delivery upon demand, extensive product portfolio is penetrated, and 5,000 SKU are effectively managed.

BEST QUALITY AND SERVICE

Being aware of the fact that the best quality and service can be attained by ensuring painters' loyalty, Polisan Boya has differentiated its sales channel and loyalty programs from its competitors. Within this context, positioned as an attractive brand for women with its home cosmetics concept and for painters with its quality and availability factors, Polisan Boya launched Turkey's first loyalty program for 25,000 painters recorded on its database and made them feel privileged for preferring Polisan Boya. By means of 3,000 POS devices, embedded with both loyalty program and collection features, Polisan Boya provides an advantage of installation up to 12 months (9 months as of 2014) while directly collecting the payments. The points earned resulting from the transactions are loaded on Policlub loyalty cards and people using the system are being rewarded in different ways.

Additionally, Polisan Polisan Call Center (0 800 211 3737 or 0 532 755 0737), concluding customer, vendor, and business partner complaints within 24 hours, targets the perfection on after-sales services, as much as pre-sales services.

HIGH BRAND AWARENESS WITH HOME COSMETICS CONCEPT

Due to the fact that women are the end users, deciding on the color preference of the houses to be painted in every 2-3 years on average, Polisan Boya has built its long term sales channel strategy focusing on A, B, C, Group women, above 25 years old, different than others generally basing their strategies on painters as the end users. Within this context, it had a more stylish and elegant approach in communication to increase brand awareness.

Polisan Boya, which introduced "Home Cosmetics" concept to the World for the first time using "Your Home's Cosmetics" statement, differentiated itself from the competition with its product portfolio as well as design of its shops and product packages and managed to be women's preference point with innovative products such as paint perfume, paintable wall papers, and wall motives.

Polisan Boya increased its brand awareness by 25 basis points to 100% in 2013 with the "Very tempting moments with walls painted passionately" advertising campaign compared to the pre-campaign period.

INVESTMENTS AND FORWARD LOOKING EXPECTATIONS

Polisan Boya carries out repair and maintenance studies annually in its production facilities and that there is no plan for an investment to increase capacity in the near term.

Polisan Boya's long term strategy is to grow in marine, furniture, and industrial segments while continuing its leadership in decorative segment. Polisan Boya, continuing its studies to raise the brand awareness in big cities to the levels of those in Anatolian provinces, builds a structure where the base of the paint is manufactured at the center through in-house technology and colorizing is localized.

Setting up its marketing strategies in a way to expand "buy it yourself" concept in Turkey on interior paint, Polisan Boya targets to grow maintaining its leadership on exterior paint, particularly in the area of insulations systems. Polisan Boya, aiming a sustainable and profitable growth, also evaluates strategic partnership and IPO opportunities.

Poliport

PORT OPERATIONS

PORT INDUSTRY

SEABORNE TRANSPORT IS THE MOST PREFERRED WAY OF TRANSPORTATION IN THE WORLD.

In the globalized and liberalized world, due to the necessity to specialize in commerce, every country manufactures the product that it is comparatively competitive of and imports the raw material and energy sources required for the products it manufactured.

Seaborne transport is the most preferred way of transportation in the world as it enables the massive amounts of cargo, which particularly constitutes industrial raw material, to be transported from one place to another at once, it is reliable, there is no over limit, the loss of property is at minimum level, it pollutes the environment the least, the energy consumed per passenger-km, ton-kilometer is the least, there is almost no other forfeit, and it is cheaper 14 times than the airway, 7 times than the highway, 3.5 times than the railway.

Seaborne transportation goes parallel with the increase and decrease in the country's import and export. In recent years, seaborne transportation has an increasing trend in the total trade volume. 75% of the world trade's import and export cargo is being transported via seaway and that international trade volume realized on seaway is rapidly increasing day by day.

Based on Review of Seaborne Transport 2013 Report prepared by UNTAC (United Nations Conference on Trade and Development), the cargo handled in Seaborne Trade in 2012 increased by 4.3% compared to 2011 and was realized at $9.2 billion due to the increase in domestic demand in China and the dynamism of the Asia Region and South-South trade. So that, International Seaborne Trade has posted a growth rate above world's GDP, which grew 2.2% in 2012.

The basic elements of the seaborne transport, which removes the boundaries with intense international rivalry, are ships and ports. The transportation starts and ends at the ports where the cargo is handled while the ships, contribute to the country's economy to a great extent through domestic, international, and transit transportation. Turkey's coast line is 8,333 kilometers and based on property rights, there are 160 ports; of which 25 are belonged to public, 27 to municipality, and 108 to private sector. As is the rest of the world, the merchandise trade in Turkey, surrounded by sea on three fronts, is basically realized via seaway. Besides, due to Marmara Sea's geopolitical position, there is an intense commodity flow.

In 2013, cargo handled in Turkey was realized at 385 million tons. Based on cargo types, bulk liquid was ranked the first with 32% share and this was followed by dry bulk with 27%, container with 22%, general cargo with 17%, and vehicles with 2%. Based on modes, 72% of Turkey's Seaborne Trade is generated by foreign trade, whereas the remainder is equally split between transit and cabotage cargo, each having 14%.

Comparing seaborne trade based on the cargo handled in the countries where Europe's most important ports are located, Turkey was ranked the fifth in 2012 after Netherlands, UK, Italy, and Spain. And, Turkey is the only country, which almost doubled the cargo handled, with an average growth rate of 8% between 2004 and 2012.

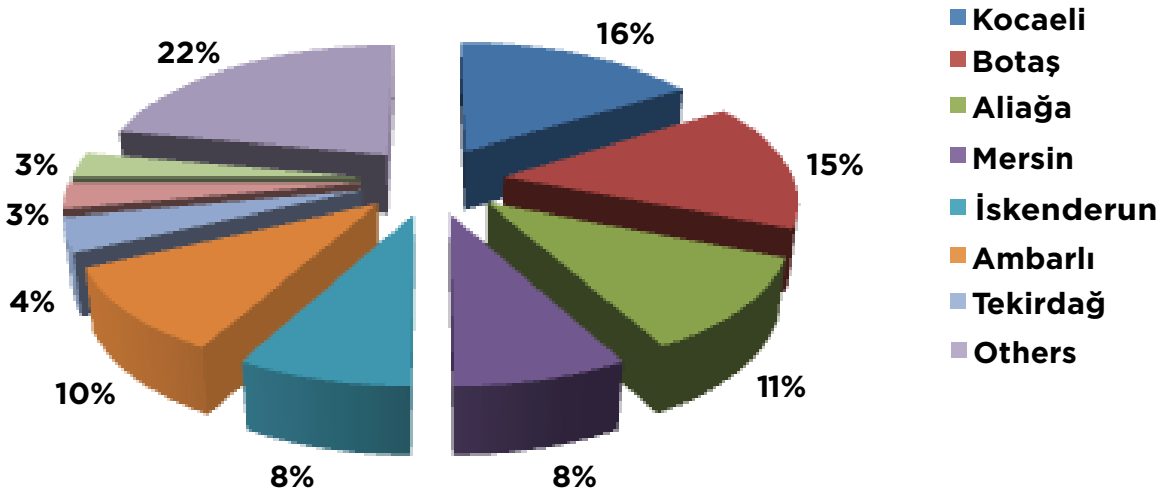
In 2013, 43% of the total cargo in Turkish ports were handled by the ports in Marmara Region, which play an important role in terms of extending the Trans-Europe and Pan-Europe transportation corridors formed by EU to East.

Being ranked the 10. among EU ports in 2013 and having a capacity of 80 million tons, Kocaeli Port, where Poliport carries out its operations, had a 19% share in Turkey's foreign trade and ranked the first in 2013.

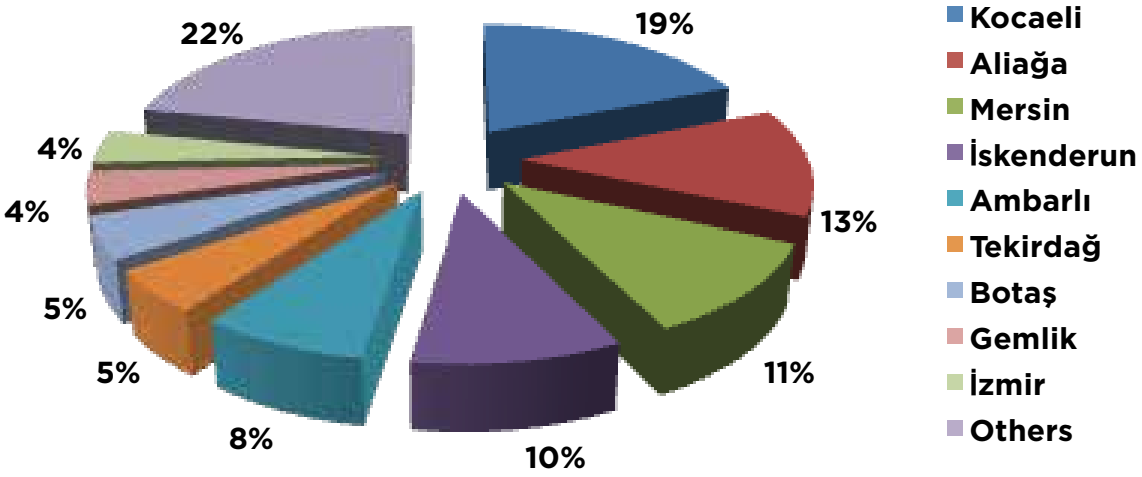
Kocaeli Port has quite a high growth potential due to its close proximity to the industrial zone where ~45% of Turkey's GDP is generated. Based on the cargo handled in Turkey in 2013, Kocaeli Port is the Turkey's largest port with a 16% share.

KOCAELI PORT IS THE TURKEY'S LARGEST PORT.

CARGO HANDLED



FOREIGN TRADE



POLIPORT KIMYA SANAYI VE TICARET A.S.

Poliport was founded in 1971 in Dilovası, where Polisan Holding facilities are located, in an attempt to provide bulk liquid services.

With its jetty, pier, embarkment, and warehousing facilities, Poliport has built one of the largest ports, also closest to Istanbul on the Anatolian side, on the land rented from Kocaeli Revenue Office, General Directorate of National Real Estate for 49 years.

Poliport, located on a 160,000 square meter land with 1.2 kilometer berth availability in Kocaeli, is the largest port in Turkey in terms of the cargo handled and its share in foreign trade. Poliport is also one of the most strategically located port companies of Turkey in terms of geography and logistics such that it is only 30 minutes away from Istanbul, 400 meters from the new bridge, 1 kilometer from TEM (Trans-Europe) Motorway, 1.8 kilometers from D-100 Highway, and 25 kilometers from Sabiha Gökçen Airport. Crossed by a railway, Poliport is only 420 meters away from the Gulf Transit Bridge.

Poliport is the only independent chemical storage terminal, which does not carry out merchandising, but giving storage, handling services for the products of the third parties and one of the few liquid storage terminals. Terminal area has a customs and is eligible for import and every kind of transit trade practices.

Poliport uses SAP software. The clientele of Poliport, using SAP can directly connect to the online Polismart system and have the access to every kind of inventory and delivery information regarding their companies. The port is continuously monitored by closed circuit TV, cameras and the images are simultaneously shared with the Customs Office.

Poliport has 3 main operational activities:

BULK LIQUID SERVICES, CAPTURING THE LARGEST SHARE IN REVENUES, HAVE THE HIGHEST PROFITABILITY.

Bulk liquid services constitute 57% of Poliport's revenues. Of the total cargo handled, 76% is Turkey's 2. export item, chemicals, which have higher added-value compared to other business lines. The cargo handled generates revenue of ~$30 per ton. Since 1990s, the world's largest manufacturers such as Dow, BASF, Bayer, and Shell are among the clients of Poliport. The annual handling capacity of the terminal is 1.5 tons. In 2013, approximately 693,000 tons of cargo was handled in bulk liquid storage terminal whereas the fill rate was 87%.

Vessel Loading and Unloading Operations: The jetty at the bulk liquid storage terminal has a 250 meter length, 12 meter width, and 10.5 to 13.5 meter draft, which can accommodate 4 vessels up to 40,000 DWT. Terminal has a capacity of 168,000 cubic meters composed of 127 storage tanks made up of carbon steel or stainless steel with capacities ranging between from 100 cubic meters to 6,200 cubic meters. According to the properties of stored chemicals, tanks have specific features such as heating, epoxy cracking, nitrogen sheet, and gas return circuit. Product transfers are carried out with 35 product transfer lines running from the tanks of different sizes in the plant to the four jetty manifolds. There are gas return circuits and scrubber systems for loading and unloading operations of special products.

Storage: All kinds of liquid chemicals and petroleum products can be stored at Poliport's tanks. Poliport customers can monitor the amount and the movements of products in the tanks they hired through internet. The temperature, level, and density control of the tanks are monitored through SAAB Radar System from the operation control center. Storage tank constructions are in compliance with related API standards. Each being ex-proof, the tanks have product transfer pumps and dedicated loading and discharging lines. Each tank has a fire protection system (sprinkler and foam lines) and these systems are designed in compliance with the related National Fire Protection Association (NFPA) standards. The number of water pumps and water supply capacities are determined according to the worst case scenario.

Ground Tanker Filling: At Poliport, there are 22 ground tanker filling platforms equipped with the electronic bonding system, fire protection, and sprinkler system. Ground tanker filling operations are performed at filling platforms equipped with sprinkler systems, electronic bonding systems, and fire protection. The filling starts after the feasibility controls done on the ground tankers, which come to the terminal for the filling. For some special products, the tanker filling can be done closed circuit (gas return system) and the filling is done with full automated computer control.

Barreling: There are two barrel filling stations at the terminal site each with a capacity of 60 barrel/hour. Barreling operations are carried out at barrel stations, which are located in completely closed area and besides in the open site. Fully automated barreling system is designed connected to the scrubber system in order to barrel special products.

Barge Loading: In addition to liquid chemical storage services, Poliport also offers barge loading services through third parties for refueling transit vessels. More than 300 sea tankers of different sizes and 400 barges are served at the jetty per year. In order to be precise, the barge loading is carried out by electronic flow meters and computer controlled level system.

Blending: Poliport provides automatic blending services on the pipeline for barges to load fuel.

Waste Reception and Waste Management: Poliport has a license for waste admittance stemming from the vessels. Hazardous chemical wastes admitted from vessels and chemical wastes, which may come out during terminal operations, are properly put into barrels, labeled, and collected at the waste storage site. Aforementioned waste is periodically sent to licensed waste disposal/re-cycling plants by licensed vehicles. There are two distillation units in Poliport utilized for recycling of hazardous wastes in an attempt to reduce waste at its source.

Laboratory: Poliport has a fully equipped laboratory in compliance with the related standards, for testing and analyzing the specifications of the products handled at the terminal upon customer request.

DRY BULK AND GENERAL CARGO SERVICES HAVE THE 2. LARGEST SHARE IN POLIPORT REVENUES.

Dry bulk and general cargo services constitute ~32% of Poliport's revenues. Dry bulk pier has an annual handling capacity of 4.5 million tons and the products mainly handled are coal, aluminum, different types of tin, iron, shaped tube, urea, grains, silica, and forestry products. The cargo handled generates revenue of ~$4 per ton. In 2013, 2.4 million tons of cargo was handled.

At the dry bulk pier, the piers and ports are 730 meters long and 40 meters wide. For loading and unloading processes, the port is equipped with various units of cranes with lifting capacities ranging from 8 meters to 60 meters, loaders and forklifts of various capacities, and lifting attachments for various loads. Poliport has the capacity to provide with services to 6 ships at the same time over 100,000 DWT with water depths ranging from 12 to 24 meters. Poliport has the capacity to serve 1,200 ships per year.

WAREHOUSE SERVICES ARE PROVIDED ON A 25,000 SQUARE METER LAND.

Warehouses services constitute ~12% of Poliport's revenues. In addition to flammable and hazardous products, a wide variety of products, including general cargo such as every kind of packaged product and metal, mine products are safely stored in warehouses, located over a total of 25,000 square meter open and closed area. The cargo stored in warehouses generates a revenue of approximately $9 per ton. Poliport provides with the opportunity to track the inventory and delivery of the products stored in A Type General Warehouses where it offers storage and logistic services. In 2013, ~364,000 tons of cargo was stored in A Type General Warehouses.

INVESTMENTS AND FORWARD LOOKING EXPECTATIONS

Having invested over $100 million to date, Poliport has a gradual investment plan to increase its capacity in 2014 from 168,000 cubic meters to 195,000 cubic meters with an ~$7 million capital expenditure. Then, it will increase the capacity to 236,000 cubic meters by 2016 with ~$10 million capex and to 270,000 cubic meters by 2018 with ~$8 million capex. Seven electric cranes were bought at the port where one Liebher crane will be imported and become operational in the first half of 2014. There is going to be a cost advantage along with the capacity increase.

Having had a strategic position in the Eastern Mediterranean, Aegean and Black Sea maritime lines and located at intersect of east-west and north-south directional international transport corridors; Turkey is expected to be ranked the first in Europe in seaborne trade. This is based on the current GDP growth estimates, projecting that cargo handled in Turkey's seaborne trade is to reach approximately 700 million tons by 2023. Within this context, Turkey's 2023 export target is $500 billion and based on a study carried out by Kocaeli Metropolitan Municipality, Kocaeli Port is expected to handle approximately 100 million tons of cargo along with an average 6% annual growth rate, which is considered to be quite a low growth rate for the ports. Based on these expectations, it is anticipated that Kocaeli Port will need capacity increase in the years to come. Having already had the space to have an additional capacity increase, Poliport can arrange the 30,000 square meter space as warehouse area and use it for capacity increase in case Polisan Boya moves to GEBKİM in the years to come.

Throughout the period when Turkey is expected to be ranked the first in Europe, Poliport's strategy is to capture the lion's share from growing seaborne trade. The factors that will ensure Poliport's growth can be summarized as follows:

Currently, chemicals are ranked the second in Turkey's $18 billion export activity while import and export activity continuously grows in chemical industry.

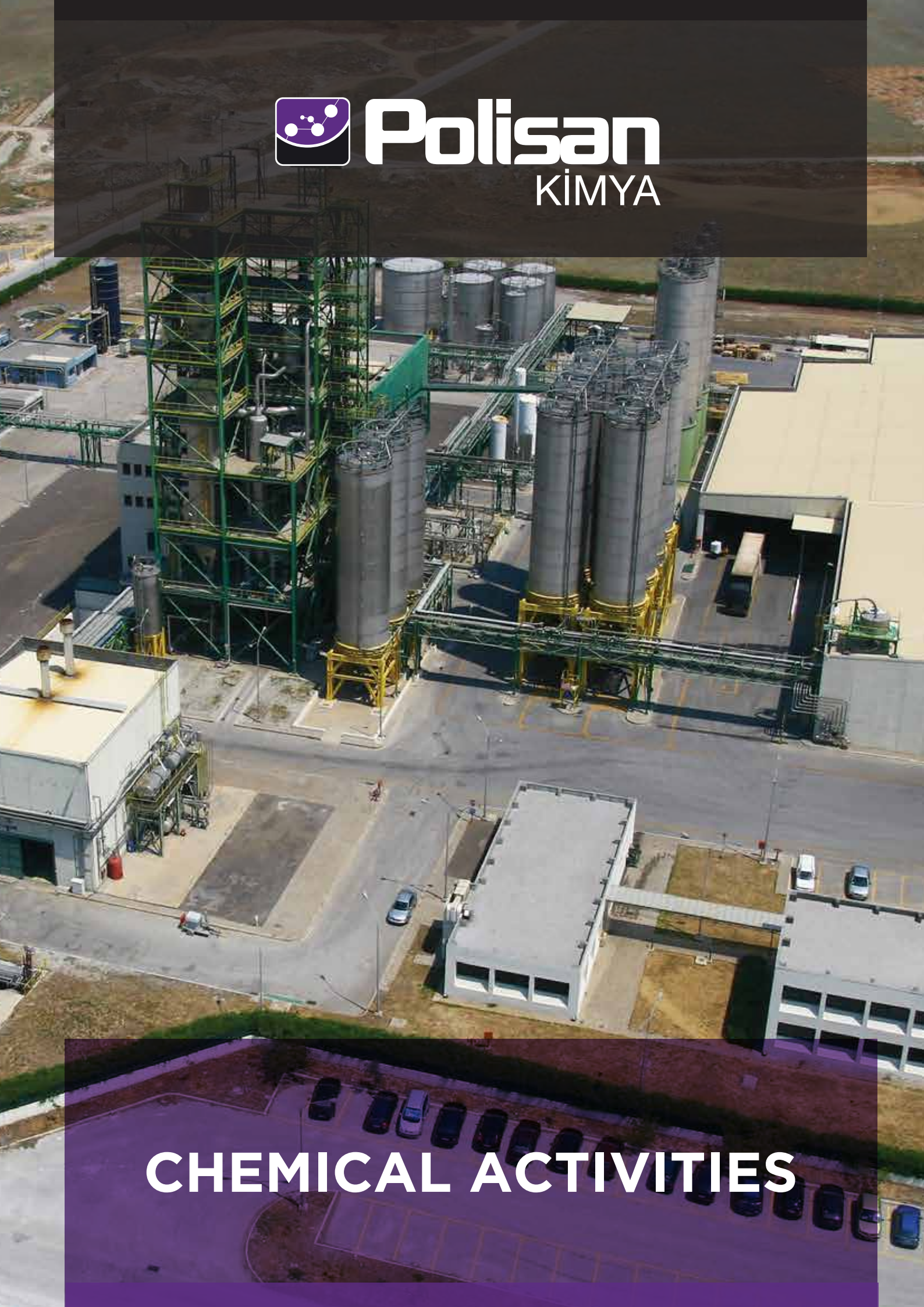
While Poliport increases its share of exports in Saudi Arabia, which has abundant feedstock and petrochemical complexes, it will continue to increase its share in products from Gulf Region such as Kuwait, Qatar, Israil, and Egypt.

Poliport evaluates capacity increase, new business lines, and potential synergies that may be created with Holding companies. For example, the PET facility in Greece can be considered as an integration that is to generate business volume for Poliport due to the existing business relations with the raw material vendors and the fact that majority of the raw material is handled at the port.

In addition to the aforementioned volume based growth, the supply-demand balance, deteriorating in favor of Poliport, which, in turn, leading to price increases are expected to trigger Company's growth as some companies currently handling their own dry bulk cargo are approaching to work at full capacity usage ratios.

Poliport's strategic importance is to further increase along with the ongoing Gulf Transition Bridge. Also, a competitive advantage will be gained by providing huge discounts on transportation prices for the services delivered to the existing and the Organized Industrial Zone in construction as well as to the industrial corporations adjacent to the railway connection that is planned to be engineered. Besides, Turkish State Railways (TCDD) has been carrying out studies to build a loading-unloading station in Dilovası. Poliport, located at the first point where railway meets the sea, after the Haydarpaşa Station to be closed, will have the opportunity to transfer the cargo coming through the seaway and the highway to the railway, likewise convey the cargo carried by the railway to the seaway and the highway. So that, it will be able to do combined shipping and become a multinational port while providing with a cheap, safe, secure transportation, which minimizes the environmental impact by conveying the cargo to the railways. Thus, by taking the pressure off the highways, the impact of the exhaust gases will be diminished and Turkey's competition opportunity will increase through cheapening logistic costs.

Polisan
KİMYA



CHEMICAL ACTIVITIES

CHEMICAL ACTIVITIES
POLISAN KIMYA SANAYI A.S.

POLISAN KIMYA IS TURKEY'S FIRST FORMALDEHYDE RESIN MANUFACTURER.

Particle boards were first started to be produced during World War II due to the lumber bottleneck in Europe. They had a wide usage area as small sized and lower valued round timbers are able to turn in big sized particle boards. Particle boards are the boards, which are engineered by gluing and shaping the dried chips, obtained from wood or lignified other ligno cellulosic raw materials, with synthetic resin binders under heat and pressure. In addition to the synthetic resins, sulphide waste water obtained from paper companies, phytogenetic binders, and inorganic binders (cement, magnesite, plaster, etc.) can sometimes also be used to attach the particles used in the production of particle boards with each other.

Based on the Particle Board Association's studies, 50% of Turkey's particle board production is realized in Marmara Region.

In 2012, the annual particle board production capacity in Turkey reached 10 million cubic meters whereas the production was realized at 8.3 million cubic meters.

Particle Board Industry is also an important wood industry for Turkey as it is for European countries such as Germany, Poland, France, UK, and Italy. It is mainly supported by furniture and construction industries.

Polisan Kimya is Turkey's first producer of formaldehyde, urea formaldehyde resins, melamine formaldehyde resins, and phenol formaldehyde resins, used as intermediate material for particle board industry.

The areas of use for resin are production of paper impregnation, chip board, MDF, and plywood, wood paving, parquet – parquet laminate, sanding industry, casting industry, insulation – isolation industry, flower foam resin, and waterproof chipboard, MDF and plywood. The areas of use for urea formaldehyde concentrate (UFC) are urea formaldehyde resins, melamine urea formaldehyde resins, and the urea industry. The areas of use for formaldehyde are the production of synthetic resin, synthesis of chemical substances, agriculture and stockbreeding, sugar factories, production of cleaning materials, and cosmetic industry.

Bitlis Family, which brought in the technology to Turkey to produce chip board, MDF, plywood, formica resins, fiber glass and rock wool resins, melamine used in paper impregnation, urea and phenol formaldehyde resins for the first time in Tukey, has established Polisan Kimya's first facility in Kağıthane in 1968. In 1977, Polisan Kimya has moved it is facilities operating in Kağıthane to Dilovası where it is still carrying out its activities, due to the need for increasing capacity and easy access to raw material sources.

Polisan Kimya, which moved to Dilovası facilities with an annual resin production capacity of 120,000 tons and with a brand new technology, has become the market leader by simultaneously following up the developments in resin production with the world since its inception. Having a competitive edge due to its logistic advantage with close proximity to the chemicals material port, highway, and railways, Polisan Kimya continues its investments to grow both vertically and horizontally.

Formaldehyde resins constitute 70% of Polisan Kimya's revenues and Polisan Kimya is ranked the second with a 31% share in the Turkish Formaldehyde resins market.

POLISAN KIMYA IS THE LEADER OF THE CONCRETE ADDITIVES, FIBER GLASS AND ROCK WOOL MARKET.

As the world's population rises, people's need for shelter, health, education, and urban infrastructure increases. In order to meet this increasing need, there needs to be constructed high quality houses, offices, schools, hospitals, highways, dams etc, continuously. In this process, the most sought construction material is the concrete.

Particularly in Turkey, where almost all of the majority of the land and the big cities are in the earthquake zone, some measures were taken in terms of construction safety in an attempt to prevent big loss of lives and property during the disasters that frequently take place. The new earthquake legislation that was put into practice as of January 1, 1998 has defined the lowest concrete strength class to be used in earthquake zones as C 20 in an attempt to increase the construction quality and erect buildings, which are really earthquake resistant. So that, a step was taken towards reducing the possible loss of life and property to the minimum during an earthquake.

Turkey Ready Mix Concrete Association, a member of European Ready Mix Concrete Association (ERMCO), is closely monitoring the legal regulations in the area of concrete in the EU that Turkey aims to be a member of as well as other countries, and makes an effort for these regulations to be implemented in Turkey. Accordingly, TS 11222 Ready Mix Concrete Standard has been reviewed in line with the EN 206 Europe Ready Mix Concrete Standard and revised in 2001.

Turkey was ranked the first among EU members in ready mix concrete production with 93 million cubic meters in 2012. Evaluating within the context of the member countries to the European Ready Mix Concrete Association, per capita ready mix concrete production in Turkey is 1.3 cubic meters versus 0.5 cubic meters on average in EU. In Turkey, 54 million tons of cement was consumed in 2012 when 290 kg cement per cubic meter was used and the ratio of cement to ready mix concrete was realized at 55%, which is still 50% below the EU average. The additives used per cubic meter in Turkey are approximately 50 kg. The share of Marmara Region, which has always the largest share in ready mix concrete production, is 36% in 2012.

Following China and the US, the third largest ready mix concrete producer in the world; Turkey has been maintaining its leadership in Europe's ready mix concrete production in 2013 for the fourth consecutive year with its growth performance.

Based on an announcement by Turkey Ready Mix Concrete Association, Ready Mix Concrete sector's production is expected to grow by 10% to 102 million cubic meters and revenues to reach TRY9 billion in 2013 along with Urban Regeneration Project and 2B Law. In 2014, the Association targets to exceed this revenue. The Ready Mix Concrete sector is expected to further revive due to the fact that there are constructions built with low quality ready mix concrete in the areas, which are planned to be renewed and that 8 million houses need to be renovated within the context of the Urban Regeneration Project. Additionally, the requirement to use ready mix concrete with a Quality Assurance Standard Certificate, particularly for the new buildings, and the need for 1.5 million cubic meters for the third bridge, over 1 million cubic meters for the third airport and its transit ways, as well as fast train and dam projects are expected to revive the Ready Mix Concrete Sector. The Ready Mix Concrete Sector, which has a capacity of 300 million cubic meters, is expected to grow by approximately 10% in 2014.

The products of the Polisan Yapı Kimyasalları are classified under 4 categories; namely, concrete additives, cement additives, epoxy ground coating systems, and repair and maintenance mortars. Polisan Kimya, operating in a 6-player construction chemicals market has more than 10% share. Concrete additives have a 15% share in revenues of Polisan Kimya, which supply 2/3 of the chemicals in the market, particularly in the insulation area (fiber glass and rock wool).

POLISAN KIMYA IS TURKEY'S FIRST ADBLUE©/AUS PRODUCER AND MARKET LEADER.

EU has defined "Euro-1" emission standards for the first time in 1993 in an attempt to protect environment and prevent global warming. These standards foresee that all brands willing to sell vehicles in the EU are to reach a determined emission value until the specified years. E-6 standards are to be applied in 2014.

Euro norms are not directly related to the fuel consumption but rather they aim to reduce gas and particles, which are released through the exhaust and harmful to the environment such as nitrogen oxide, hydro carbons, and carbon monoxide. In an attempt to reduce these emissions, manufacturers initially started to work on more efficient engines. In cases where the engines consuming less fuel were not enough, the manufacturers found ways to reduce emissions with side technologies.

Adblue©/AUS 32, which can be used with German Automotive Foundation's (Verband der Automobilindustrien) VdA license, is a chemical mixture, not toxic for the human health. AdBlue©, decreasing NOx exhaust gas emission by 80%, saves up to 4% in diesel consumption and contribute to a cleaner environment.

Europe's all leading truck and bus manufacturers have models that require Adblue©. Adblue© is conserved in a specific, separate tank and cannot be mixed with diesel or any other fuels and is used with Selective Catalytic Reduction (SCR) System. Adblue© is compliant with ISO and CEFIC legislations.

In Turkey, except for MAN and SCANIA, all vehicle manufacturers and domestic and foreign OEMs (Original Equipment Manufacturers) with diesel engines having an emission ratio of 3.5 gr/kwh based on Euro 4 norms applied as of 2005, and with diesel engines having an emission ratio of 2.0 gr/kwh based on Euro 5 norms applied as of 2009, has chosen SCR technology to reduce exhaust and gas emission.

Having adopted the environment protection and health criteria prioritized by EU that Turkey is on the way to be a member of, Polisan Kimya perceived the obligation of all OEM vehicle manufacturers to comply with Euro norms as an opportunity. Polisan Kimya received the Adblue©/AUS 32 license certified by VdA and became one of the most important manufacturers and sellers in the sector.

Within this context, having undersigned a first in Turkey and become the first AdBlue© manufacturer for the global giants such as Lukoil, BP, OVM, and Total, Polisan Kimya is the leader with a 30% share in the 70,000 ton Turkish market. Currently, AdBlue© has an 8% share in Polisan Kimya revenues, however as its demand increases along with the use of high tech heavy vehicles, its share in revenues is to increase as well.

The products in three different business lines and their annual capacities manufactured by Polisan Kimya, which widens its product portfolio with its professional work force and R&D investments, are as follows:

Capacity	
Production of formaldehyde and resins	: 120,000 tons/year
Production of construction chemicals	: 50,000 tons/year
Production of Adblue©/AUS 32	: 40,000 tons/year

While concentrating on the production of new business lines, Polisan Kimya has manufactured a total of 140,406,000 kg in 2013 with 30,287,000 kg of construction chemicals, 20,765,000 kg of Adblue©/AUS 32, and 89,354,000 kg of formaldehyde and resins, which have a vertical integration in its sector.

Exterior insulation of the buildings, now mandatory, is expected to increase demand for concrete additives while use of high technology vehicles is to generate higher demand for AdBlue. So that, the share of these two new business lines in total revenues is expected to increasingly grow in time.

POLISAN YAPI KIMYASALLARI A.S.

POLISAN KIMYA HAS FOUNDED POLISAN YAPI KIMYASALLARI FOR SALES AND MARKETING ACTIVITIES.

Polisan Kimya has invested in 2011 to establish Polisan Yapı Kimyasalları Satış ve Pazarlama A.Ş. and improve its product portfolio with cement chemicals. Having certified the quality of the products that it produced with a CE Certificate, Polisan Kimya sells its products to Polisan Yapı Kimyasalları. Additionally, Polisan Yapı Kimyasalları carries out sales and marketing activities in the area of concrete and cement chemicals for ready-mixed concrete manufacturers, construction projects (dam, highway, port, airway, etc.), prefabricated manufacturers, and cement manufacturers.

ROHM AND HAAS KIMYASAL URUNLER URETIM DAGITIM VE TICARET A.S.

POLISAN KIMYA IS PARTNER WITH THE WORLD'S CHEMICAL GIANT DOW CHEMICAL.

Polisan Kimya started the production of emulsion polymer used as inputs of various industries such as paint, wood, textiles, carpeting and glue for the first time in Turkey in 2001. In 2004, the company has established a JV with Rohm and Haas; one of the world's leading companies in this area.

The primary activities of Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş. ('Rohm and Haas') are to purchase, sell, market and trade emulsion polymers and their raw materials.

As Rohm and Haas has been acquired in 2009 by Dow Chemical, which is one of the world's largest chemical companies, this partnership has continued with Dow Chemical. Polisan Boya has been manufacturing paint and coating raw material in cooperation with Dow in its facilities in Dilovası Organized Industrial Zone. By means of this cooperation, Polisan Yapı Kimyasalları had the opportunity to offer the most advanced production technology to the market.

POLISAN HELLAS S.A.

POLISAN HELLAS IS POLISAN HOLDING'S FIRST INTERNATIONAL INVESTMENT.

Polisan Holding evaluates the international investment opportunities for sustainable revenue and profitability growth. Within this context, it realized its first investment abroad in Greece's port town Volos through a company, which would operate with "Polisan Hellas" name, in the "plastic products" segment of the chemical industry.

Polisan Hellas SA, which is 100% owned by Polisan Holding and established with a capital of €24,000 to carry out operations in Greece in August 2013, has purchased 100% of the assets owned by Spanish Artenius Hellas, the sole Polyethylene Terephthalate (PET) resin producer in Greece and Balkan region, in September 2013. The capital of the Company has been increased to €1,400,000 as suggested by the official authorities within the context of the purchasing transaction and has been fully paid out by Polisan Holding. The total amount of investment for Polisan Hellas SA including taxes, all fees and other expenses is €8,675,000.

Located on a 75 hectare land and 15 hectare closed area, Polisan Hellas facility, which has an annual production capacity of 80,000 tons, is to produce Polyethylene Terephthalate (PET) granule and preform, which has a wide range of usage area such as soft drink, water, food and beverage bottles, and synthetic fibre.

Polisan Hellas, with a facility worth €50 million, has all certificates in place required by major beverage companies such as ISO 9001, ISO 14001, OHSAS 18001, and ISO 22000. All the periodic maintenance of the integrated facility, processed with advanced technology manufacturing modules, has been completed right after the transaction. The new facility has been rapidly integrated with Polisan Holding and production has started in January 2014

Polisan Hellas' land is eligible to use for different investment purposes and the Company is to provide synergies for Polisan Holding Companies by using Polisan Kimya's technologic know-how and marketing capabilities in the area of polymerization, Polisan Boya's sales network, and Poliport's logistic and storage advantages in raw material procurement.

In case the facility works at full capacity, the PET bottles produced are marketed in Balkans, Turkey, and Greece markets using Polisan Boya's sales network along with a strong brand image, and the output produced is completely sold out, Polisan Hellas is expected to contribute Polisan Holding's revenue in an amount of approximately €100 million. Polisan Holding has consolidated Polisan Hellas into its financials as of 2013 yearend.

INVESTMENTS AND FORWARD LOOKING EXPECTATIONS

The capacity of construction chemicals and Adblue©/AUS 32 is expected to increase respectively from 50,000 tons to 65,000 tons and from 40,000 tons to 50,000 tons through a minor €1-2 million offsite investment, which is planned to be realized in 2014. Polisan Kimya has been granted an incentive certificate dated November 5, 2013 within the context of ongoing renovation studies.

While Polisan Kimya invests in new technologies to achieve cost-efficiency advantage in formaldehyde and resin group due to the vertical integration in this area, it also differentiates its product base and revenue portfolio by entering into industries, which are sustainable for the future.

Expandable Polystyrene (EPS) Investment and Incentive Application

One of the main suppliers of the chemical intermediate materials in the thermal insulation industry and glass fiber/rock wool sector, Polisan Kimya has taken action in order to produce Expandable Polystyrene ("EPS"), which is a main insulation material for thermal insulation, in Turkey, after the Energy Performance Legislation was put into practice and thermal insulation has become mandatory. Polisan Kimya is to use its technologic infrastructure and know-how advantage in the sector.

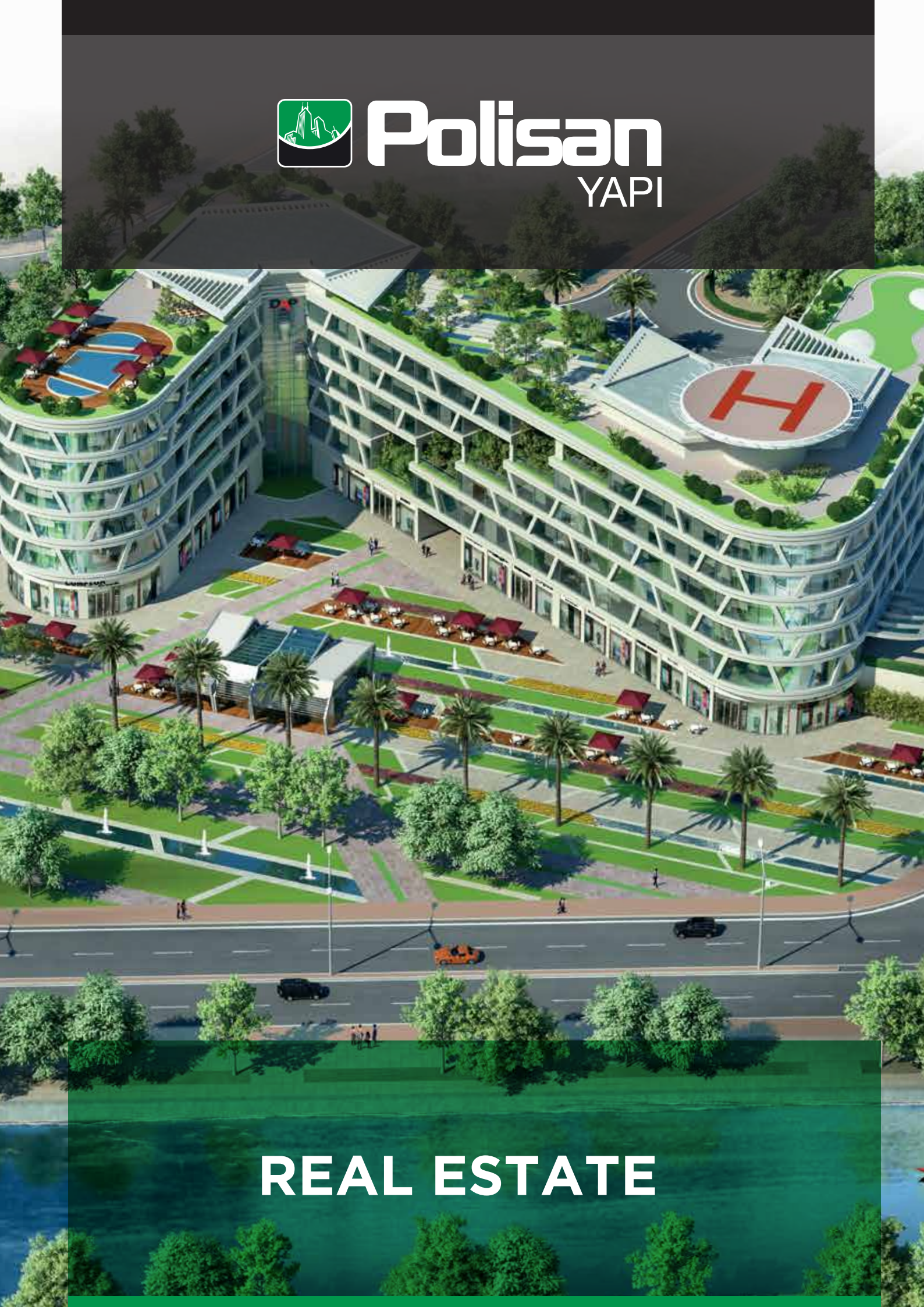
In 2012, Polisan Kimya has signed a technical and engineering agreement with German Averis GmbH and Norwegian Averis AS. for EPS production, continued its studies on this area in 2013 and completed its engineering procedure studies by receiving Environmental Impact Evaluation (ÇED) Compliance Report. It is in the stage of incentive application related to the project.

EPS, which is used in the production of thermal insulation boards for constructions, in packaging industry, in products aiming for thermal insulation, and as a shock absorber for shipping various products, constitutes 40-50% of the insulation cost. 40% of the EPS is manufactured in Turkey and 60% is imported. Polisan Kimya, which buys the EPS from a Dutch Company and sells it in Turkey, is expected to invest $25 million in EPS. The investment is expected to be completed in 2016 and Polisan Kimya is expected to produce 60,000 tons annually at the first stage.

Other expectations

The importance and the use of Adblue©/AUS 32, manufactured and sold by Polisan Kimya is expected to increasingly continue parallel to the environmental law and improving environment conscious. Additionally, the construction chemicals (concrete additives) produced by the same company is perceived as an important investment for the future along with the increasing sensitivity to implement earthquake legislations that were put into practice and actualization of the convergence projects that are on the agenda to be prepared for the earthquake.

Polisan
YAPI



REAL ESTATE

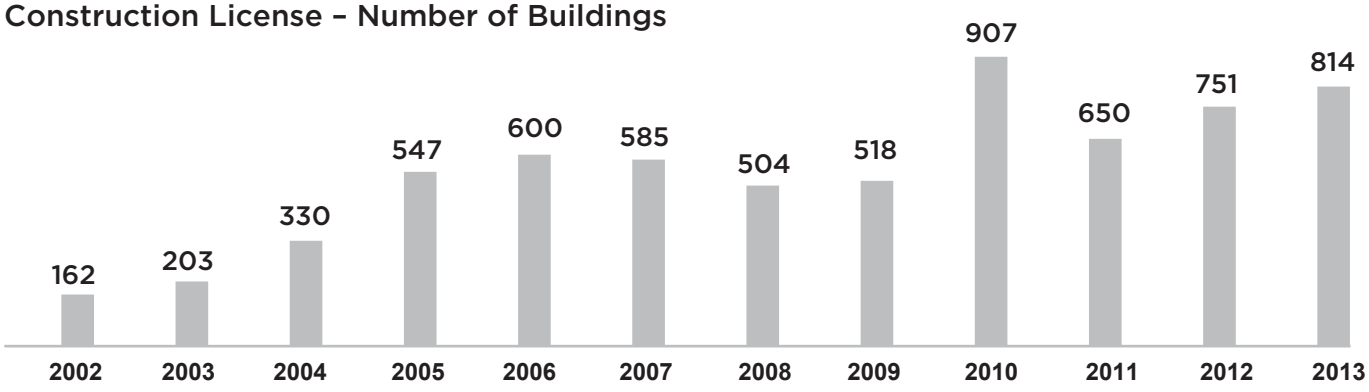
REAL ESTATE INDUSTRY IN TURKEY

THE ATTRACTION OF THE TURKISH REAL ESTATE INDUSTRY INCREASES AS GLOBAL COMPANIES COME TO THE MARKET.

By means of the structural reforms, that have been continuing since 2002 to harmonize the macro economy with the global economy, the focus has been particularly on the liberalization of the Turkish economy, increasing role of the private sector, enhancing the efficiency/resiliency of the financial sector, and building the social security system on a solid ground. The reforms undertaken have strengthened the country's economic foundation and financial indicators so that the economy has posted a real GDP growth of 5% on average in a 10 year period between 2002 and 2012. Turkey, which became an institutionalized economy fueled by the $123 billion Foreign Direct Investment ("FDI") in the last decade, is also the 13th most attractive FDI destination in the world and the 6th largest economy in the EU.

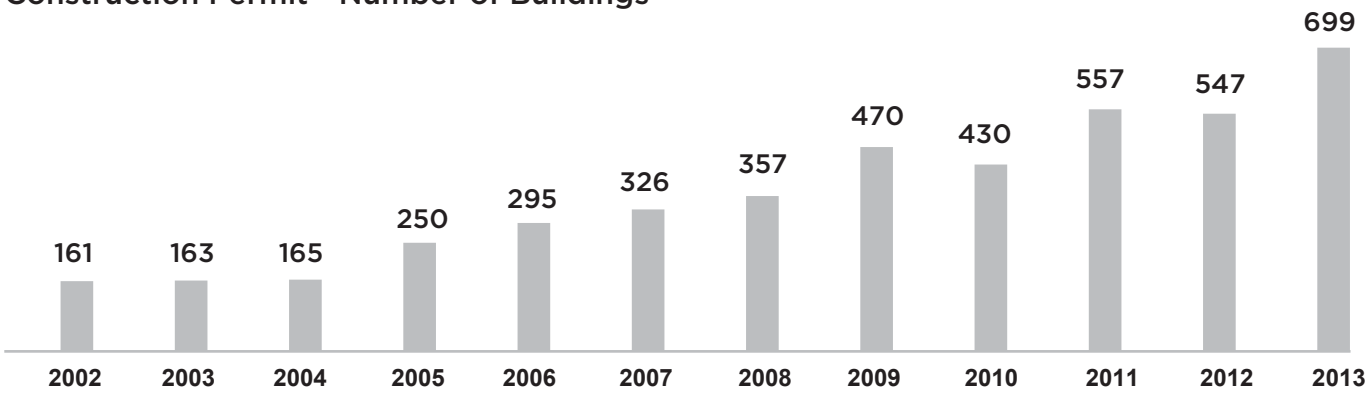
Within this context, Turkish Real Estate Industry has remarkably come to the forefront for the last ten years and become to offer more attractive opportunities for the investors. Although the negative impact of the recent economic crises and global financial contraction has been felt in the European and US real estate markets, Turkish real estate market offers a lot of promise. According to the Turkish Statistical Institute ("TUIK"), the number of Construction Licenses received in 2013 has increased by 8.4% compared to 2012 and the number of Construction Permits has increased by 27.8% in the same period.

Construction License – Number of Buildings



Source: Turkish Statistical Institute

Construction Permit - Number of Buildings



Source: Turkish Statistical Institute

The global investors, entering to the Turkish real estate market contribute to improve the competitiveness while mergers and acquisitions positively reflect on the sector's expansion and pace of growth. "Emerging Trends in Real Estate Europe" report prepared by PricewaterhouseCoopers (PWC) and Urban Land Institute (ULI) reveal that Turkish real estate industry is a center of attention both locally and globally. Based on the 2012 edition of the report, İstanbul was ranked the first as the most favorite city, leaving behind Munich, Warsaw, Berlin, and Stockholm in the categories of Existing Investment, New Investments, and Development Prospects in the European investment market. On the other hand, according to the Association of Foreign Investors in Real Estate Industry ("AFIRE") Turkey was the third most attractive real estate investment destination among emerging countries in 2012. Based on Ernst & Young's "European Real Estate Assets Investment Trends Indicator 2013" report, Turkey is the second most attractive market for real estate investors in Europe.

EXISTING INVESTMENTS	2011	2012	2013
1	MUNICH	ISTANBUL	MUNICH
2	ISTANBUL	MUNICH	BERLIN
3	LONDON	WARSAW	LONDON
4	PARIS	BERLIN	ISTANBUL
5	STOCKHOLM	STOCKHOLM	HAMBURG
6	HAMBURG	PARIS	PARIS
7	BERLIN	HAMBURG	ZURICH
8	FRANKFURT	ZURICH	STOCKHOLM
9	HELSINKI	MOSCOW	MOSCOW
10	WARSAW	LONDON	WARSAW

NEW INVESTMENTS	2011	2012	2013
1	ISTANBUL	ISTANBUL	MUNICH
2	LONDON	MOSCOW	BERLIN
3	MUNICH	MUNICH	LONDON
4	STOCKHOLM	STOCKHOLM	ISTANBUL
5	BERLIN	HAMBURG	HAMBURG
6	WARSAW	WARSAW	PARIS
7	HAMBURG	BERLIN	ZURICH
8	PARIS	ZURICH	STOCKHOLM
9	FRANKFURT	PARIS	MOSCOW
10	COPENHAGEN	LONDON	WARSAW

DEVELOPMENT PROSPECTS	2011	2012	2013
1	ISTANBUL	ISTANBUL	ISTANBUL
2	LONDON	MOSCOW	MUNICH
3	MUNICH	ZURICH	ZURICH
4	STOCKHOLM	WARSAW	HAMBURG
5	BERLIN	MUNICH	LONDON
6	WARSAW	STOCKHOLM	WARSAW
7	HAMBURG	PARIS	BERLIN
8	PARIS	LONDON	PARIS
9	FRANKFURT	HAMBURG	MOSCOW
10	COPENHAGEN	BERLIN	STOCKHOLM

Source: GYODER; Real Estate Industry 2023 Vision Report

Turkey, progressing towards EU membership with firm steps, has been amending the Land Registry and Cadaster Law, Mortgage Law, and Tax Laws in an attempt to preserve and improve the competitive nature of the real estate industry. The related regulations are also being updated to reduce the investment process to a few simple steps to ease investors' entrance to the real estate industry.

Having the 16. largest economy of the world in 2012, Turkey is expected to be among the top 10 economies in the world within its 2023 vision targets and that to be a rising value as "Europe's China" in terms of the emerging market economies. Turkish Real Estate Industry offers great opportunities for the investors in line with the country's improving economic figures and changing population demographics. In the regions where country's industry and transportation is concentrated, the commercial activity increases, resulting in a rapid growth in the demand for offices and houses. The main factors, which make Turkish real estate industry attractive are as follows:

- An institutionalized, globally integrated industry due to predictable inflation rates and steady prices.
- Distinguished by the factors such as recording, transparency, auditing, and institutionalization in compliance with the ongoing EU membership process and high quality standards supported by statistical data.
- The population 60% of which is under the age of 34 and GDP calculated as $786 billion.
- The house loans, which were at TRY3.5 billion in 2004 has increased to TRY102 billion as of January 2014. The total share of house loans in Turkey's GDP is expected to reach 15% in 2015.
- One of the indicators pointing out to the potential of the real estate industry in Turkey is its being among the most visited countries in the world with 31.8 million tourists in 2012.
- The number of modern shopping centers in Turkey has increased from 44 to 284 between 2000 and 2011. The shopping centers with professional management teams, located in high quality districts appeal the attention of leading global brands.

- The number of commercial entities within the boundaries of Turkey has been increasing each year due to Turkey's unique position as a regional hub, providing access to a population of 1.5 billion in Europe, Middle Asia, and Middle East while acting as an energy corridor between the energy supplying countries and the energy consuming countries.

- After the Reciprocity Law was passed in 2012, the real estate sales to foreigners increased by 30.9% compared to 2011 and were realized at $2.64 billion. This amount is expected to reach $10 billion in the mid term.

- Within the Urban Regeneration Project, it is targeted to renew 5 – 7.5 million households in Turkey, including 2 million in İstanbul. This renewal is expected to generate a financial activity of $400 billion.

Urbanization, Urban Population, and Household Predictions

YEARS	POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	SIZE OF URBAN HOUSEHOLD PERSON	NUMBER OF URBAN HOUSEHOL (000)
2011	74,727	76.8	57,368	4.12	13,930
2012	75,658	77.4	58,559	4.10	14,263
2017	80,053	80.0	64,363	3.97	16,212
2023	84,692	84.0	71,141	3.79	18,770

Source: GYODER; Real Estate Industry 2023 Vision Report

- 492,000 hectare land classified as 2B, which was previously owned by the government as forestry, is estimated to be sold in 5 years and generate $17 billion resource.

- The multinational companies particularly addressing Middle East, North Africa (MENA) and Commonwealth of Independent States (CIS) regions establish operation offices to İstanbul, which became Turkey's financial center.

- The popularity of Real Estate Investment Trusts ("REIT") in Turkey are increasing as a financial tool. The market capitalization of 25 REITs quoted on Bourse İstanbul reached $8 billion, further increasing by foreign purchases.

- Canal Istanbul, 3. Bridge, 3. Airport, Istanbul Financial Center, North Marmara Highway, and Two New Cities Projects hint to the upside potential in the foreign investors in the sector.

ISTANBUL PRESENTES A GREAT POTENTIAL IN OFFICE MARKET, IN COMPARISON WITH OTHER FINANCIAL CENTRES WITH ITS 13.5 MLN POPULATION AND $212 BILLION GDP CONTRIBUTION.

EXISTING OFFICE INVENTORY IN SELECTED FINANCIAL CENTERS (CBD AREA)

CITIES	POPULATION (MLN-2011)	GDP ($ BLN)	INVENTORY IN CBD (SQM-2011)	UNDER CONSTRUCTION (SQM -2011)	TOTAL SQUARE METER
LONDON	8	752	8,929,866	276,897	9,206,763
FRANKFURT	6	124	11,617,000	417,168	12,088,168
ZURICH	2	166	10,650,000	200,000	10,850,000
WARSAW	2	66	3,505,035	431,255	3,936,290
PRAGUE	1.3	49	2,714,424	191,000	2,905,424
DUBAI	2	121	5,712,004	549,246	6,261,250
MOSCOW	11.2	326	12,940,000	1,823,000	14,763,000
BUDAPEST	1.7	61	2,559,933	50,000	2,609,933
DOHA	1.4	99	3,670,000	380,000	4,050,000
SINGAPORE	4.2	223	4,820,747	366,133	5,286,880
ISTANBUL	13.5	212	2,557,514	368,841	2,926,355
FRANKFURT	7.1	225	2,159,649	42,400	2,202,049

Source: GYODER; Real Estate Industry 2023 Vision Report

POLISAN YAPI INSAAT TAAHHUT TURIZM SANAYI VE TICARET A.S.

THE EXPERTIZE VALUE OF THE ASSETS OWNED BY POLISAN HOLDING, EXCEPT FOR THE LEASED POLIPORT LAND, IS APPROXIMATELY TRY400 MILLION.

The primary activities of Polisan Yapı İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Polisan Yapı") are to engineer buildings and plants; to construct water channels, roads, bridges, dams, sewers and infrastructure facilities; to produce, market and trade construction and installation materials; to organize all kinds of domestic and international trips, and professional meetings for touristic, professional, and training purposes.

Based on Polisan Holding's financial results as of December 31, 2013, the total expertize value of all real estates under Holding operations, including the leased land, which is not owned by Poliport, is approximately TRY512,325,140.

	Location	m^2	Expertize Value**** (000 TRY)	Current Status / Improvement Plan	Registered Company
Lands Used for Operations	Kocaeli Dil İskelesi*	138,344	130,750,314	Poliport Facilities	Poliport
	Kocaeli Dilovası	82,063	87,018,000	Polisan Facilities	Polisan Kimya
		TOTAL	217,768,314		
Properties for building residents or offices	Istanbul Pendik	174,961	146,366,795	Land for Residents & Commercial Offices	Polisan Yapı & Polisan Holding
	Istanbul Kağıthane	9,773	72,000,000	Factory building & Land	Polisan Yapı
		TOTAL	218,366,795		
Properties used for investment	Kocaeli Gebze -GebKim	142,147	49,750,000	3/1 is Paint Facility, 3/2 is investment	Polisan Kimya
	Kocaeli Dilovası-DOSB	30,150	14,320,000	Land	Polisan Kimya
	Kocaeli Gebze - Farm	120,000**	6,355,206	Health Tourism / SPA Center	Polisan Kimya
	Aydın Karacasu	2,218,300	4,243,825	Agricultural area	Polisan Kimya
	Kocaeli Gebze – Aysan	31,810	26,409,600***	Land	Polisan Kimya
	Balıkesir İvrindi	1,075,651	898,097	Agricultural area	Polisan Kimya
		TOTAL	101,976,728		
		TOTAL	538,111,837		

Source: Polisan Holding

* Poliport land is not owned by Polisan Holding, but leased for 49 years, instead.
** There is a 1,500 decare forestry, taken care by Polisan Kimya, around the 120 decare farm in Kocaeli, Gebze.
*** The land in Kocaeli, Aysan is purchased for €9 million in 2013 and that its value is calculated based on the Turkish Central Bank's € Buying Rate (2.9344) as of December 31, 2013.
**** The expertize valuation for Pendik and Kağıthane is as of 2013 year end whereas for others are as of 2011 year end.

DISCUSSIONS ARE UNDERWAY FOR A FLAT FOR LAND BASIS PROJECT TO BE BUILT ON THE LAND IN PENDIK, KURTKOY.

Polisan Yapı is in discussions for a flat for land basis project to be built on the Kurtköy land, which spreads on an approximately 175,000 square meter area and is very close to the TEM Motorway, E-5 Highway, and Sabiha Gökçen Airport.

It is expected that the growth rate resulting from the increase in Sabiha Gökçen Airport's traffic and easy access to be provided by the planned Kartal – Pendik – Kurtköy metro route will increase the demand for the houses and the commercial estates in the region while other business and tourism focused projects such as fair, congress center, techno park will become on the agenda. The land prices in the region are in the vicinity of \$700 /m² - \$1,200 /m² and the expertize value of the land as of 2011 year end is approximately TRY146 million.

KAGITHANE "Z OFFICE" BUSINESS CENTER PROJECT IS ABOUT TO BE FINALIZED.

Polisan Yapı had an agreement with DAP Yapı for a Joint commercial real estate project to be built on a 9,773 square meter (net) land in Kağıthane, which is İstanbul's the 6. most densely populated district, going through a rapid urbanization process. The expertize value of the land is TRY50 million as of 2011 year end. The Project, which will constitute 19,544 square meter (net) area when finalized, is 42% owned by Polisan Yapı and 58% by DAP Yapı. DAP Yapı completely sold out the part that it owns during the project and construction phase. The rental or sale process of Polisan Holding's share in the Z Office Project; namely, 126 offices and 27 shops will be realized in 2014.

The expertize value of the land in Kağıthane as of 2013 year end is approximately TRY72 million.

OTHER REAL ESTATES AND AREA OF USE

Kocaeli, Gebze (GEBKİM)

Polisan Holding plans to relocate its paint production facilities to the new plant to be built on the 142,000 m^2 land in Kocaeli-Gebze (GebKim) Organized Industrial Zone. 1/3 of the land is planned to be used for the Paint Facility while 2/3 is for investment purposes. The land has an expertize value of approximately TRY750 million as of 2011 year end.

Kocaeli, Dilovası (DOSB)

30,150 m^2 land is an industrial land, which can be used for sale or a commercial investment.

Kocaeli, Gebze (FARM)

There is a 1,500 decare forestry, which is taken care by Polisan Kimya and Poliport, around the 120 decare farm in Kocaeli, Gebze. It is planned to build a SPA center, focusing on the health tourism on this land and that the discussions continue with construction companies for that purpose.

Aydın, Karacasu

The 2,218,300 m^2 land is to be evaluated as agricultural area.

Kocaeli, Gebze (Aysan)

The 31,180 m^2 land, which is right next to the Polisan Facilities, can be integrated to Polisan Boya or Poliport facilities.

Balıkesir, Ivrindi

The land, which reached to 1,215,000 m^2 from 1,075,651 m^2 with the latest purchases is evaluated as the agricultural area. The planting of the walnut and almond seedlings has already started.

Polisan
TARIM

AGRICULTURE

AGRICULTURE INDUSTRY IN TURKEY

TURKEY IS A NET IMPORTER OF AGRICULTURAL PRODUCTS, DESPITE BEING AN AGRICULTURE COUNTRY.

Agriculture in Turkey is generally carried out by the family run businesses, far away from modernization. Products cannot meet the desired standards because operations continue with a low efficiency and on the small pieces of land, which is fragmentized due to the heritage. Thereby, such businesses cannot turn into a commercial structure.

Being an agriculture country, Turkey is still a net importer of agricultural products. Even though, in 2012, exports/imports ratio was at 97.8% levels for agricultural products in general; this ratio, which can go up to 140% levels, is still being considered low for Turkey.

FOREIGN TRADE OF AGRICULTURAL PRODUCTS (MLN $)

Years	Exports	Imports	Balance	Change in Exports (%)	Change in Imports (%)	Exports/Imports Ratio (%)
1997	5,470	4,927	543	10.5	1.3	111.0
1998	5,053	4,321	732	-7.6	-12.3	116.9
1999	4,442	3,398	1,044	-12.1	-21.4	130.7
2000	3,856	4,156	-300	-13.2	22.3	92.8
2001	4,349	3,080	1,269	12.8	-25.9	141.2
2002	4,052	3,995	57	-6.8	29.7	101.4
2003	5,257	5,265	-8	29.7	31.8	99.8
2004	6,501	6,059	442	23.7	15.1	107.3
2005	8,309	6,480	1,829	27.8	6.9	128.2
2006	8,634	7,286	1,348	3.9	12.4	118.5
2007	9,769	9,812	-43	13.1	34.7	99.6
2008	11,474	13,038	-1,564	17.5	32.9	88.0
2009	11,190	9,631	1,559	-2.5	-26.1	116.2
2010	12,664	12,880	-216	13.2	33.7	98.3
2011	15,279	17,574	-2,295	20.7	36.4	86.9
2012	16,005	16,369	-364	4.7	-6.9	97.8

Source: International Standard Commercial Listing (SITC, Rev.3) based on Turkish Statistical Institute's data

Looking at the products in particular, customs that Turkey imposed on some agricultural products are quite low or at zero levels. However, decisions of the World Trade Organization and Custom Union's aggrement limit the growth of some products, thereby position Turkey as a net importer of agriculture.

MINISTRY OF FORESTRY AND WATER AFFAIRS HAS TAKEN MEASURES TO DIMINISH THE IMPORTS OF WALNUT AND ALMOND THROUGH ACTION PLANS.

Walnut and Almond Production in Turkey

Turkey's exports on walnuts reached 13,711 tons in 2012 while the imports were at 46,338 tons. As for almonds, the exports were 19,537 tons and imports totaled 34,626 tons. The sufficiency degree of walnut, with a domestic usage of 211,469 tons, was at 84.6% while the sufficiency degree of almond was at 82.0% with a domestic usage of 83,670 tons. Turkey's total almond and walnut imports, which were realized at quite a high amount of $76 million in 2007, further climbed up to $156 million by the end of 2011.

	Almond (tons)	Walnut(tons)
Production	69,838	183,240
Usable production	68,581	178,842
Imports	34,626	46,338
Domestic usage	83,670	211,469
Exports	19,537	13,711
Consumption per person (kg)	1.1	2.8
Rate of Sufficiency (%)	82.0	84.6

Source: Turkish Statisticial Institute, 01 July 2011 - 30 June 2012

Production	2012	2013	Change (%)
Almond	80,261	82,850	3.2%
Walnut	203,212	212,140	4.4%

Source: Turkish Statisticial Institute, as of year end

Within this context, Ministry of Forestry and Water Affairs took action in an attempt to decrease Turkey's imports on agricultural products and prioritized genus such as walnut and almond whose fruit, leaf, seed, shell and flower can also be utilized. Accordingly, these measures will both lessen the dependency on imports and contribute to the Turkish economy by increasing the economic benefit of the local community.

Walnut Action Plan

Ministry of Forestry and Water Affairs has prepared "Walnut Action Plan for the Period of 2013-2016" for walnut, which is used by many sectors and thereby is a major economic source of income. For that purpose, it started studies for 5,000,000 walnut seedlings to be planted. Based on the Ministry's declarations, the global market, where total walnut production reached 2.3 million tons, is led by China and the US. However, in Turkey, consumption per person is at 2-3 kg, the production of usable walnut is at 178,000 tons, and approximately 60% of the annual consumption is met through imports. So, Turkey lacks very behind in the global production market in terms of volume. Walnut Action Plan aims to establish walnut forests for the first time, to grow walnuts suitable for timber in addition to increasing the fruit production. 1,000,000 walnut trees are expected to generate an income of TRY160 million for the Turkish economy.

Almond Action Plan

Ministry of Forestry and Water Affairs has carried out the "Almond Action Plan for the Period of 2013-2017" for almond, which is widely used in food and cosmetics industry, also to contribute to the rural development. Within the plan, 8,000,000 almond seedlings will be planted on a total of 18,912 hectare land, of which 3,803 hectares will be planted in 2013, 3,860 hectares in 2014, 3,821 hectares in 2015, 3,743 hectares in 2016, and 3,685 hectares in 2017. Based on the Ministry's declarations, Turkey produced 54,844 tons of almonds in 2009 when the global almond production was 2,362,000 tons. Back then, the market was led by the US, which produced 58% of the global production and Spain, which followed the US. The Ministry expressed in its Action Plan that 5,933 tons of almonds were exported ($49.3 million) and 16,500 tons of almonds were imported ($72million) in 2011 and that they target to turn the tables through the Almond Action Plan.

POLİSAN TARIMSAL URETIM SANAYI VE TICARET A.S.

POLISAN TARIM TARGETS AN ANNUAL PRODUCTION OF 6,000 TONS ON A 10,000 DECARE LAND.

Despite the eligible landscape of Turkey, which has been investing seriously on agriculture and stockbreeding sectors in recent years, there is a major amount of agricultural product on its portfolio of imported items. Finding out about that, Polisan Holding decided to invest in agriculture industry in 2010.

Founded with that purpose, the business activity of Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. ("Polisan Tarım") is to plant, produce, buy, and sell all kinds of organic and natural products; to obtain fresh and dry foods from all kinds of agricultural products; to grow all kinds of animals; and to provide technology and consulting services on all kinds of agricultural issues; to audit projects and investments. Initially concentrated on the production of walnut, almond, stevia, and ornamental plant, Polisan Tarım targets to implement the best agricultural practices at all stages, starting from planting the seedlings to the evaluation of the output on an industrial level.

Among the products incentivized, Polisan Tarım targeted to grow walnut and almond, which are forest trees with lives ranging from 50 to 100 years. The economic life of walnut and almond species is longer compared to the other plant types and the government provides with seedling, cultivation, irrigation, and fuel incentives to grow these trees.

After being granted Seedling Producer Certification from the Kocaeli Directorate of Agriculture in 2011, Polisan Tarım grew a total of 300,000 (100,000 walnuts and 200,000 almonds) vaccinated, certified seedlings at Polisan Holding's plantations in Dilovası and Yalova.

Polisan Tarım is at final stage of its studies to buy and lease land for establishing a plantation on a total of 10,000 decare land in Aydın and Balıkesir provinces. A 2,000 decare agricultural land in Aydın region and 1,215,000 square meter land in Balıkesir were bought. The application to grow walnut and almond within the boundaries of Aydın province is at approval stage at related Ministries. So far, 41,000 walnut and 20,000 almond seedlings were planted, and 100,000 walnut seedlings were started to be grown in 2013 in addition to the existing ones. The seedling continues as of March 2014.

Polisan Tarım continues to discuss the allocation of and search for the purchase of feasible land in order for increasing agricultural land to 10,000 decares. The target is to reach 6,000 tons of annual production, using certified seedlings and drip irrigation system on a total of 10,000 decare agricultural area, including the leased land. The sales price of walnut and almond per kilogram is TRY10. The revenue generation is expected within 7 years of production and 6,000 tons of production equals to a value of $30-35 million.

ALMOND

Many territories in Turkey has the ecology feasible to grow almond. Almond is a species with the highest toleration in terms of endurance to lime soil. But still, Turkey is an importer of almonds. In an attempt to lessen the import dependency of almond, which can grow easily on proper soil and climate conditions, Polisan Tarım made 200,000 vaccinated and certified almond seedlings ready to plant. 200,000 almond seedlings were started to be planted as of November 2013. The species produced are Texas and Nonpareil and the almond plantations to be established will be the Turkey's largest scale gardens.

Almond can grow on rocky, gritty, and nutrient weak soil. It is resistant to lack of water, lime, high temperature, and humidity. Almond is a frugal plant, giving fruit in a short time. Unripe almond can be evaluated in the market place.

Almond can grow easily in all regions of Turkey except for Black Sea's coast line. Revenues of the producers increase seriously, particularly if, closed modern gardens are laid out by using the types blooming slower. Protein and carbohydrate rich almond also includes plenty of phosphor and calcium minerals.

WALNUT

Walnut is one of Turkey's natural plants and Turkey is among one of the major producers globally with an annual production of approximately 200,000 tons per year. However, Turkey is a country, which imports walnut. The amount of foreign currency paid for walnut imports in 2012 was $110 million. With roughly 12,000,000 million trees, walnut has a rich genetic variability.

Walnut is a highly demanded fruit for the tables with its nutritive value and by the furniture industry with its lumber value. Having several consumption areas, the interest for walnut increasingly rises as it has a long life, it does not require disinfection frequently against disease and vermin, and its fruit has a high market value.

Polisan Tarım targets to lay out closed walnut gardens with popular types chosen through hybridized claim method. Within this context; it grew 100,000 vaccinated seedlings of Chandler, Fernor, and Fernette type, in its own plantations. Then after the application, the seedlings were certified by the Directorate of the Seed Registry and Certification Center.

In 2014, Polisan Tarım continues to buy land from feasible ecologies in an attempt to lay out the biggest closed walnut gardens in Turkey and establish representative gardens where modern agricultural technologies are implemented such as machine harvest, desiccation, and drip irrigation system, etc. Polisan Tarım aims to set an example for and lead the farmers of Turkey with closed walnut gardens while contributing to the country's economy by realizing production at industrial scale.

STEVIA

Having started production by planting 6,000 stevia seedlings in Yalova region, Polisan Tarım laid out the Turkey's largest stevia production parcel with the highest number of seedlings. Stevia is a plant growing in Paraguay and Brazil. It was discovered by the South American Botanist Antonia Bertoni who was searching the herbs that were used by the locals in Paraguay in 1887. Then, in 1931, in an attempt to solve its mystery, two French chemists named Bridel and Lavieille conducted studies on the essence that they got from the leaves of stevia, which was called as "sweet herb" and "honeyed leaf" by the Paraguay Indians.

As a result of their research, a pure end product, like white-crystal structure was extracted named "stevioside", which they found to be 100-300 times sweeter than refined sugar.

In 1971, Chinese Researcher Dr.Tei-Fu-Chen carried out studies on stveia, which caught his attention during his visit to Paraguay and he managed to get stevia essence through non-chemical, natural methods and remove the tangy taste from its leaves. Stevia, which has been used for hundreds of years in Paraguay and Brazil for its sweetening and healing features, is being used in Japan for over thirty years by millions of people as a sweetener and food additive.

It has been found out that the essence of this plant has blood glucose regulation effects. The existence of some research, which shows that stevia has an effect on increasing insulin sensitivity and secretion, supports its use for the treatment of diabetes.

ORNAMENTAL PLANT

Adopting "A nation's level of civilization can be measured by its foresting of the land they live on" statement as its principal, Polisan Tarım perceives its contribution to grow ornamental plant and foresting as a service and duty.

Having started to grow outdoor ornamental plants in Yalova, Polisan Tarım carries out its studies to grow landscaping plants to be in the position it deserves.

Polisan Tarım aims to focus on the growth of the important species widely used in landscaping and foresting such as Blue Cypress (Cupresssu Arizonica), Leyland Cypress (Cupressocyparıs Leylandi), Golden Thuja (Thuyo Orientalis) and become the largest producer of the sector. For that purpose, it started studies to grow the seedlings of the aforementioned species on a 90 decare land.

AWARDS

POLISAN BOYA HAS BEEN AWARDED 2 REWARDS AT THE CRESCENT AND STARS OF PACKAGING CONTEST.

Polisan Boya has been granted awards at the "Crescent and Stars of Packaging Awards" organized by the Turkish Standards Institution (TSE) and the Turkish Packaging Manufacturers Association so as to create and strengthen the corporate identity of the packaged products manufactured in Turkey, in the international markets.

ambalaj ay yıldızları
crescents and stars for packaging
2013

Over 200 designs in 12 different categories were evaluated during the contest and the jury, composed of expert professionals, has rewarded two Competency Awards to Polisan Boya in the "House-Automobile-Office Appliances, Equipment, and Disposables" category with barrel-like Wood & Wood Package and hexagonal-shaped Elegans Package. With these packages, Polisan Boya got the right to participate in the World Star Awards of World Packaging Organization (WPO).

1 Gold, 1 Bronze Plaque to Polisan Boya

Jury has made a second evaluation among the "Competency 2013" awards granted to 96 designs. And, Polisan Boya has been awarded a Gold Plaque with its barrel-like Wood & Wood Package and a Bronze Plaque with its hexagonal-shaped Elegans Package.

Polisan Boya achieved this success, by meeting the criteria set by the jury such as the package's appeal, ease of use, informativeness, graphic design, production quality, cost, environmental consciousness, recycling, and eligibility for a successful display at the sales channels.

Polisan Barrel Package

One of the Polisan products, has been granted an award, was the Wood & Wood Barrel Package, protecting "Wood Protective" Polisan products with a "Protect the Naturel and the Nature" approach and reflecting the brand's groundbreaking, innovative, and extraordinary spirit. Polisan Wood & Wood Barrel Package has a design, which delivers its target to the end user with the wood protectors in it.

Polisan Hexagonal Package

Elegans Hexagonal Package has been designed for the Polisan Home Cosmetics products, considering the factors that crown Polisan's prestigious and renowned image and bring together safety, durability, esthetics, and passion. Polisan's innovative, extraordinary and authentic spirit has been shaped in this package and its assertive design has brought a breath of fresh air to this category by differentiating itself from its competitors. While designing the package, a particular emphasis was placed on increasing the appeal of the product on the shelves for the end user and creating a perception that the customer buys a premium product.

POLISAN HOLDING SERVES WITH A CONSCIOUS APPROACH TO ITS SOCIETY, EMPLOYEES AND THE ENVIRONMENT.

POLISAN HOLDING'S QUALITY, HEALTH, SAFETY AND ENVIRONMENT POLICY

Investing in people, knowledge, and technology with a sense of society, stakeholders, employees, environment conscious, and quality; Polisan Holding targets zero default on production and service, without any work place and environmental accidents. With this belief, Polisan Holding commits to;

- Comply with all legislations, official regulations, legal responsibility and standarts on health, safety and environmental issues,
- Consider the health, safety, and environmental effects of the technology, raw material, and excipients used and take necessary measures,
- Ensure a common point of view on every level of the organization suitable for the health, safety, and environmental necessities,
- Provide training and open communication opportunity to all of its employees and vendors to guarantee continuous improvement,
- Offer quality, environmentalist, and healthy product and services that meet customers' existing and growing needs and expectations, and improve their lives,
- Work with its vendors and customers through cooperation and confidence on a "win-gain" principle,
- Use energy and natural resources at the optimum level, prevent pollution, minimize waste and ensure maximum recycling by segregation at its origin,
- Improve continuously all processes within the management system,
- Set an example with its sensitivity for the environment and society by prioritizing the Corporate Social Responsibility conscious.

Employee and Worker Flow

Polisan Holding's and its Companies' total number of employees, including the subcontractors working for the Holding has increased to 1,145 as of December 31, 2013 from 1,109 as of December 31, 2012.

	December 2012	December 2013
Permanent Staff	899	1,134
Subcontractor Personnel	210	11
TOTAL	1,109	1,145

The Holding pays 12 month salary, private health insurance, personal accident insurance, bus service, lunch to the permanent staff and subcontractor personnel. Additionally, in line with the regulations, personnel of particular titles (General Manager, Director, Manager) are allocated vehicles and the vehicles' gas and maintenance expenses are paid.

Donations Realized During the Period

Polisan Holding realized TRY1,754,116 total donations and aids as of December 31, 2013. The aforementioned amount is mainly composed of the donations given to the educational institutions and the institutions carrying out education supporting activities.

RESEARCH AND DEVELOPMENT ACTIVITIES

Polisan Holding's R&D department has two main functions. These are Research and Development and Quality Control. There are 50 employers working on the 1,000 square meter, highly advanced R&D facilities.

The importance adhered to the R&D as well as the experienced technical staff, composed of knowledgeable people who worked in this sector for years, each specialized in their area of expertise lay in the foundations of Polisan Holding's development and the competitive edge it gained over competition. R&D unit, which has been carrying out its studies with an innovative structure, differentiates the product mix day by day bringing together the past and the present as well as the modernity with the experience. And, it also embraces the new sectors with new products developed in line with the customer expectations and market foresight.

R&D unit embraces all projects coming from the customers with an equal seriousness and a professional point of view, identifies customers' needs in a correct manner, and offers the most appropriate products to its customers to meet their expectations, in the shortest period. By doing so, the Holding continues to maintain its leadership and provide solution partnership, by solving its customers' all kinds of technical problems.

MANAGEMENT SYSTEMS

A. Quality Management System:

Polisan Holding's principle of quality is to provide with products and services, which are above customer expectations and compliant with national and international standards. Investing in people, knowledge, and technology with a sense of society, stakeholders, employees, environment conscious, and quality; Polisan Holding tries to plan all its operations with zero work place and environmental accident target while meeting its customers' needs and expectations fully, timely, and correctly.

B. Environment Management System:

Polisan Holding carries out an environment-friendly and balanced growth strategy in its companies in order to leave a healthy environment to the future generations. Holding adopts environmentally, socially, and economically sustainable service principles on all of its operations. With this approach, the Holding:

- Complies with related legislations and official regulations,
- Carries out its processes with Managerial System Approach,
- Undertakes studies, which control, diminish, and prevent the factors that cause environmental pollution,
- Sets an example with its sensitivity to the environment and society,
- Manages one of the most important aspects of the sustainable service concept in the best way by monitoring the Corporate Carbon Footprint.

C. Work Health and Safety Management System:

The most important principle of Polisan Holding is to posses work health and safety culture at the ultimate level. Holding takes all necessary measures on the work health and safety matter with the system approach and diminishes the working risks to the minimum. So that, it provides healthy, safely working environment and conditions for all of its employees, customers, business partners, and neighbors in the context of the sustainable service approach.

D. Customer Relations Management System:

Polisan Holding aims to meet customer demand and complaints in a clear, fair, transparent, rapid manner, thus ensure and sustain 100% customer satisfaction. Holding manages its customer relations with a system approach in an attempt to meet its customers' need and expectations correctly, in a fully secure environment while continuosly serving for the better.

POLISAN HOLDING COMPANIES CARRY OUT THEIR HEALTH, SAFETY, AND ENVIRONMENT ACTIVITIES IN LINE WITH THE RESPONSIBLE CARE COMMITMENT PRINCIPLES.

Polisan Boya, a member of the Turkish Chemical Manufacturers Association, which is connected to the European Chemical Manufacturers Council (CEFIC), Polisan Kimya, and Poliport have the Responsible Care® commitment and that they carry out their activities on health, safety, and environmental matters in line with these principles.

POLISAN BOYA CERTIFICATES

Polisan Boya has ISO 9001, ISO 14001, OHSAS 18001, and ISO 10002 certificates that are documented by TÜV Rheinland.

POLIPORT KIMYA CERTIFICATES

Poliport has ISO 9001 Quality Management System, ISO 14001 Environmental Management System, BS OHSAS 18001 Work Health and Safety System, and ISO 10002 Certificates documented by TÜV Rheinland. Poliport is a member of the Federation of European Tank Storage Associations and also is a terminal audited and documented by the Chemical Distribution Institute – (CDI-T: Chemical Distribution Institute - Terminals). In addition to its Responsible Care Commitment, Poliport has also ISPS License granted by International Ship Port Security, EPDK Warehousing License granted by Energy Market Regulatory Authority.

POLISAN KIMYA CERTIFICATES

Polisan Kimya, with a history of 40 years of chemical production and sales, has ISO 9001, ISO 14001, OHSAS 18001 certificates that are documented by TÜV Rheinland. At the same time, the Company has been audited by the German Company; VDA for the AUS 32 product under the ADBLUE brand in 2010. Polisan Kimya has been granted the VDA license and short after it became one of the limited number of producers in the sector.

On the other hand, Polisan Yapı Kimyasalları, which improved its product mix with cement chemicals, documented the quality of the products that it manufactured by the CE Certificate.

CORPORATE PROFILE

Company Name	: Polisan Holding A.Ş.
Address (Headquarters)	: Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Caddesi No: 7 Dilovası – KOCAELİ
Address (Branch)	: Içerenköy Mahallesi, Ali Nihat Tarlan Cad. No : 86 Ataşehir - ISTANBUL
Trade Registry	: Gebze Chamber of Commerce – 5769 / Istanbul Chamber of Commerce – 615757
Subjected Legal Regulations	: Laws of Republic of Turkey
Telephone Number	: 00 90 216 578 56 00
Fax Number:	: 00 90 216 573 77 92
Internet Address:	: www.polisanholding.com.tr
Capital	: TRY370,000,000
The Bourse where shares are traded	: Bourse Istanbul – Second National Market
Date of Quotation on the Bourse	: May 24, 2012
Ticker Symbol	: POLHO

CONTACT OFFICES

Holding's Headquarter and production facilities are located at Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7 Dilovası-KOCAELİ. The other offices and their addresses are as follows:

Contact Offices	Address
Polisan Holding A.Ş. (Branch)	Içerenköy Mah. Ataşehir / ISTANBUL
Polisan Boya San. ve Tic.A.Ş. (Branch)	Içerenköy Mah. Ataşehir / ISTANBUL
Polisan Boya - Contact Office	Rüzgarlı Celal Atik Sok. Ulus /ANKARA
Polisan Boya - Contact Office	Cumhuriyet Mah. Atakum / SAMSUN
Polisan Boya - Contact Office	2 Nolu Beşirli Mah. Devlet Sahil Cad. / TRABZON
Polisan Boya - Contact Office	Yeni Hal Kavşağı Bağcılar Mah. / DIYARBAKIR
Polisan Boya - Contact Office	Hacı Saki Mah. Kocasinan / KAYSERI
Polisan Boya - Contact Office	Mahfessığmaz Mah. Çukurova / ADANA
Polisan Boya - Contact Office	Içerenköy Mah. Değirmen Yolu Cad. / ISTANBUL
Polisan Boya - Contact Office	Incilipınar Mah. Şehit Kamil / GAZIANTEP
Polisan Boya - Contact Office	Millet Mah. Yıldırım / BURSA
Polisan Boya - Contact Office	Zafer Mah. TEKIRDAĞ
Polisan Boya - Contact Office	Sahibi Ata Mah. Meram / KONYA
Polisan Boya - Contact Office	Aydınlık Evler Mah. Körfez Apt. Çiğli / IZMIR
Polisan Boya - Contact Office	Dr.Burhanettin Onat Cad. ANTALYA
Polisan Boya - Contact Office	Ilbadiye Mah. DENIZLI

POLISAN HOLDING COMPLIANCE REPORT

1. Compliance with the Principles of Corporate Governance

Acting upon the belief that good corporate governance is fundamental to the sustainability of companies, Polisan Holding A.Ş. ("Holding"), has been opened to the public on May 2012 as an important step to become a corporate company. Parallel to that, the Holding has adopted transparency, fairness, responsibility, and accountability principles of corporate governance.

In this context, in 2013, the Holding continued its studies, which were initiated along with its IPO for the compliance of Corporate Governance Principles that were laid out by the Capital Markets Board ("CMB") within the framework of Communiqué Series: IV Number: 56 "Regarding the Adoption and Implementation of Corporate Governance Principles". Holding believes that principles that have not been implemented and explained under relevant headings of the report do not constitute a major conflict of interest.

In 2013, the Ordinary General Meeting has been held in line with the conditions that were set out by the CMB regulations. Holding's annual report and website have been monitored and revisions for compliance have continued.

SECTION I – SHAREHOLDERS

2. Investor Relations Department

Holding facilitates the exercising of the shareholder rights and ensures the communication between Board of Directors and shareholders, establishes a communication bridge between existing and potential shareholders based on a mutual trust, and realizes all activities to raise Holding's recognition and improve relations with the investors, analysts, and shareholders through Investor Relations in coordination with the Finance Directorate.

The responsibilities of Investor Relations are as follows:

- Coordinating all transactions with the Central Registry Agency to ensure all records related to shareholders are being kept in a healthy, safe and updated manner,
- Coordinating Holding management, related people or units within the Holding to clearly and directly reply shareholders' information requests, face to face or through communication channels, in line with the Disclosure Policy,
- Ensuring General Assembly meetings are being held in line with the CMB regulations, Articles of Association and other intra-group regulations,
- Providing all necessities to enable shareholders have the right, fast and complete access to the information in line with the CMB regulations and the Holding's Disclosure Policy.

At the Holding, Investor Relations Department is under the responsibility of:

Varol Urel, Accounting Manager
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Burhan Kurt has the Governance Rating and Capital Market Activities Advanced Level Licenses.

In 2013, Holding has realized the 2012 Ordinary General Assembly Meeting in line with the CMB regulations, and complied with the public disclosure requirements by announcing quarterly financial reports and disclosing developments, which may impact investors' decisions. In 2013, studies in regards to website, annual report, and corporate governance compliance activities continued in order for all the relations between the shareholders and Holding to be regulated in line with the Capital Markets Law, CMB regulations, and Holding's Articles of Association. In 2013, 3 analyst and 4 investor meetings were being held upon request and 1 question has been answered via e-mail.

3. Use of Shareholders Rights to Obtain Information

Holding has disclosed its financial results and the developments, which my have an impact on the use of shareholders' rights, on the Public Disclosure Platform ("KAP") during the period, in line with the CMB regulations.

The Investor Relations pages of the Holding's website (www.polisanholding.com.tr) are being updated with the information that is disclosed to the public latest by 24 hours and also include other information, which may have an impact on shareholders' decisions. The studies continue for the majority of this information to take place on the English website as well.

Throughout 2013, the information and meeting requests on several subjects that were delivered by the shareholders and beneficiaries have been clearly and directly replied on a timely manner in line with Holding's Disclosure Policy. The information being used was except for those confidential and commercial secret; namely, already publicized.

To the best of Holding's knowledge, there were no written/oral complaints or administrative/legal proceedings regarding to the exercising of the shareholders' rights in 2013.

The appointment of a special auditor has not been included in Holding's Articles of Association as an individual right. No requests for the appointment of a special auditor were submitted during the concerned period.

4. Ordinary General Meeting

The setting relating to the Holding's General Assembly meetings is in the "Internal Directive in regards to the Polisan Holding Inc. General Assembly's Working Producers and Principles", which takes place under the heading of "General Assembly" on the Investor Relations pages of the website. Under the same heading, information in regards to the General Assembly, Agenda of the General Assembly, invitation letters and proxy forms were also published.

Holding's 2012 Ordinary General Assembly Meeting was held at the Headquarters, addressed Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7, Dilovası-Kocaeli on March 29, 2013, at 10:00 a.m.
The meeting invitation, containing the agenda as stipulated in the law and the Articles of Association was published on the Turkish Trade Registry Gazette dated March 7, 2013; No: 8273, sent to the bearer shareholders who declared their addresses by submitting ordinary shares in advance with a registered letter having a return receipt, within the timeframe set forth by the announcement of the meeting date and agenda. The meeting place, date, and agenda was disclosed on the Public Disclosure Platform and the Company's website prior to the General Assembly.

Holding's Annual Report prepared for the General Assembly, and all kinds of information including the financial tables were ensured to be made physically available at the Holding's Headquarters as well as on the Holding's website for the shareholders' review.

The General Assembly was attended by the members of the Board of Directors, Holding's auditor, Holding's CEO, and the officers who are in charge of the General Assembly preparations.

Out of 370,000,000 shares representing Holding's TRY370,000,000.00 total capital; total number of shares represented at the meeting was 364,273,256; 66,245,648 being represented by proxy and 298,027,608 being present in person. The Ordinary Assembly was held with a participation ratio of 98.45%.

There was no beneficiary and media attending to the General Assembly other than the shareholders.

During the General Assembly, the shareholders were informed that, in 2012, the donations in-kind and cash provided to the organizations and funds, which are considered beneficial to the public, totaled TRY209,464 and the upper limit for the donations to be provided in 2013 was unanimously decided to be TRY8,500,000.

The shareholders did not execute their right to ask questions during the General Assembly and no suggestions were submitted except for the agenda items.

The minutes of the General Assembly were made available for the shareholders' review at the Holding Headquarters and disclosed to the public through Public Disclosure Platform. Additionally, all types of invitations, letters and documents relating to the General Assembly were brought to the shareholders' and all beneficiaries' attention on the Holding's website.

The Ordinary Assembly meeting was held at the least cost and the easiest way possible for the shareholders in a way not to lead any inequalities among the shareholders.

5. Voting Rights and Minority Rights

The minority rights shall be used in accordance with the relevant provisions and regulations in the Turkish Commercial Code and Capital Markets Law as stated on the Article 20 (a) of the Holding's Articles of Association.

There is no representative of minority shareholders and beneficiaries on the Board of Directors. However, there are two independent board members serving on the Board of Directors to represent all shareholders, particularly minorities, and beneficiaries, on an equal basis.

Holding has 7 subsidiaries as of December 31, 2013. Additionally, there is a joint-venture (Rohm and Haas), which is managed jointly. However, there is no cross ownership and that a situation, which requires the freeze of the votes during the General Assembly due to this relationship.

There is no privilege on the voting right as per the Holding's Articles of Association.

6. Dividend Right

Holding realizes dividend distribution in the context of the provisions of the Turkish Commercial Code, Capital Markets Law, Tax Law, other related legislations, and the related article of the Holding's Articles of Association. Holding's Dividend Policy is subject to the conditions in the national, global economy, and capital markets; and long term strategies, capital requirements, investment and financing policies as well as cash and profitability expectations of the operations of the Holding's subsidiaries and affiliates. The Board of Directors takes a decision for dividend distribution each year to submit for the approval of the General Assembly.

Holding may distribute cash dividend and/or bonus shares while evaluating share buy back under the above conditions and within the context of the related regulations to create more value for its shareholders. The determination and distribution of the dividend is arranged at the Holding's Articles of Associations.

There is no privilege on the dividend distribution as per the Holding's Articles of Association.

Dividend Policy and the dividend distribution proposal, which takes place on the Annual Report, is brought to the shareholders' attention at the General Assembly and disclosed to the public on the Holding website.

Holding paid out TRY10,000,000 gross cash dividends in total in 2013 whereas gross dividend per share was 2.703% and TRY0,027 (net 2.297% and TRY0.023).

7. Transfer of Shares

The transfer and disposition of bearer shares are subject to the Turkish Commercial Code, Capital Markets Law, and the provisions of other related legislations.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Holding's Disclosure Policy was constituted in conformity with the Capital Markets Law, Turkish Commercial Code, the regulations of the Capital Markets Board (the "CMB"), and the Bourse Istanbul (the "BIST") where its shares are being traded within the framework of Capital Markets Board's Communiqué Series: VIII, Number: 54 "Regarding the Principles on the Public Disclosure of Material Events" and Communiqué Series: IV, Number: 56 "Regarding the Adoption and Implementation of Corporate Governance Principles".

A complete, fair, correct, timely, clear, cost-effective, and equally accessible communication is carried out in an active manner with all stakeholders including shareholders, investors, employees, and customers within the context of the Disclosure Policy and based on the transparency principle, through Investor Relations, in coordination with the Directorate of Finance. The press releases to be serviced to the printed and visual media and the data distribution channels can be done by the Chairman of the Board, Holding's CEO or the representatives they deem to be appropriate.

Holding's expectation for 2013 has been disclosed to the public on the Annual Report.

9. Holding Website and Content

Holding's website (www.polisanholding.com.tr) is prepared under the responsibility of the Marketing Division so as to include different types of information to be utilized by all stakeholders. The "Investor Relations" pages of the website, arranged to inform shareholders and investors, are being updated by the Investor Relations Department.

The revisions within the context of the studies initiated for the compliance of Corporate Governance continued in 2013. Investor Relations pages of the Holding website, in general terms, enabled the access to the information and the documentation that need to be on the website as set forth by the Capital Markets Board's Corporate Governance Principles as well as the announcements disclosed to the public within the framework of the Disclosure Policy. The studies initiated in 2013 to provide with the majority of the Turkish content also in English are being continued.

10. Annual Report

2013 Annual Report is prepared based on the Corporate Governance Principles. The wages and all other benefits provided to the Board of Directors and Senior Executives within the report is not disclosed per person, but is on cumulative basis instead.

SECTION III – STAKEHOLDERS

11. Informing Stakeholders

Holding's stakeholders (employees, vendors, business partners, shareholders etc.) are being informed on the matters that concern themselves via appropriate communication medium such as meeting invitations, QDMS – Integrated Management System, e-mail, telecommunication tools.

In this context, Holding companies can exchange ideas by arranging meetings for their dealers, business partners, and vendors while they can also come together through regional visits and travels. In general, group employees are being informed via QDMS System and e-mail, and shareholders through General Assembly meetings, annual report, and the website, which are open for all stakeholders.

Stakeholders can communicate with the Executive Committee members for unethical transactions and the practices against the laws and regulations. Where deemed necessary, Executive Committee members share the complaints with the Board of Directors. Customers, vendors, and business partners can communicate their written or oral complaints via Polisan Call Center (00 90 800 211 3737 or 00 90 532 755 0737) or through legal institutions and organizations. After being evaluated by related people or units, complaints are being concluded by the Executive Committee.

12. Stakeholders' Participation in Management

There is no particular arrangement for the participation of the Holding's stakeholders to the management. However, Holding improves its processes based on the feedback provided by the employees during the communication meetings, by the customers at the sales points and customer service lines, by the vendors and business partners during purchasing processes or meetings. The representation of the shareholders and other stakeholders at the management is being carried out by the independent members of the Board.

13. Human Resources Policy

The principal of the Holding's Human Resources Policy is to ensure that competent and result oriented human resource is being employed in line with the Holding's targets and strategies, contribute to the productivity of the Holding by rewarding high performance, strengthen the corporate culture, preparing the employees who become an expert on their career within the organization for managerial positions, support employees' personal development by continuous training and that increase the value added to the corporation by improving their profession and form an effective and a motivated organization, ensuring employee satisfaction by proactive human resources practices.

Accordingly, strategic Human Resources management includes major factors that will carry the Holding to its strategic targets such as employees' development, keeping employees within the organization, planning work force, performance evaluation, and succession through promotion.

Human Resources processes at the Holding are being managed by the Human Resources Director Ahmet Türkselçi, who is also a member of the Holding's Executive Committee.

Human Resources Directorate managed by Ahmet Türkselçi ensures that Human Resources Policy and Rules of Business Ethics are adopted throughout the Holding and that employees improve as potential leaders, internalizing their responsibilities for the society, sector, and for one another.

Practices, which are adopted in line with the Holding's priorities increase efficiency while contributing to the increase in the society's quality of life in general.

Holding has procedures relating to Human Resources processes on recruitment, training, performance evaluation, domestic and international travel, appointment and promotion, personal loans. Procedures on wages and other benefits are being studied. Written procedures and regulations are available on the QDMS System. Each time a new document is submitted to this system or revisions are done, the employees are automatically notified by the system.

During the recruitment process, Holding evaluates candidates who are reliable, sensitive, devoted to ethical values, open to changes, market oriented, capable of envisioning long term, innovative, and open to cooperation. As for interviews, after the initial evaluation of the Human Resources Unit, the manager of the unit where the candidate will be employed certainly interviews with the applicant.

Trainee programs and policies are set in order for improving the information, skill and manners of the Holding employees. Within this context, the training sessions provided to 2,854 employees on SEÇ (SEÇ stands for Health, Security, and Environment in Turkish), quality, sales, and management totaled 18,401 hours in 2013. The average number of employees in 2013 is 1,140 and the average number of training hours per person is 16.14.

The job definition of employees is under revision. Each year performance evaluation is done and the results are both shared with the employees and taken into consideration in defining the salaries and the career planning.

Holding occasionally organizes trips and grants several awards in order to increase the motivation.

Holding takes all the legal measures and continuously improves working conditions in order to prevent occupational risks, protect health and security, and eliminate the risk and accidental factors in line with the Labor Health and Security Directive.

Holding treats all employees equally without making any ethnicity, language, religion, racial, and gender discrimination on training and development, performance evaluation, career management, and other human resources processes.

No complaints were filed by the employees in 2013 relating to the discrimination.

14. Ethical Rules and Social Responsibility

ETHICAL RULES

The ethical rules set forth in line with the Holding's procedures and principles are arranged by the Polisan Holding Ethical Principles Book and the guidelines were published on the Investor Relations section of the Holding website under the Corporate Governance heading.

Holding contributes to the increase in our country's quality of life with its health and environment protection practices at global standards while focusing on strategic targets with its employees to further gain strength. The values that shape Polisan Holding's ethical rules are as follows:

- Prudence
- Responsibility and Honesty
- Positive, Constructive, and Ethical Human Relations
- Health, Security, and Environmental Protection
- Equality for Opportunity and Collaboration

Staying bound to its values in every aspect of its operations Polisan Holding aims to

- Ensure sustainable development, which is dynamic, efficient, competitive, and respectful to the natural and cultural environment,
- Contribute to the establishment and extension of relations based on ethical rules and mutual trust at work and in private life,
- Prevent attitudes and behaviors, violating the ethical rules,
- Contribute to the development and the widening of consciousness required for the efficient and effective use of all the sources (financial and non-financial) of Holding and its companies'.

Being part of the company culture, all managers and officers are being informed regarding to the ethical rules and their responsibilities concerning these rules. As part of the corporate culture, Holding management does all kind of study or have it done in order for the ethical culture and corporate ethical principles to set in and become widespread. The management leads, contributes, and track the results of all types of studies undertaken in this regard.

Holding's Work Ethics Rules are available on the QDMS – Integrated Management System. When the rules are being revised, the employees are automatically informed by the system.

All Holding employees are supposed to comply with the ethical rules and immediately inform the management in case of detection of any factors against them.

In case of breach, first Executive Committee, then, in cases necessary, Board of Directors, evaluate the reported violations within the bounds of possibility and ensure that the ethical rules are complied. If the breach is permanent, necessary disciplinary punishment is inflicted in line with the provisions of the Polisan Holding Discipline Procedures.

SOCIAL RESPONSIBILITY AND SPONSORSHIPS

The Corporate Social Responsibility concept is to reduce the negative impacts on the target mass, which will be environmentally, economically, and socially affected by the corporates' products, services, practices wihile also planning, conducting, sharing the result of the processes, that both contribute to the development of the corporation and the society. At Polisan Holding, Corporate Social Responsibility is based on a voluntary basis and perceived as a notion, which unifies social and environmental concerns at Holding's operations and its interaction with the stakeholders. All the processes at the Holding level are managed based on the economic responsibilities, legal responsibilities, ethical responsibilities, and voluntary responsibilities.

Holding, by using all of its sources efficiently, undertakes its economic responsibilities against its customers, shareholders, and the society; by contributing to the society's welfare, undertakes its legal responsibilities on all its operations; though not defined by law, by exhibiting a manner in compliance with the society's and Holding's values and norms undertakes its ethical responsibilities.

Since 1997, Holding participates to the Responsible Care Commitment Program, which is applied by the Chemical Industry globally in the area of occupational health and security, environmental protection, and technical safety. Accordingly, it commits to improve the society's and its customers' lives by offering quality, environmentalist, and healthy products and services and be compliant with the quality, health, safety, and environment conditions while choosing technology and the input.

Having many certificates such as ISO 9001 Quality, ISO 14001 Environment, ISO 10002 Customer Relations Management, and OHSAS 18001 Occupational Health and Security, the Holding continuously improves all of its processes based on a voluntary basis.

It is vital for the Holding that the natural resources used during production and services, the resulting waste, emissions and discharges are being diminished, kept under control while resources are being reused and recycled as much as possible. For example, the improvement studies based on the principles of reduced resources at its origin and segregated pick-up resulted in a decrease in hazardous waste from 6 to 4.5 kg for an operation of 1,000 kg. As per the packaging, the materials of the primary and secondary products' packages are chosen among the ones easy to recycle. And the packages of the secondary products, put on market for the last 10 years, are being collected for the contribution to economy in the context of the collaboration with ÇEVKO. On all operations of Holding companies, the loss of gas, vapor, heat, and electricity energy is prevented for the sake of energy efficiency. The demand for the energy is reduced through advanced technologies and more efficient energy sources are being searched in an attempt to reduce the use of natural resources.

Sustainable development is to reach a balance between the daily needs of people within a framework of economic, environmental, and social approach and the sustainability of the natural resources. The compliance with the sustainable development principles is essence at the Holding culture. For that purpose, the Holding pioneered its sector and realized Carbon Footprint Measurement and Reporting studies in 2013 as per ISO 14064 in order for taking measures at the corporate level to combat with the climate change and fulfill voluntarily its social responsibility. The studies on the Product Life Cycle and Environmental Status Report, also initiated by Polisan Boya in 2013 in line with the sustainable production principle, continue.

Social responsibility projects carried out by the Holding and its Companies to increase life quality with a focus on the society and environment are as follows:

100,000 trees on a 2,000 decare land in Dilovası

The Chairman of Polisan Holding Necmettin Bitlis, who could not remain insensitive to the lumbering of trees around his 50 decare land in Dilovası Region at the beginning of 1990's, has contacted with the Ministry of Forestry. The Ministry of Forestry proposed him to take over the forest nearby his land based on a "protect and use" method. Polisan Holding, volunteering to protect 2,000 decares, has spent approximately TRY20 million since then. The Holding had the forest area surrounded by the wire fence and protection walls, prevented lumbering of trees, and planted 100,000 trees within the framework of "Afforestation Law".

Polisan Boya – Municipality Joint Projects

At the Municipality Joint Projects, initially the paint demand of the buildings on a sample street is being met by Polisan Boya to ensure that the street is beautified. Then, the residents of the province/city are provided easy terms of payment such as discounts on Polisan Boya's listed prices and installments on credit cards. Having been carried out by Polisan Boya since approximately 10 years, the joint painting campaigns were realized in many provinces and cities such as Mardin, Malatya, Erzurum, Bitlis, Burhaniye, Kütahya, Kadıköy, Pendik, Beyoğlu, pleasing the residents by the changing visages of the living spaces.

Every Voice One Breath" against Women's Issues

The social responsibility project named "Every Voice One Breath" and realized in contribution with Polisan Boya for the last 3 years, brings together the reputable women, who are appreciated with their professional success and firm stance. The project aims to raise the consciousness of the public by putting social issues into words in a brave manner and creating awareness, and does it through photography with different concepts such as gender inequality, children brides, lack of education, health problems, sexual harassment, violence in the family, and economic dependency.

The photograph exhibition organized within the context of the "Every Voice One Breath" Project pointed out the issues faced by women all over Turkey. At the initial phase, the Central Cooperation Office and Women's Shelters of Mor Cati (Mor Cati means Purple Roof in English) Women Shelter Foundation were renewed and renovated by Polisan Boya.

"Every Voice One Breath 2" Project again brought together 59 women with reputation on professional success and a firm stance. Within the context of the Project, Polisan Boya contributed to the strengthening and capacity improvement of the Young Girl Shelter Association's Counseling Center and Young Girl Shelters.

"Every Voice One Breath 3" Project brought together 66 women in 2013 to say "no" to violence against women and form social unity. The reputable women reflected their reactions to the camera against the sense of violence by crying, shouting, and screaming at the word: "violence".

In 2013, the Project contributed to the strengthening and capacity improvement of the Young Girl Shelter Association's Counseling Center and Young Girl Shelters. The Project's Design and Art Director was Kenan Bahadır Derre whereas the photographs of 66 reputable women were taken by Hakan Yüksel (studioH2O).

Paint The Town

Polisan Boya has been the paint and auxiliary product sponsor of "Paint Your Town" Project, which brought together the high school students of Koç Private High School, Enka High School, and Hisar Education Fund. The students, who painted the houses in Kağıthane in 2012, have painted and beautified 10 houses at Ayazağa District in Şişli in 2013. The students will continue to gather for this Project, whereas a 4,000 square meter area has been colored so far, to paint the houses in need, with Polisan Boya.

Stars of İstanbul

The World's leading defender of children's rights; UNICEF carries out studies with several partners on a local scale in order for increasing the welfare of all children; girls and boys, and provides them with the opportunity to reach their potential to the fullest. For that purpose, "Stars of İstanbul" Project was launched aiming to raise required funds to educate 90,000 children, between ages 9 and 14, who could not attend the school. It was targeted to educate 100 children with each star so that they catch up with their peers with the accelerated education program. Project, supported by the Holding, was initiated in cooperation with Turkey's reputable names such as Aşkın Nur Yengi, Haluk Bilginer, Ayşe Kulin, Rafet El Roman, Ebru Akel, Deniz Akel, and Kenan Doğulu. The target was to bring together an audience of millions with the artists' world and talent, thereby contributing further to the bright future of the children by increasing the values of the stars at the auction.

Polisan Schools

Holding has founded two Polisan Schools; one in Malatya, one in Dilovası.

Serving since 1988, Mehmet Emin Bitlis Secondary School has been constructed with an investment of TRY700,000 at current prices. Polisan Holding satisfies the school's need for paint each year on a regular basis. 160 students are graduated from Mehmet Emin Bitlis Secondary School each year.

Serving since 1991, Polisan Secondary School has been constructed with an investment of TRY4,000,000 at current prices and it has 80 graduates each year. Polisan Holding regularly meets Polisan Secondary School's Turkish Folk Dance, paint, and attendant's expenses.

Polisan Education, Culture, and Indoor Sports Facility

In an attempt to contribute to the growth of the hopes of the future; namely youngsters, in a fit and healthier manner, Polisan Holding gets the biggest sports facility built in Dilovası, Kocaeli. The complex started to be erected on the 16 decare land where Polisan Primary School, previously donated to the Ministry of National Education, is situated and the construction is expected to be completed by the end of 2014. Armed with the latest technology equipment, the concrete made facility having a steel roof with a capacity of 2,500 people will cost around TRY7.5 million. When the project is finalized, there will be a primary school, an indoor sports facility, and the public housing on the 16 decare land. There is also going to be a 6 decare landscape design just for the sports facility. Erected on a 5,130 m^2 land, of which 2,500 m^2 is closed, Polisan Indoors Sports Facility is composed of 3 floors with training rooms, changing rooms, canteen, gym class, teachers' room, camera mixer room, trainer room, referee room, and lavatories. Within the framework of this project, which will contribute to grow a bright young generation, there will also be volleyball and basketball courts in the complex. 1,300 people will be able to watch the races in the sports facility, which will have tribunes on three sides. The sports facility, which is built in line with the norms of the Ministry of Youth and Sports, will also have a separate area for the protocol in its tribunes.

Hand in Hand with Small Hearts Organization's (Mika-Der) Ball

Mika-Der, which is established to improve the living conditions of the 0-18 age children, who had to live in nurseries, orphanages, and child and love houses bound to the Ministry of Family and Social Policies, General Directorate of Child Services had organized its 4. Ordinary Mika-Der Ball on May 29, 2013. TRY1.5 million record donation has been gathered during the Ball, where Toya Yapı was the lead sponsor and Ajda Pekkan and En-be Orchestra took part. In the auction, conducted by the famous Auction Expert Raffi Portakal, the participant benefactors donated for Mersin, Manisa, Afyon, and Çanakkale provinces for their needs. Additionally, Kayseri, Edirne, Kocaeli, and Tekirdağ-Çorlu provinces were donated for establishing one child house for each and İstanbul was donated for establishing 3 child houses. Bartın was donated for the completion of the love houses, which are still under construction. Polisan Boya sponsored for the special photo album, which was composed of the photos taken by the famous Photographer Zeynel Abidin Ağgül and given to the guests after the Ball.

Famous American Gibney Dance Group is in Turkey with the Sponsorship of Polisan Boya!

Emphasizing the fact that the violence against women is an issue behind Turkey's borders within the "Every Voice One Breath" Project, Polisan Boya has sponsored Famous American Gibney Dance Group to come to Turkey. Drawing attention to the "violence against women", which is a serious social issue globally, Gibney Dance Group carries out its activities for 13 years and brings together the women who are facing violence in the family in New York for dance atelier studies. Gibney Dance Group came to Turkey between April 5-12, 2013 under the sponsorship of Polisan Boya and in cooperation with Mimar Sinan University, Faculty of Fine Arts, Major of Contemporary Dance. The Group told about their study models, which they improved through one-on-one interaction with women in the shelters for 13 years, to the non-governmental organizations, volunteers, experts, and artists. They also introduced "Dancing Therapy Atelier for Women Who Face Violence in the Family" within the framework of the Gibney Dance Social Act Project.

SECTION IV – BOARD OF DIRECTORS

15. Structure and the Composition of the Board of Directors:

As stated in the Holding's Articles of Association, the number of members of the Board of Directors shall be determined so as to enable the members of Board of Directors to work in an efficient and constructive manner, decide rapidly and in a rational way, and organize the formation of committees and their works effectively.

While Board of Directors consists of both executive and non-executive members, the majority of the members of the Board are non-executive members. Among non-executive members, there are independent members who are qualified to perform their duties under no prejudice.

Holding's business and administration is being conducted by the Board of Directors consisting of nine members that were elected by the General Assembly and there are two independent members assigned at the Board as per CMB's Corporate Governance Principles and Regulations.

In addition to Polisan Holding CEO Erol Mizrahi and Poliport General Manager Ali Firat Yemeniciler, the information of the non-executive members elected during the General Assembly meeting dated March 29, 2013 to be on the duty until the General Assembly meeting that will be held to discuss 2013 operations are summarized on the table below. Curriculum Vitae's of Board Members are also available on the Holding website and in the related section of the Annual Report.

Polisan Holding Board of Directors:

The duties of the members of the Board of Directors elected on March 29, 2013 for 1 year until the next General Assembly when the new members will be elected, are as follows:

Name - Surname	Position
Necmettin Bitlis	Chairman
Mehmet Emin Bitlis	Vice Chairman
Ahmet Faik Bitlis	Member
Ahmet Ertuğrul Bitlis	Member
Fatma Nilgün Kasrat	Member
Erol Mizrahi	Member
Ali Fırat Yemeniciler	Member
Yahya Mehmet İzzet Özberki	Independent Member
Ahmet Temizyürek	Independent Member

The duties of the members of the Polisan Holding Board of Directors in and outside of the Holding Companies are as follows:

NAME - SURNAME	DUTIES IN THE HOLDING COMPANIES	DUTIES OUTSIDE HOLDING COMPANIES
Necmettin Bitlis	Chairman of Polisan Boya BoD Chairman of Polisan Kimya BoD Chairman of Poliport Kimya BoD Chairman of Polisan Yapı BoD Chairman of Polisan Tarım BoD Chairman of Şark Mensucat BoD	Founding member of Malatya Education Fund President of Dilovası Industrial Zone Entrepreneurs' Board Member of Turkish Industry and Business Association
Mehmet Emin Bitlis	Vice President of Polisan Boya BoD Vice President of Polisan Kimya BoD Member of Poliport Kimya BoD Vice President of Polisan Yapı BoD Vice President of Polisan Tarım BoD Member of Polisan Hellas BoD Member of Şark Mensucat BoD Partner of Polisan Yapı Kimyasalları Member of Rohm and Haas BoD	Member of Malatya Education Fund
Ahmet Faik Bitlis	Member of Polisan Boya BoD Member of Polisan Kimya BoD Member of Poliport Kimya BoD Member of Polisan Yapı BoD Member of Polisan Tarım BoD Member of Şark Mensucat BoD Member of Rohm and Haas BoD Chairman of Polisan Yapı Kimyasalları	Chairman of Association of Paint Industry Treasurer Member at İstanbul Minerals and Metals Exporters' Association Member of Malatya Education Fund's Board of Trustees Member of Board of Directors at Deutsche High School Culture and Education Fund
Ahmet Ertuğrul Bitlis	Member of Polisan Boya BoD Member of Polisan Kimya BoD Vice President of Poliport Kimya BoD Member of Polisan Yapı BoD Member of Polisan Tarım BoD Member of Şark Mensucat BoD	
Fatma Nilgün Kasrat	Member of Polisan Boya BoD Member of Polisan Kimya BoD Member of Poliport Kimya BoD Member of Polisan Yapı BoD Member of Polisan Tarım BoD Member of Şark Mensucat BoD	Partner at Kasrat Tourism, Food Industry and Trade Limited Company
Erol Mizrahi	Polisan Holding CEO Polisan Holding Executive Committee Member Member of Polisan Boya BoD Member of Polisan Kimya BoD Member of Poliport Kimya BoD Member of Polisan Yapı BoD Member of Polisan Yapı Kimyasalları BoD Member of Polisan Tarım BoD Member of Polisan Hellas BoD Member of Şark Mensucat BoD Member of Rohm and Haas BoD	Member of Board of Directors at Association of Paint Industry
Ali Fırat Yemeniciler	Poliport General Manager Polisan Holding Executive Committee Member Member of Poliport Kimya BoD Member of Polisan Hellas BoD	Council Member at Chamber of Shipping Vice President of Port Operations Committee
Yahya Mehmet İzzet Özberki	Corporate Finance Consultant	
Ahmet Temizyürek	Certified Public Accountant	

There is no limitation for the Board Members to be assigned to other duties outside the Holding.

Independent Board Members have the Independence Declarations. There is no matter that eliminates the independence as of the related operational period.

16. Principles of Activity of the Board of Directors

On matters such as the organization, duties, authority, and meeting structure of the Holding's Board of Directors', Holding's Articles of Association is pursued.

The Board of Directors meets upon the invitation of the Chairman and the Deputy Chairman, in a frequency to effectively carry out its duties. The Chairman of the Board determines the meeting agenda by discussing with the other Board members and the CEO. The members pay attention to attend all the meetings and express their opinion. Each Board member can ask from the Chairman to convene the meeting with a written request. The Board meetings are organized at the Holding Headquarters. However, the meetings can convene elsewhere upon the BoD decision.

The Board of Directors convenes with the participation of the majority of the entire number of its members. The resolutions are made with the majority of the votes of the attending members.

The minimum meeting quorum to be specified based on the number of the members appointed by the Holding's Articles of Association is as follows:

Number of Board Members	Minimum Meeting Quorum
5	4
6	4
7	5
8	5
9	6

As per the Article 390 (4) of the Turkish Commercial Code, the decisions may also be made upon a suggested proposal, by getting the written approval from at least the majority of the entire members.

The Chairman of the Board is responsible for conducting the Board meeting announcements and discussions in a proper manner and have the resolutions recorded in the minutes.

Each member of the Board has only one voting right at the meetings. The voting right is used personally. Unless one of the Board members requests a meeting, decision upon a suggested proposal by a member, can also be made by getting the written approval of other Board members.

At the Board of Directors, the votes are either for approval or refusal. The members who vote for refusal write the reasonable and detailed reasoning under the decision, sign it, and notify the auditors of the Holding.

The members who do not attend the meeting cannot cast a vote in written, by appointing a proxy or any other ways. The Board of Directors' members must attend the meetings in person. It is also possible for the members to attend the meetings by any means of technological methods, providing remote access to the meetings. The opinions of the members, who are not able to attend the meeting, are submitted for the information of the other members in case the opinions are presented in written.

The Board of Directors has taken 24 decisions in 2013 during the meetings with physical participation. There was no dissenting opinion in 2013. The shareholders were informed regarding the related party transactions realized in 2012 during the 2013 General Assembly Meeting. In the operational period, among the important or related party transactions that were submitted for the approval of the Independent Members, there was no transaction without approval, thereby submitted for the General Assembly's approval.

17. Number, Structure, and Independence of BoD Committees:

Holding Board of Directors assigned Audit Committee members with their decision dated May 4, 2012.

Audit Committee

Name - Surname	Duty	Essence of the Board Membership
Ahmet Temizyürek	Audit Committee Chairman	Independent Board Member
Yahya Mehmet İzzet Özberki	Audit Committee Member	Independent Board Member

The Audit Committee is liable of taking all necessary measures in order for all kinds of internal auditing and external independent auditing to be facilitated in an adequate and transparent manner and particularly in charge of and responsible from the execution of the matters specified below:

- To audit and approve the compliance of the financial statements and the footnotes that will be made public, with the legislation and the international accounting standards,
- To monitor Holding's accounting system, the disclosure of the financial statements, the functioning and the effectiveness of independent auditing and Holding's internal control system,
- To examine and conclude the complaints about Holding's accounting, internal control system, and independent auditing,
- Selection of the independent auditing firm, initiation of the independent auditing process by preparing auditing agreements, and studies of the independent auditing firm at each stage is realized under the surveillance of this committee,
- To prevent any conflict of interest that may arise among the members of the Board of Directors, managers, and other employees and take precautions to prohibit the misappropriate use of the trade secrets of the Holding.

Holding Board of Directors assigned Corporate Governance Committee members with their decision dated May 4, 2012.

Corporate Governance Committee

Name - Surname	Duty	Essence of the Board Membership
Yahya Mehmet İzzet Özberki	Corporate Governance Committee Chairman	Independent Board Member
Ali Fırat Yemeniciler	Corporate Governance Committee Member	Board Member / Poliport General Manager

The Corporate Governance Committee identifies whether or not the Corporate Governance Principles are applied within the Holding as well as the consequent conflict of interest, which stemmed from not fully complying with these principles, and gives remedial advice to Board of Directors on corporate governance practices. Furthermore, it helps the Board for the relations between the Holding and its shareholders and for that matter monitors Investor Relations activities.

As per the Corporate Governance Principles, it is mandatory that both of the members of the Audit Committee, and Chairman of the Corporate Governance Committee be Independent member. Due to the fact that there are two independent members at the Holding's Board, the same member is assigned to more than one committee on the Board.

18. Risk Management and Internal Control Mechanism

Holding plans to carry out Risk Management and Internal Control Mechanism under the responsibility of Corporate Governance Committee.

19. Holding's Strategic Priorities

Holding's long term strategy in order for maximizing shareholder value is to sustain profitable growth of existing businesses, maximize intra-group synergies, form strategic alliances to expand in high margin, new business lines, utilize Holding's other assets in its portfolio, and maintain high level of corporate governance standards with the professional management.

Holding's Board of Directors, having two Executive Committee members, set the annual targets in line with the Holding's long term strategies. The Executive Committee guides Holding senior management and directors according to these targets. Whether the targets have been achieved, are being controlled at the end of each month through management reports. Whether or not Holding has reached its targets forms a basis for the performance evaluation taking place at the end of the year.

20. Financial Rights

As indicated on Holding's Articles of Association, members of the Board receive a certain remuneration decided by the General Assembly on a monthly, annually or per meeting basis. The remuneration of the Board members, including independent members, CEO, and the Deputy General Managers are based on the Capital Markets Board's Corporate Governance Principles and other applicable law.

The Holding executives are being paid a base salary, performance based bonus, and side benefits (private health insurance, life insurance, automobile, corporate mobile phone and line). The expenses realized within the duties of the executives are being paid by the Holding.

However, there are no transactions that might lead to conflict of interest such as lending money to an executive, providing loan facilities, have them use credits through third parties under the name of personal loan, and providing collateral for their benefit.

The salaries of the executives are decided each year taking Holding's targets into consideration while the remuneration of the Board members is decided each year by the General Assembly.

The Remuneration Policy of the Holding is posted on the website while total salaries and benefits alike granted to the Board members and senior management is made public on the Annual Report.

MAJOR DEVELOPMENTS THAT TOOK PLACE DURING AND AFTER THE RELATED PERIOD

There is no major development that took place during and after the related period.

POLISAN HOLDING A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013
AND
INDEPENDENT AUDIT REPORT

INDEPENDENT AUDITOR REPORT FOR
POLİSAN HOLDİNG'S ANNUAL REPORT

To The Board of Directors of
Polisan Holding Anonim Şirketi

1. As a part of our independent audit, we have evaluated the compatibility of the audited and consolidated financial statements as of 31 December 2013 with the financial information of Polisan Holding A.Ş. ("the Company") and its subsidiaries ("the Group") in the annual report prepared as of the same date and the evaluations and explanations of the Board of Directors.

2. Management is responsible from the preparation of the annual report in accordance with the Regulation on Determination of Minimum Content of Companies' Annual Reports.

3. Our responsibility as an independent audit firm, is to express an opinion regarding to the compatibility of the financial information in the annual report with the audited financial statements subjected to the independent auditor report as of 10 March 2014.

Our evaluation is made in accordance with the principles and procedures related to preparation and publication of annual report that were put into force by the Turkish Commercial Code ("TCC") numbered 6102. These arrangements foresee the planning and the implementation in order for providing a reasonable assurance that there is no material error in regards to the consistency of the financial information in the annual report with the audited consolidated financial statements as well as with the information obtained by the auditor during the audit.

We believe that our evaluations constitute a reasonable and sufficient basis to form our opinion.

4. According to our opinion, the evaluations and explanations of the Board of Directors and the financial information in the attached annual report are consistent with the audited and consolidated financial statements of Polisan Holding A.Ş. as of 31 December 2013.

Arkan Ergin Uluslararası Bağımsız Denetim ve SMMM A.Ş.

Member of JPA International

Eray YANBOL, SMMM

Partner

Istanbul, 10 March 2014

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Polisan Holding Anonim Şirketi

Introduction

We have audited the accompanying consolidated financial statements of Polisan Holding A.Ş. ("the Company"), and its subsidiaries ("the Group"), which comprise the consolidated financial position statement as of 31 December 2013 and consolidated comprehensive profit and loss and other comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Responsibility of Independent Auditing Firm

Our responsibility is to express an opinion on these consolidated financial statements based on our independent audit. We conducted our independent audit in accordance with independent auditing standards published by the Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the independent audit to obtain reasonable assurance on reflecting the truth fair and correct.

Our independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the independent audit evidences we have obtained during the independent audit are sufficient and appropriate to provide a basis for our audit opinion.

The reasons for the qualified opinion

The financial statements of the Group's foreign subsidiary Polisan Hellas SA, that was founded in 2013, have been included in the consolidation as of December 31, 2013. The consolidation policies applied by Polisan Hellas SA's are shown in Note 2. Polisan Hellas SA's financial statements as of 31 December 2013 have not been audited for the period.

Qualified opinion

In our opinion, the accompanying consolidated financial statements reflect Polisan Holding A.Ş. and its subsidiaries' (the "Group") financial position as of 31.12.2013, financial performance for the year then ended and its consolidated cash flows with the true and fair manner within TAS (Note 2) framework as at 31.12.2013, except the mentioned issues stated under the reasons for the qualified opinion above.

Without qualifying our opinion, we draw your attention to the following notes:

The financial statements of the joint venture named Rohm and Haas Kimyasal Ürünler Üretim,Dağıtım ve Ticaret A.Ş. ("Rohm and Haas"), that the group owns 40% of the shares as of 31 December 2013 and accounted for by the equity pick up method, has not been audited by us. The joint venture constitutes 0.4% of the Group's consolidated assets in the accompanying consolidated financial statements as of 31 December 2013 and the amounts related to the profit or loss and other comprehensive income statement and the carrying value of the shares in the shareholders' equity of 31 December 2013 are calculated in line with the US GAAP requirements (Note 13).

Reports on independent auditor responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code no. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of the audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of the Turkish Commercial Code no. 6102, the Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the reporting date, POA has not announced the principles of this report yet so; no separate report has been drawn up relating to it. Along with this, the Company plans to conduct the Risk Management and Mechanism of Internal Control as part of the responsibility of Corporate Governance Committee.

Arkan Ergin Uluslararası Bağımsız Denetim ve SMMM A.Ş.
Eray YANBOL
Partner
Istanbul, 10 March 2014

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POLİSAN HOLDİNG A.Ş
AUDITED FINANCIAL POSITION STATEMENTS
AS AT 31.12.2013
(Amounts expressed in Turkish Lira ("TRY") unless stated otherwise.)

ASSETS	Notes	*Audited* 31.12.2013	*Audited* 31.12.2012
Current Assets:		**486.346.015**	**350.531.903**
Cash and Cash Equivalents	5	87.178.665	27.669.565
Financial Investments	6	--	--
Trade Receivables			
-Trade Receivables from Related Parties	8, 30	2.667.647	1.901.336
-Trade Receivables from Third Parties	8	279.024.801	239.287.748
Other Receivables			
-Other Receivables from Related Parties	9, 30	--	--
-Other Receivables from Third Parties	9	9.869.403	2.194.124
Inventories	10	82.354.544	56.091.087
Prepaid Expenses	11	12.334.197	15.140.668
Assets Related to Current Tax	12	5.133.910	1.249.159
Other Current Assets	19	5.874.421	5.010.421
SUB TOTAL		**484.437.588**	**348.544.108**
Assets and Disposal Groups Classified as Held for Sale	27	1.908.427	1.987.795
Non-Current Assets		**682.559.191**	**592.770.923**
Trade Receivables			
-Trade Receivables from Related Parties	8, 30	--	--
- Trade Receivables from Third Parties	8	8.174.004	3.880.440
Other Receivables	9	281.502	119.629
Financial Assets Available for Sale	6	40.920	40.920
Investments Accounted for Using Equity Method	13	4.558.254	2.902.773
Investment Properties	14	218.366.797	205.577.372
Property, Plant and Equipment	15	400.496.500	359.981.212
Intangible Assets			
- Goodwill		--	--
- Other Intangible Assets	16	6.449.037	7.045.271
- Prepaid Expenses	11	38.090.709	9.637.536
- Deferred Tax Assets	28	6.101.468	3.585.770
TOTAL ASSESTS		**1.168.905.206**	**943.302.826**

The accompanying notes are an integral part of these financial statements

POLİSAN HOLDİNG A.Ş
AUDITED FINANCIAL POSITION STATEMENTS
AS AT 31.12.2013
(Amounts expressed in Turkish Lira ("TRY") unless stated otherwise.)

LIABILITIES	Notes	*Audited* 31.12.2013	*Audited* 31.12.2012
Current Liabilities		**339.043.022**	**257.643.172**
Short-Term Borrowings	7	82.761.071	102.196.242
Short-Term Portion of Long Term Borrowings	7	80.343.938	40.706.400
Trade Payables			
-Trade Payables to Related Parties	8,30	6.945.471	6.740.105
-Trade Payables to Third Parties	8	94.981.329	46.270.521
Liabilities Due to Employee Benefits	18	3.817.508	2.776.519
Other Payables			
-Other Payables to Third Parties	9	33.026	10.036
Deferred Income	11	67.411.164	56.511.551
Period Income Tax Liability	28	1.312.151	1.205.572
Short-Term Provisions			
-Other Short-Term Provisions	17	63.829	191.488
Other Current Liabilities	19	1.373.535	1.034.738
SUB TOTAL		**339.043.022**	**257.643.172**
Non-Current Liabilities		**238.708.210**	**112.834.636**
Long-Term Borrowings	7	160.319.549	43.293.635
Trade Payables	8	--	--
Other Payables	9	--	--
Deferred Income	11	7.452.245	1.229.337
Long-Term Provisions			
- Provisions for Long Term Employee Benefits	18	7.561.495	6.784.671
- Other Long-Term Provisions	17	--	63.829
Deferred Tax Liability	28	63.374.921	61.463.164
SHAREHOLDERS' EQUITY		**591.153.974**	**572.825.018**
Parent Company Shareholders' Equity		**578.578.650**	**560.820.009**
Share Capital	20	370.000.000	370.000.000
Capital Adjustment Differences	20	1.467.266	1.467.266
Share Premiums / Discounts	20	23.130.220	23.130.220
Other Comprehensive Income not to be Classified to Profit or Loss			
- Actuarial Loss Arising from Employee Benefits	20	(2.029.035)	(1.757.353)
- Revaluation and Classification Gain	20	214.670.575	214.670.575
Other Comprehensive Income to be Classified to Profit or Loss			
Foreign Exchange Translation Differences	20	(90.357)	--
Restricted Reserves Set Aside from Profits	20	21.470.963	19.526.237
Acquisition Effect on Shareholders' Equity		(208.011.543)	(208.011.543)
Previous Year's Profits	20	129.849.881	93.070.313
Net Income for the Period		28.120.680	48.724.294
Non-Controlling Interest	20	**12.575.324**	**12.005.009**
TOTAL LIABILITIES		**1.168.905.206**	**943.302.826**

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

POLİSAN HOLDİNG A.Ş
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE YEAR ENDED 01.01.-31.12.2013
(All currencies are in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*Audited* 01.01.-31.12.2013	*Audited* 01.01.-31.12.2012
Revenue	21	584.530.878	507.935.745
Cost of Sales (-)	21	(397.308.100)	(353.964.227)
GROSS PROFIS		**187.222.778**	**153.971.518**
Research and Development Expenses (-)	22	(4.103.936)	(3.334.413)
Marketing, Sales and Distribution Expenses (-)	22	(81.563.206)	(69.960.857)
General and Administrative Expenses (-)	22	(31.860.971)	(22.003.157)
Other Operating Income	24	14.954.004	8.275.355
Other Operating Expenses (-)	24	(16.680.871)	(10.498.693)
Profit from Investments Accounted for Using Equity Method		1.655.481	2.902.773
OPERATING PROFIT		**69.623.279**	**59.352.526**
Income from Investment Activities	25	19.086.095	20.783.649
Expense from Investment Activities (-)	25	(1.316.681)	(1.570.362)
PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**87.392.693**	**78.565.813**
Financial Income	26	3.235.773	9.738.676
Financial Expenses (-)	26	(55.472.943)	(28.122.323)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSE		**35.155.523**	**60.182.166**
Tax Income/Expense from Contınuıng Operatıons			
-Period Tax Charge/ Income	28	(6.737.061)	(7.269.144)
-Deferred Tax Charge/ Income	28	536.431	(3.097.340)
PROFIT FOR THE YEAR		**28.954.893**	**49.815.682**
Profit Distribution			
Non-Controlling Interests		834.213	1.091.388
Parent Company Shares		28.120.680	48.724.294
Earnings Per Share	29	**0,076**	**0,144**
Other comprehensive income / (expense)			
Not To be Reclassified In Profit or (Loss)			
-Employee Benefits Actuarial Losses	18	(337.553)	(1.119.643)
-Employee Benefits Actuarial Gains Deferred Tax Effect		67.511	223.929
Changes in Fixed Assets' Revaluation Fund	14	--	(1.514.304)
Tax Income/Charge Related to Other Comprehensive Income		--	302.861
To be Reclassified In Profit or (Loss)			
Foreign Exchange Translation Differences		(90.357)	--
Other Comprehensive Expense		**(360.399)**	**(2.107.157)**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**28.594.494**	**47.708.525**
Total Comprehensive Income Attributable			
Non-Controlling Interest		835.853	1.080.583
Parent Company Shares		27.758.641	46.627.942

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

POLİSAN HOLDİNG A.Ş
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 01.01-31.12.2013
(All currencies are in Turkish Lira ("TRY") unless otherwise indicated.)

					Other accumulated comprehensive income/ expense not to be classified to profit or loss	
	Note	Share Capital	Capital Adjustment Differences	Share Premiums	Revaluation Funds	Severance Indemnity Actuarial Gains / Losses
Balances at 01 January 2013		**370.000.000**	**1.467.266**	**23.130.220**	**214.670.575**	**(1.757.353)**
Transfer to Reserves		--	--	--	--	--
Dividends	20	--	--	--	--	--
Retained Earnings Transferred to	20	--	--	--	--	--
Total Comprehensive Income/ (Loss)		--	--	--	--	(271.682)
Balances at 31 December 2013		**370.000.000**	**1.467.266**	**23.130.220**	**214.670.575**	**(2.029.035)**
Balances at 01 January 2012		**150.250.000**	**1.467.266**	**--**	**193.564.933**	**(861.639)**
Transfer to Reserves	20	--	--	--	--	--
Capital Expenditure	20	219.750.000	--	--	--	--
Premium on Shares		--	--	23.130.220	--	--
Buying Equity Impact	3	--	--	--	22.306.280	--
Learning Impairment due to Revaluation		--	--	--	(1.200.638)	--
Prior Year Losses Transferred to	20	--	--	--	--	--
Total Comprehensive Income/ (Loss)		--	--	--	--	(895.714)
Balances at 31 December 2012		**370.000.000**	**1.467.266**	**23.130.220**	**214.670.575**	**(1.757.353)**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements

POLİSAN HOLDİNG A.Ş
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 01.01-31.12.2013
(All currencies are in Turkish Lira ("TRY") unless otherwise indicated.)

		Other accumulated comprehensive income/ expense to be classified to profit or loss	Accumulated Profits			
Restricted Reserves	Buying Equity Impact Learning	Foreign Exchange Translation Differences	Retained Earnings / Loss	Net Profit / Loss	Non-Controlling Interests	Total shareholders' equity
19.526.237	**(208.011.543)**	**--**	**93.070.313**	**48.724.294**	**12.005.009**	**572.825.018**
1.944.726	--	--	(1.944.726)	--	--	--
--	--	--	(10.000.000)	--	(265.538)	(10.265.538)
--	--	--	48.724.294	(48.724.294)	--	--
--	--	(90.357)	--	28.120.680	835.853	28.594.494
21.470.963	**(208.011.543)**	**(90.357)**	**129.849.881**	**28.120.680**	**12.575.324**	**591.153.974**
19.118.109	**(23.313.443)**	**--**	**93.447.647**	**30.794**	**50.629.802**	**484.333.469**
408.128	--	--	(408.128)	--	--	--
--	--	--	--	--	--	219.750.000
--	--	--	--	--	--	23.130.220
--	(184.698.100)	--	--	--	(39.705.376)	(202.097.196)
--	--	--	--	--	--	(1.200.638)
--	--	--	30.794	(30.794)	--	--
--	--	--	--	48.724.294	1.080.583	48.909.163
19.526.237	**(208.011.543)**		**93.070.313**	**48.724.294**	**12.005.009**	**572.825.018**

POLİSAN HOLDİNG A.Ş
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 01.01.-31.12.2013
(All currencies are in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*Audited* 01.01.-31.12.2013	*Audited* 01.01.-31.12.2012
A. CASH FLOWS FROM OPERATING ACTIVITIES		**20.886.501**	**(5.995.117)**
Net Profit for the Period		28.954.893	49.815.682
Net Profit / Loss Reconciliation Adjustments		**35.257.456**	**32.709.143**
Depreciation and Amortization Expenses	14,15,16	20.955.919	17.981.540
Adjustments Related to Provisions	17,18	1.578.329	1.540.134
Fair Value Loss / Gain Adjustments	8,11	3.042.351	2.710.977
Adjustments Related to Impairment / Reversal	24	4.135.863	2.266.424
Adjustments Related to Sales of Fixed Assets	25	(42.263)	(276.898)
Changes in Investments Accounted for Using Equity Method	13	(1.655.481)	(2.902.773)
Tax Expense / Income Adjustments	28	6.200.630	10.366.484
Adjustments Related to Interest Income/Expense	25,26	13.987.890	19.223.255
Revaluation of Fixed Assets Held for Investment Purpose	25	(11.626.516)	(18.200.000)
Foreign Exchange Translation Differences		(1.319.266)	--
Changes in net working capital		**(20.768.048)**	**(58.743.589)**
Change in Trade Receivables	8	(57.272.723)	70.770.113
Change in Inventories	10	(26.263.457)	1.768.052
Changes in Other Receivables Arising from Operations	9,19	(9.779.432)	(4.820.915)
Change in Trade Payables	8	49.539.906	(25.050.701)
Changes in Other Payables Arising from Operations	9,19	23.007.658	(101.410.138)
Cash flow generated from operations		**43.444.301**	**23.781.236**
Severance Paid	18	(1.139.057)	(1.272.735)
Tax Paid	28	(6.630.482)	(8.455.049)
Interest Paid	26	(14.788.261)	(20.048.569)
B.CASH FLOWS FROM INVESTING ACTIVITIES		**(88.340.144)**	**(242.827.626)**
Changes in Non-Current Assets Held for Sale	27	79.368	(121.925)
Purchases of Tangible and Intangible Assets	14,15,16	(61.008.335)	(41.431.862)
Proceeds from Sale of Tangible and Intangible Assets	15,16	241.625	409.130
Cash Advances Given and Debts	11	(28.453.173)	(411.087)
Poliport New Share Purchase	3	--	(202.097.196)
Interest Received	25	800.371	825.314
C. CASH FLOWS FROM FINANCING ACTIVITIES		**126.962.743**	**260.200.808**
Shares and Other Equity Instruments Arising from Issuance of Cash Inflows	20	--	242.880.220
Dividends Paid	20	(10.265.538)	--
Change in Borrowings	7	137.228.281	17.320.588
Change in Cash and Cash Equivalents		**59.509.100**	**11.378.065**
Cash and Cash Equivalents at the Beginning of Period	5	27.669.565	16.291.500
Cash and Cash Equivalents at the End of Period	5	87.178.665	27.669.565

The accompanying accounting policies and notes form an integral part of these consolidated financial statements

POLİSAN HOLDİNG ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31.12.2013
(Amounts expressed in TRY unless otherwise indicated)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Polisan Holding A.Ş. 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 Istanbul 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. (Eski ünvanı: 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 Holding 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.

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NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Poliport Kimya Sanayi ve Ticaret A.Ş. ("Poliport"):
Operating activities of Poliport are bulk liquid storage services, A-type general warehouse services, and loading and unloading services for dry bulk and general cargo vessels.

Poliport 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 Yapi 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 Öngük Sokak, Odak Plaza, A Blk. 5/2 Kozyatağı-Kadıköy/İstanbul.

Polisan Hellas Holding 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.

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NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

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

31 December 2013	Polisan Holding	Polisan Boya	Polisan Kimya	Poliport	Polisan YapıKim	Polisan Tarım	TOTAL
Employees	243	635	116	127	10	3	1134
Contracted Employees (Contractor)	11	--	--	--	--	--	11
Total	**254**	**635**	**116**	**127**	**10**	**3**	**1145**

31 December 2012	Polisan Holding	Polisan Boya	Polisan Kimya	Poliport	Polisan YapıKim	Polisan Tarım	TOTAL
Employees	148	545	79	116	10	1	899
Contracted Employees (Contractor)	93	80	33	4	--	--	210
Total	**241**	**625**	**112**	**120**	**10**	**1**	**1.109**

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Applied Accounting Standards:

Declaration of Conformity

The attached consolidated financial statements are prepared in compliance with the Turkish Accounting Standards / Turkish Financial Reporting Standards and the related statements and reviews ("TAS / TFRS") implemented by Public Oversight Accounting and Auditing Standards Authority (“POA”) in accordance with communiqué Series: II, Number: 14.1 “Regarding the Principles of Financial Reporting in the Capital Markets” (“Communiqué”) published on the Official Gazette numbered 28676 and dated June 13, 2013 issued by Capital Markets Board (“CMB”).

The consolidated financial statements prepared as of 31 December 2013 were approved during the Board of Directors meeting dated 10 March 2014. 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.

POLİSAN HOLDİNG ANONİM ŞİRKETİ
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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.1 Applied Accounting Standards: (Continued)

Reporting and valid Currency

The Company's and its Joint Venture's functional and reporting currency is stated as Turkish Lira ("TRY") and unless otherwise is indicated, all financial information is expressed in TRY.

The functional currency of Polisan Hellas S.A., operating in Greece, is Euro. Each company's financial position and results of operations are expressed in TRY, which is the functional currency and presentation currency for the consolidated financial statements.

Translation to reporting currency

The methods used by Polisan Hellas S.A for the translation of the financial statements into TRY as follows:

a) All assets and liabilities composing the company's consolidated balance sheet as of December 31, 2013 are translated into TRY with a rate of 2.93 TRY / EUR, which is the Central Bank's Euro buying exchange rate at the balance sheet date. Shareholders' equity items are carried with the historical value.
b) The items of the consolidated statement of comprehensive income for the period 29 July to 31 December 2013 are translated into TRY with the Central Bank's average Euro buying exchange rate, which is 2.7089 TRY / Euro.
c) All resulting exchange differences are shown under the shareholders' equity as foreign currency translation differences.

2.2. Amendment of Financial Statements in High Inflation Periods

CMB has announced with a decision dated March 17, 2005 that the application of inflation accounting for companies operating in Turkey and preparing financial statements pursuant to CMB Accounting Standards is not required as of January 1, 2005, thus, the application of preparing and presenting of financial statements based on "Financial Reporting on High Inflation Economies" of International Accounting Standards 29 has been ended as of this date.

2.3. Basis of Consolidation

The consolidated financial statements include financial statements of the Company, its subsidiaries and joint venture accounted for based on equity pick-up method. Principles of preparing consolidated financial statements as follows:

- The Subsidiary is the Company in which the Company has the power to control the financial and operating policies for the benefit of the Company either, 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 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 results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition of control or up to the effective date of disposal, as appropriate. Accounting policies applied by the subsidiaries are brought into conformity with those accounting policies applied by the Group to sustain consistency.
- The financial statements of subsidiaries are consolidated using the full consolidation method. In this context, subsidiaries' shareholders' equity is offset against their book value. The book value of the Company's shares is offset against dividends that arise from these shares, from related shareholders and income statement accounts.

POLİSAN HOLDİNG ANONİM ŞİRKETİ
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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.3. Basis of Consolidation (Continued)

- The subsidiaries' receivables from and payables to each other, sales and purchases of goods and services to each other, and income and expense items realized due to the transactions with each other are mutually eliminated within the consolidation.

- The shares representing other than the Company's and its subsidiaries' shares are deducted from all shareholders' equity items, including paid in/issued capital of the subsidiaries within the consolidation and recorded with the name of "Minority Interest" in the consolidated balance sheet statement under the shareholders' equity group.

- The 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. Based on IAS 31, "Interests in Joint Ventures" standards, the joint ventures should either be accounted for by using equity pick up method or proportional consolidation method. Based on this standard, the main method to account for the joint ventures is proportionate consolidation and the alternative method is equity pick-up method. However, IFRS 11, which is effective as of 1 January 2013 and thereon and allows for the changes to be implemented early and retrospectively, does not allow business partners to be subject to proportionate consolidation based on Joint Arrangements Standard, instead it allows joint ventures to be accounted for only using equity pick up method. Based on these standards, the Company has accounted for the Joint Venture using equity pick up method. As of December 31, 2013 and December 31, 2012 the Group's share in its Joint Venture; Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic A.Ş., is 40%.
Joint ventures which are accounted for using the equity pick up method are initially stated with their cost values. Carrying amount is either increased or decreased from the profit or loss of the Group, after the date of the acquisition, depending on the percentage of shares of the participating company. The dividend payments provided from the partnership decrease the value of partnership. If the change in shareholders' equity stems from the shareholders' equity items other than the profit or loss, necessary adjustments are made on the company's shareholders' equity relating to these items. In case the decrease in the partnership's net active value is not temporary, the partnership value is stated with the reduced value on the financial tables.

As of 31.12.2013 and 31.12.2012 the Group's proportion of ownership interests of subsidiaries and joint ventures has been shown in the following table:

Title of Company	Shares (%) owned directly and indirectly by the Group		Effective ownership share %	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Polisan Boya	100,00	100,00	100,00	100,00
Polisan Kimya	100,00	100,00	100,00	100,00
Poliport	93,35	64,80	93,35	64,80
Polisan Yapı	99,00	99,00	99,00	99,00
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	--

Partnerships outside of the scope of the consolidation are shown in Note 6.

POLİSAN HOLDİNG ANONİM ŞİRKETİ
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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.4. New and revised International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. 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 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

Changes to clarify the company's financial instruments and related regulations regarding the rights (eg collateral agreements) require some information about the description. The explanations made for the users of financial statements:

i) Evaluate the possible impacts and the effect of netting the company's financial situation
ii) Offers useful information for the comparison and analysis of financial statements prepared according to TFRS and other generally accepted accounting principles.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Group recognizes the actuarial gain and loss in the income statement, the amendment of the standard with regards to the accounting of actuarial gain/loss did not have any impact on the financial position or performance of the Group. The impact of the change arising as a consequence of recognizing actuarial profit/loss on the other comprehensive income, in the Group's financial position and its impact on performance, has been retrospectively described in Note 2.5.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to TFRS 10. This amendment will not have any impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

TFRS 10 Consolidated Financial Statements

TFRS10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment did not have an impact on the financial position or performance of the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Group does not expect that this standard will have any impact on the financial position or performance of the Group.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value and/or whether it should use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. According to TMS 34.16 A (j), some of the actual disclosures regarding to financial instruments also required to present in the interim financial statements. This amendment did not have an impact on the financial statements of the Group.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to TFRS 10, TFRS 11, and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons POA has also amended TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities to provide transition relief. These amendments did not have an impact on the financial statements of the Group.

Improvements to IFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

TAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

TAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Interim Financial Reporting:
Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements and not early adopted by the Group are as follows. The Company will make the necessary changes, unless otherwise is indicated, which will be affecting the financial statements and disclosures, after the new standards and interpretations become effective.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. These amendments are not expected to have a significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The company evaluates the impact of the standard on its financial position or performance.

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

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This amendment is not expected to have any impact on the financial position or performance of the Group.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

IFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The mentioned interpretation is not valid for the Group and not expected to have any impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. If the entity has applied IFRS 13, the early adoption is permitted. The mentioned amendment has affected the disclosure principles and will not have any impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The mentioned standard is not expected to have any impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7, and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project. The Company is in the process of assessing the impact of the amendment on its financial position or performance.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' "Basis for Conclusions", the changes are effective as of 1 July 2014.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

The IASB clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards

An entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment is effective immediately

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.
The mentioned standard is not expected to have an impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market operations. The Group has made the classification amendments stated in Note 2.5 in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions are not expected to have an impact on the financial statements of the Group.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.4. New and revised International Financial Reporting Standards (Continued)

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions are not expected to have an impact on the financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

i) The subsidiary holding the equity based financial instruments of the parent,
ii) The associates or joint ventures holding the equity based financial instruments of the parent,
iii) The entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9, holding the equity based financial instruments of the parent.

These resolutions are not expected to have an impact on the financial statements of the Group.

2.5 Prior Period Comparative Information and Restatement of Prior

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.

- The actuarial profit/loss relating to the severance payment is accounted for under the shareholders' equity within the amendments in IAS 19 - Employee benefits. This application is valid for the periods beginning on or after 1 January 2013 and effective prospectively, with earlier adoption permitted. The TRY 895.715 actuarial loss (net-off deferred tax effect) recorded in the net profit for the year on the Balance Sheet dated 31 December 2012 and TRY 861.638 (net-off deferred tax effect) recorded in the previous years' income on the Balance Sheet of the same date are classified under the severance payment provision actuarial gain/loss.

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes were made at the Group's consolidated financial statements.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.5 Prior Period Comparative Information and Restatement of Prior (Continued)

The reclassifications that are made at the Group's consolidated financial statements as of 31 December 2012 are as follows:

- TRY 3.344.595 prepaid expenses disclosed in other current assets and advances given for inventory purchases amounting to TRY 11.796.073 are reclassified in prepaid expenses under the current assets in the Financial Position Statement. Advances given for tangible asset purchases amounting to TRY 9.637.536 are reclassified in prepaid expenses under the non-current assets in the Financial Position Statement.

- TRY 1.249.159 disclosed in prepaid taxes under the other current assets, is reclassified under the assets related to the current period taxes in the Financial Position Statement.

- TRY 28.981 in deposits and guarantees given under the other current assets, is reclassified under other short term receivables in the Financial Position Statement.

- TRY 119.629 disclosed in deposits and guarantees given under the other current assets, is reclassified under other long term receivables in the Financial Position Statement.

- TRY 40.706.400 disclosed in financial liabilities under the short term financial liabilities, is reclassified under short term portion of the long term liabilities in the Financial Position Statement.

- TRY 727.051 social security premiums payable and TRY 527.893 taxes and funds payable recorded under the other short term liabilities, as well as TRY 1.521.575 payable to the personnel recorded under other liabilities are reclassified in the employee benefits under the liabilities.

- TRY 56.006.945 order advance received and TRY 504.606 income related to future periods recorded under the other short term liabilities, are reclassified in the deferred income as a seperate item in the Financial Statement Table, and TRY 1.229.337 order advance received under the other long term liabilities is reclassified under the long term deferred income.

- TRY 9.924 disclosed in deposits and guarantees received under the other short term liablities, is reclassified under the other short term liabilities in the Financial Position Statement.

- The name of the debt provisions, amounted TRY 191.488, has been changed to other short term provisions.

- TRY 2.225.929 foreign exchange gain related to trade receivables and payables and TRY 4.192.087 deferred financing income from credit sales recorded under the financing income, are reclassified under other income from operating income.

-TRY 279.878 profit on sale of property, plant and equipment and TRY 18.200.000 revaluation of investing property recorded under the other income from operating income, are reclassified under the income from investing activities.

-TRY 2.980 loss on sale of property, plant and equipment recorded under the other expense from operating income, is reclassified under the expenses from investing activities.

- TRY 857.795 foreign exchange loss relating to trade receivables and payables and TRY 5.067.961 deferred financing expense related to forward purchases recorded under the financing expense, are reclassified under other operating expenses from operating activities.

- TRY 825.314 interest income on bank deposits and TRY 1.478.457 foreign exchange recorded under the financing income, are reclassified under income from investing activities.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.5 Prior Period Comparative Information and Restatement of Prior (Continued)

- TRY 1.567.382 foreign exchange loss on bank deposits recorded under the financing expenses, is reclassified under expenses from investing activities.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.6 Changes and Errors in Accounting Policies and 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 31 December 2013 are consistent with the accounting policies used in the preparation of the financial statements as of 31 December 31 2012.

The Group made adjustments retrospectively in line with the IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates" relating to the revision of the IAS/TAS 19 (amendment) "Employee Benefits" standards. The impact of the adjustments is described in detail in note 2.5.

2.7 Offsetting

Financial assets and liabilities are reported with their net values on the financial table when there is a legally enforceable right to set off, in case it is paid out net and if the collection is possible or if the acquisition of the asset simultaneously realizes with the settlement of the liability.

2.8. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Cash and Cash Equivalents

Cash and cash equivalents include cash, bank demand deposits and time deposit with less than three months maturity. Cash and cash equivalents are high liquid assets that are easily convertible to cash with maturity less than three months and present an insignificant risk of devaluation. Cost of cash and cash equivalent are represented with acquisition values plus accrued interests. Foreign exchange bank accounts are valued with the end year exchange rates.

Trade Receivables

Trade receivables occurred within the Group resulting from the supply of goods or services directly to a debtor, are represented with discounted cost by effective interest rate method. Short term trade receivables without a specific interest rate are revalued with the invoice amount in cases where interest accrual is insignificant.

In cases where the evidence shows that it is unlikely for the Group to collect its receivables, provision is set aside for the trade receivables. The amount of this provision is the difference between book value of the receivable and the amount probable to collect. Probable amount to collect is discounted value of all the cash flows including collectables from guarantees and insurances based on the original effective interest rate.

If the impairment amount decreases due to an incidence after loss is recorded, this amount is reflected to income statement in the current period.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Trade Payables

Trade and other payables are recorded with the discounted cost value, which represents the current market value of the invoiced or uninvoiced amount that may arise in the future relating to the goods and services purchases.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventory is determined using the monthly weighted average method. Inventory costs comprise all purchasing costs, conversion costs, and other costs that have been incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs that are directly related to production such as direct labor costs. Also these costs include amounts that are distributed in a systematic way from fixed and variable production overheads incurred in transforming raw material and stock into end product. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and sum of estimated expenses to realize the sales. Financing costs incurred during inventory purchases on deferred settlement terms are excluded from the cost of inventories.

Property, Plant and Equipment

Property, plant and equipment (excluding land and buildings) are stated at their cost minus accumulated amortization and impairment. The cost of the property, plant and equipment consist of the purchase price, non-refundable taxes and other costs in order to make the product ready to use.

Except for lands and ongoing investments, the cost of tangible fixed assets is subjected to prorata depreciation by using the straight-line depreciation method based on the estimated useful lives. The estimated useful lives, residual values and depreciated method are reviewed annully for possible effects of changes that occurs in estimations and in case of a change in estimations, they are accounted for prospectively. The estimated of useful lives of the mentioned assets are as follows:

	Useful Lives
Buildings	10 – 50
Infrastructure and Land Improvements	10 – 20
Equipment	5 – 20
Plant	5 – 20
Vehicles	5 – 10
Furniture and Fittings	5 – 15
Other Tangible Fixed Assets	5 – 15
Leasehold Improvements	5 – 10

Expenditure incurred to replace any part of the property, plant and equipment together with maintenance and repair costs are capitalized only when it increases the future economic benefits of the asset. All other costs are recognized in the income statement as they incure. Assessments are applied in the case of an evidence that a financial asset or a group of financial assets is impaired and as a result of this assesment, if the carrying amount of the tangible fixed asset is higher than its recoverable value, by reserving a provision, the carrying amount is discounted to the recoverable value.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Tangible fixed assets (Continued)

The higher of the net cash flows caused by the use of related tangible asset or the net sales price is considered to be the recoverable value.

Gains and losses on disposals of property, plant and equipment are included in other operating income and expenses. Property, plant and equipment obtained before 1 January 2005 are carried at the cost restated based on the inflation effects.

Land and buildings of the Group are valued with their fair value. For this purpose, lands, buildings, infrastructure and land improvements are valued with their fair value according to independent valuation report prepared by Standart Gayrimenkul Değerleme Uygulamaları A.Ş. between 21.03.2011 and 19.04.2011 (Note 15). Despite the fact that the valuation reports of Standart Gayrimenkul Değerleme Uygulamaları A.Ş were prepared in 2011, taking into account the shortness of the time elapsed; the results of these reports were taken as a basis for preparation of financial statements dated 31.12.2010 to provide comparability between the periods. Unrealized proceeds due to increase in fair value of lands, buildings, infrastructure and land improvements are recognized in "Revaluation Funds", which is separate account under shareholders' equity.

The frequency of revaluation depends on fluctuations in the fair value of the tangible asset, which is subject to revaluation. If the fair value of the revalued assets is significantly differentiated from the carrying amount, the assets are revalued again. When the fixed asset is revalued, the accumulated depreciation at the time of the revaluation is proportionately increased in accordance with the change in the gross carrying value so that the carrying amount after revaluation equals to its revalued amount.

Increases in the value of the tangible assets as a result of the revaluation are recognized in "revaluation funds" under shareholders' equity. However, an increase in revaluation is recorded as a gain on the financial tables to the extent of the reversal of a decrease in the revaluation of the same asset, which was previously recognized as an expense. If there is a decrease in the carrying value of the tangible asset as a result of revaluation, the decrease is recorded as an expense on the financial statements. However, if there is already a "revaluation fund" for that asset, then the decrease is initially diminished from this account. In case the decrease is higher than the revaluation fund, the residual amount then recorded in the income statement.

Depreciation of the revalued assets is recorded in the income statement. The revaluation residue stemming from the sale or retirement of the revalued asset is directly transferred to the undistributed profits. Unless the asset is left out of the financial statement, revaluation funds cannot be transferred to the undistributed profits.

Intangible Assets

Intangible assets are the assets consisting of essential rights and software, which are valued at the purchase price. Intangible assets may be capitalized in case when they generate economic benefit and costs can be measured accurately. Subsequently to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are subjected to straight-line depreciation method based on the ratios of the estimated useful lives mentioned below.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Investment Property

Land or building or part of the building or both, which are retained to obtain rent or revaluation gain or both (by the owner or according to the lease contract, tenant) instead of being used in the production or supply of goods and services, or administrative purposes or being sold in the ordinary course of business, are classified as investment property.

Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity and the cost of a property can be reliably measured.

Measurement During Recognition
Investment properties are measured by its initial cost. Transaction costs are added to initial cost.

Measurement After Recognition
Investment properties are measured by fair value or cost method after recognition. The selected method is applied to all investment properties.

-Fair Value Method:
Fair value of an investment property is the amount at which a financial instrument could be exchanged in a current transaction between willing parties by mutual bargaining or an amount that should realize upon payment of a liability. Gain or loss stemming from the change in the fair value of an investment property, is recorded as profit or loss in the current period.

-Cost Method:

Cost value of investment property defines sum of the cash or cash equivalents paid during the acquisition or construction of an asset or the fair value of the payments other than those mentioned or when its application is possible, the cost adhered to the related asset during initial recognition.

On cost method, any tangible fixed assets, which are recorded as assets are recognized on the financial statements with a value representing cost minus accumulated depreciation and accumulated impairment losses, if any. On revaluation method; if a tangible asset, the fair value of which is measured in a reliable manner, is accounted for as an asset, it is recognized with its revalued amount. The revalued amount is the value representing the fair value of the tangible asset at the revaluation date minus subsequent accumulated depreciation and subsequent accumulated impairment losses.

Investment properties have been valued in the financial statements within the framework of the valuation reports given by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 19.12.2013 and the fair values determined as a result of the valuation have been reflected on the financial statements dated 31.12.2013.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Available-for-Sale Financial Assets

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group does not depreciate a non-current asset while it is classified as held for sale. The assets held for sale, are evaluated with the lower value realized after deducting cost of sales from their carrying amount and fair value.

Brands

Brands which are created for the enterprise cannot be accounted as intangible asset as it is not possible to distinguish the costs to develop them as a whole. Brands which are acquired separately are accounted for at their cost whereas brands which are acquired as a part of merger are accounted for at their fair value on the acquisition date, in the financial statements.

The Group has appraised brands as having an indefinite useful life due to lack of foreseeable limited time for generating net cash inflows. Since the brands have an indefinite useful life, they cannot be amortized. Brands are subjected to impairment test annually or more frequently when there are indications of impairment. In case of impairment; the carrying value of the brand is restated to its recoverable amount. The Group has accounted for brands at their cost value since it did not carry out any valuation for brands.

Impairment of Assets

The Group assesses whether there is an evidence of impairment relating to a financial asset at each balance date. If there is such an indication, the recoverable amount of that asset is estimated. If the tangible asset or carrying amount of any unit of that asset, which generates cash, is higher than the amount to be recovered through usage or sales, the impairment takes place. The recoverable amount is found by choosing whichever is higher among the asset's net sales price and its utilization value. Utilization is the present value of the cash flow stemming from the continuous use of an asset and estimated cash flow to be obtained during its disposal at the end of its useful life. Impairment loss is accounted for on the income statement.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Business Combinations and Goodwill

A business combination is considered of merging into a single reporting entity of two separate legal entities or operations. Business combinations are accounted for within the context of IFRS 3, depending on purchase method.

Acquisition cost includes the fair value of the assets given on the acquisition date, equity instruments issued, incurred or assumed liabilities at the date of exchange, and additional costs attributable to the acquisition. If the business combination agreement includes provisions foreseeing that the cost may be corrected depending on the events that may arise in the future; in case this correction is probable and its value can be determined, the acquirer includes this correction to the merger cost at the acquisition date.

The difference between the purchasing cost born relating to the acquisition of an entity and the fair value of the asset, liability, and contingent liabilities of the acquired entity is accounted for as Goodwill on the consolidated financial tables.

The goodwill arising on business combinations is not amortized, instead once a year (as of 31 December) or more frequently in cases where circumstances indicate impairment, they are subjected to an impairment test.

Goodwill impairment loss cannot be associated with the income statement even if the impairment in question disappears in subsequent periods. The goodwill is associated with the cash-generating units during impairment test.

If the fair value of acquirer's share of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is associated with the consolidated income statement.

In the process of accounting for business combinations under common control, carrying amounts of the assets and liabilities are subjected in the consolidated financial statements. Income statements are consolidated from the beginning of the financial year of the business combination. For the purpose of comparability prior period financial statements are restated in the same manner. As a result of these transactions, neither goodwill nor negative goodwill is calculated. The difference arising from the offsetting of the acquisition value and the acquirer's portion within the acquired company's capital is classified directly in the "Retained earnings" under shareholders' equity as "the impact of business combinations under common control".

The Group considers the purchase and sale transactions of the shares owned by companies that it already controls other than the main partnership as transactions within the Group's equity owners. Accordingly for additional share purchases from minority interests, the difference between the acquisition cost and net assets' book value based on the purchased portion of the shares is classified under the shareholders' equity. As for the sales to minority interests, the difference between sale value and book value of the net assets based on sold portion of the shares is recognized under the shareholders' equity.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying assets are capitalized as a part of the cost of the related qualifying asset. All other borrowing costs are recognized as expenses in the period they occur.

Financial Instruments

a) Financial Assets

Financial investments, other than the financial assets at fair value through profit or loss and financial assets at fair value, are accounted for after deducting the expenses directly related to buying transaction at fair value. Investments are recognized or derecognized on the date of the transaction, which is binding with a contract with the delivery conditions complying with the duration defined in related market for investment instruments.

Financial assets can be divided into the following categories: loans and receivables, financial assets for purchase and sale, available-for-sale financial assets and held-to-maturity investments.

Effective Interest Rate Method

Effective interest method is the evaluation of the financial asset through amortized cost and allocation of the related interest income to the related period. Effective interest rate is the rate, which discounts the sum of the cash to be collected over the expected economic life of the financial instrument or in a shorter period where appropriate, to the exact net present value of the relevant financial asset.

The income related to the financial assets, other than the financial assets for purchase and sale, is calculated by using effective interest rate method.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)
Financial Instruments (Continued)

Financial assets for purchase and sale
Financial assets at fair value through income statement are the financial assets that are kept for purchase and sale. If a financial asset is obtained for sale in the short-term, it is classified in that category. Financial assets, which constitute derivatives, not determined as an effective protection tool against financial risk, are classified as financial assets at fair value through profit or loss. Assets in that category are classified as current assets.

Financial assets held-to-maturity
Fixed maturity borrowing instruments, which the Group has the opportunity and intention to hold until maturity and have a fixed or determinable payment plan, are classified as held-to-maturity investments. Held-to-maturity investments are recorded by deducting the impairment loss from its amortized cost based on the effective interest method and relevant income is calculated using effective interest method.

Available-for-sale financial assets
Available-for-sale financial assets include financial assets that are (a) not held-to-maturity financial assets or (b) not for purchase and sale financial assets. Available for sale financial assets are valued at their fair value with the condition that they can be reliably measured once they are recorded. The securities, the fair value of which cannot be reliably measured and without an active market, are recorded at their cost. Gains and losses arising from available-for-sale financial assets are recognized in the related period's income statement. The changes in the fair value of such assets are classified under shareholders' equity. When the relevant asset is disposed and in case of impairment, the amount recorded under the shareholders' equity is transferred to the income statement as profit/loss. The impairment loss provisions, which stem from the investments for equity instruments classified as available-for-sale financial assets and are previously recognized in income statement, cannot be withdrawn from the income statement in the periods to come. Except for the equity instruments classified under available-for-sale, if the impairment loss decreases in the next period and the decrease can be attributable to an event that occurs after the impairment loss is recorded, the impairment loss previously recorded can be withdrawn on the income statement.

Impairment of financial assets
All categories of financial assets other than those for purchase and sale are subject to a review on every balance sheet date whether there is an evidence for impairment or not. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset. That loss event or events must also have an impact on the reliably estimated future cash flows of the financial asset or group of financial assets. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.

In every financial asset (except for the receivables and loans defined on the other sub-titles), impairment is directly deducted from the relevant financial asset's book value. Other than the available-for-sale equity instruments, if the impairment loss decreases in the next period and the decrease is attributable to an event that occurs after the impairment loss is recorded, the previously recorded impairment loss is withdrawn on the income statement. The withdrawal is done in such a way that previously recorded impairment loss does not exceed the amortized cost, which will be achieved in case the impairment of the investment has never been recorded on the date of the cancellation of the impairment.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.8. Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued))

b) Financial liabilities

The Group's financial liabilities and equity instruments are classified depending on the contractual arrangements and the principle of defining a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accounting policies applied for particular financial liabilities and equity instruments are defined below. Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded with their fair values and at every reporting period they are revalued with their fair values at the date of the balance sheet. Changes in fair values are recorded in the income statements. Net gains or losses recorded in the income statement also include interests paid for the financial liability.

Other financial liabilities

Other financial liabilities are initially recognized with their fair value excluding transaction costs. Other financial liabilities are recognized at sequential periods through their amortized cost using effective interest method along with the interest expense calculated by effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the related interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period of time, to the net present value of the financial liability.

Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its balance sheet when it becomes a party to the contractual provisions of the financial instrument. The Group derecognizes a financial asset or a portion of financial asset only when it loses control of the contractual rights that comprise the financial asset or a portion financial asset. The Group derecognizes a financial liability only if the obligation specified in the contract is removed, cancelled and expires.

Borrowings

Bank loans are recorded at the proceeds received, net of direct issue costs. Bank loans are defined through cost, which are later discounted by using effective interest method. The difference between the residue from transaction charges and discounted cost is recognized on the income statement over the duration of the loan as financing cost. Financing cost stemming from the bank loans are recorded on the income statement as they accrue.

Revenue Recognition

Sale of goods

The revenue is considered to accrue when the risk and the benefit of the good sold is transferred to the buyer, when the economic benefit related to sales is likely flow into the business and revenue can reliably be calculated. In retail sales, in case the customer is provided with a guarantee for the unconditional redeem of the good sold in case of dissatisfaction, it is accepted that the significant risk and return relating to ownership is transferred to the buyer. The revenue and cost relating to the same transaction is simultaneously reflected on the financial tables. Revenue is the amount of cash and cash equivalents when cash and cash equivalents are received in exchange of the sale.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

However, in cases when the cash flow is postponed, the fair value of the sales price may be lower than the nominal value of the cash to be received. In case the transaction is carried out by the Group without interest or realizes as a financing transaction such as when an interest rate applied is below the market interest rate; the fair value of the sales price is calculated by discounting the receivables to their present values. In determining the present value of the receivables; an interest rate valid for the similar financial instruments of an entity with a similar credit rating or an interest rate, which discounts the nominal value of the financial instrument to the cash sales price of the related good or service; is used. When the receivables related to the revenues, which were recorded previously, becomes doubtful, the related amount is recorded as an expense on the financial tables, rather than making an adjustment on the revenue. Net sales consist of the invoiced sales amount after deducting the discounts and returns. Conditions that enable the Group to appraise the goods sold as revenue usually occur after the goods are released out of the factory.

Sale of Services
In cases when the duration of service is short, the number of service is high, and pay per service is low, the sale of service is accounted for as revenue after the service is completed. When there is a cost originating from the service or the cost can reliably be estimated, provision for the service can be determined confidingly and economic benefits are likely to be obtained by the entity the sale of service is recorded as revenue. In addition to the criteria above, when a service activity affects more than one accounting period, in case the cost originated from the execution of the service and the total cost to be incurred and the completion ratio can reliably be calculated; service revenue is recognized based on the "percentage of completion method". The port services of Poliport Kimya San. ve Tic. A.Ş. don't affect more than one accounting period.

Dividend and Interest Income:
Interest income is accrued on the relevant period based on the effective interest rate, which discounts the principal outstanding and the estimated cash inflows to be obtained through the expected life of the financial asset to that asset's net carrying value. Dividend income generated from equity investments is recorded when the shareholders gain the dividend rights.

Foreign Currency Translation

The foreign exchange transactions realized within the year are converted by using the f/x rates, which are valid on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Turkish Lira over the f/x rates, which are applicable at the end of the financial position statement date. Gains and losses arising from the translations of f/x denominated asset and liabilities are recorded in the consolidated income statement. The f/x rates at the end of the period are as follows:

	31 December 2013	31 December 2012
USD	2,1343	1,7826
EUR	2,9365	2,3517
CHF	2,3899	1,9430
NOK	0,34759	0,31839

Subsequent Events

Even if the subsequent events occur after any public announcement is made relating to the income for the period or to the other selected financial information, they include all events between the date of the financial tables and authorization date for the issuance of the financial tables. In case subsequent events, which require a correction after the date of financial tables, arise; the Group adjusts the amount included in the financial tables in accordance with the new situation.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Provisions, Contingent Assets and Contingent Liabilities

For any provision to be recorded on the financial tables, it is required that the Group has currently a legal or implied liability originated from past events, there is a possibility of an outflow of economic resources from the Group to fulfill this liability, and the amount of the mentioned liability can reliably be estimated. If the aforementioned criteria do not occur, the Group discloses such matters on the relevant footnotes. Contingent assets are not accounted for unless they are realized and they are only disclosed on the footnotes.

Contingent assets are continuously assessed to ensure that the relevant developments are correctly reflected on the financial tables. When the flow of economic benefit to the entity is almost certain, the related asset and the relevant revenue are reflected on the financial tables at the period when the change occurs. When the flow of the economic benefit is probable, the entity shows the mentioned contingent asset on the footnotes of its financial tables.

Capital and Dividends

Ordinary shares are classified as shareholders' equity. Dividends disbursements over common shares are recognized after being deducted from accumulated profits at the period they are announced.

Finance Leases
Finance leases, which transfer all the risks and benefits pertaining to the ownership of the leased item to the Group, are capitalized at the inception of the lease, at the lower of either the current value of the leased property or, the present value of the lease payments. The finance lease payments are allocated to each period during the lease term as principal and financing expense so as to generate a constant periodic rate of interest on the remaining balance of the liability. Financing expenses are directly reflected on the income statement as of the reporting periods. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Related Parties
A party is considered to be related in case of the presence of one of the following criteria:
(a) Directly, or indirectly by means of one or more:
(i) Controlling the Group, being controlled by the group or being under common control with the group (including the parent company, subsidiaries, and fellow subsidiaries);
(ii) Having an interest providing a significant influence over the Group; or
(iii) Having joint control over the Group;

(b) If the party is a subsidiary of the Group;
(c) If the party has a joint venture, jointly managed by the Group;
(d) If the party is a member of key management personnel of the Group or its parent;
(e) If the party is a close family member of any of the individuals mentioned on (a) or (d);
(f) If the party is an entity, which is controlled, jointly controlled or under significant influence or an entity whereas any of the individuals mentioned on (d) or (e) has a significant voting right directly or indirectly; or
(g) If the party offers post-employment benefit plans to the employees of the Group's or Group's related party's employees .

Related party transactions are the transfers of resources, services, liabilities between related parties, regardless of charging a price.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Taxes Calculated Over Corporate Income
Income tax expense represents the sum of the corporate tax and deferred tax.

Corporate tax:

Corporate tax is calculated over the taxable profit for the year. Taxable profit differs from the profit reported in the income statement because it excludes items that are taxable in other years or deductible from or it further excludes items that are never deductible from tax. The Group's corporate tax liability is the sum of tax provisions of the companies within the context of the consolidation calculated using legal tax rates as of the balance sheet date.

Deferred tax:

Deferred tax liability or asset is determined by calculating the tax effects of the temporary difference between the sum of the assets and liabilities recorded on the financial statements and the sum of the assets and liabilities as recorded in the legal tax basis account, according to the balance sheet method by using the legally accepted tax rates. While the deferred tax liabilities are generally calculated for all taxable temporary differences, the deferred tax assets consisting of deductible temporary differences are calculated based on the condition that it is highly probable to utilize these differences by means of earning taxable income in the future. Such assets and liabilities are not recognized if the temporary difference relating to the transaction, which doesn't affect the taxable or accounting profit/loss, arises from the goodwill or from the initial recognition (except for business combinations) of other assets and liabilities.

Except for the cases when the Group can control the reversal of the temporary differences and the probability of the reversal of this difference in the near future is low, deferred tax liabilities are calculated for the entire sum of the taxable temporary differences attributable to the investments in subsidiaries and associates, and interests in joint ventures. Deferred tax differences arising from the taxable temporary differences attributable to these investments and interests are calculated based on the condition that it is highly probable to utilize these differences by means of obtaining enough taxable profits in the near future and it is probable to reverse these differences in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount of the deferred tax assets is reduced to the extent that it is no longer probable to obtain sufficient taxable profit to gain the benefit to be provided by all or part of the asset.

Deferred tax assets and liabilities are calculated at the tax rates (tax adjustments) that are expected to apply in the period when the liability is settled or the asset realized and legally accepted or almost accepted as of the date of the balance sheet. While the deferred tax assets and liabilities are being calculated, the tax results of the methods that are estimated by the Group for the assets to recover to their book value and for the liabilities to settle as of the balance sheet date are taken into consideration.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities or when the aforementioned assets and liabilities relate to income taxes levied by the same taxation authority or when the Group intends to pay its current tax assets and liabilities by settling on a net basis.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Taxes Calculated Over Corporate Income

The corporate tax stemming except from the items directly recognized under shareholders' equity as receivables and payables (which, in this case, deferred tax relevant to to the related items is also recognized directly under shareholders' equity) or initial recognition of the business combinations and deferred tax for the period is recorded on the income statement as expense or gain. The tax effect is taken into consideration in business combinations, the calculation of goodwill or the definition of the amount, which exceeds the cost of purchase of the acquirer's share of the acquired associate's definable asset, liability, and contingent liabilities at their fair value.

Employee Benefits / Severance Payments

In accordance with existing social legislation, the Company is required to make severance payment to the employees whose employment is terminated due to the retirement or resignation and for reasons other than the misconduct indicated in Labor Law. The severance payment provision is calculated based on the net present value of the expected future liability due to the retirement of all employees' and reflected on the financial tables.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)
2.8. Summary of Significant Accounting Policies (Continued)

Cash Flow Statement

Cash flows for period are reported by proving a classification among the operating, investing and financing activities. Cash and cash equivalent in the cash flow statements include cash on hand and deposits with banks.

2.9. Significant accounting assumption and estimation

Accounting estimates that have important effects on the 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.

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NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.9. Significant accounting assumption and estimation (Continued)

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.

The estimates used are presented in the related accounting policies or footnotes.

NOTE 3 - BUSINESS COMBINATIONS

There is not any in the current period. Parent company has purchased 28,55% of the equity shares of its subsidiary; Poliport in 2012 in exchange for TRY 202.097.196. The difference between the acquisition cost and the carrying value of the share of the net assets acquired, which is TRY 184.698.100 is recognized as "equity effect on acquisition" under the shareholders' equity since there is no relevant item on the financial statement presentation format that has been made obligatory by the CMB.

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NOTE 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 31.12.2013 financial statement position reporting is as follows:

	Dye	Chemical Products	Port Management	Services	Elimination	Total
Assets	389.716.817	375.246.858	193.504.688	850.983.694	(640.546.851)	1.168.905.206
Liabilities	331.222.899	168.076.040	36.750.492	66.812.505	(25.110.704)	577.751.232
Net	**58.493.918**	**207.170.818**	**156.754.196**	**784.171.189**	**(615.436.147)**	**591.153.974**
Depreciation and Amortization	5.558.279	3.806.118	10.950.235	641.287	--	20.955.919
Capital Expenditures	9.749.743	30.046.822	7.463.383	15.505.605	(1.757.218)	61.008.335

As of 31.12.2012 financial statement position reporting is as follow:

	Dye	Chemical Products	Port Management	Services	Elimination	Total
Assets	302.529.540	279.327.128	189.066.274	831.559.580	(659.179.696)	943.302.826
Liabilities	249.704.146	57.746.528	42.644.725	63.673.539	(43.291.130)	370.477.808
Net	**52.825.394**	**221.580.600**	**146.421.549**	**767.886.041**	**(615.888.566)**	**572.825.018**
Depreciation and Amortization	4.542.452	3.370.262	9.382.006	686.820	--	17.981.540
Capital Expenditures	10.490.391	6.899.726	22.815.355	3.041.736	(1.665.471)	41.581.737

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NOTE 4 - SEGMENT REPORTING (Continued)

As of 31.12.2013 income statement reporting is as follows:

	Dye	Chemical Products	Port Management	Services	Elimination	Total
Sales						
-Domestic Sales	378.982.550	160.262.230	31.937.559	39.296.435	(72.117.658)	538.361.116
-Foreign Sales	11.263.959	12.425.349	22.421.483	58.971	--	46.169.762
Cost	(244.949.708)	(147.282.730)	(38.608.056)	(33.313.967)	66.846.361	(397.308.100)
Gross Profit	**145.296.801**	**25.404.849**	**15.750.986**	**6.041.439**		**187.222.778**
Operating Expenses	(103.128.597)	(13.952.209)	(3.353.113)	(2.510.321)	3.689.261	(119.254.980)
Profit/Loss from Investments Accounted for Using Equity Method	--	--	--	1.655.480	--	1.655.481
Operating Income	**42.168.204**	**11.452.640**	**12.397.873**	**5.186.598**		**69.623.279**

As of 31.12.2012 income statement reporting is as follows:

	Dye	Chemical Products	Port Management	Services	Elimination	Total
Sales						
-Domestic Sales	331.120.749	130.471.364	26.366.003	39.922.486	(65.669.467)	462.211.135
-Foreign Sales	9.803.110	15.407.075	20.804.151	--	(289.726)	45.724.610
Cost	(223.367.694)	(123.535.496)	(33.446.183)	(34.772.019)	61.157.165	(353.964.227)
Gross Profit	**117.556.165**	**22.342.943**	**13.723.971**	**5.150.467**		**153.971.518**
Operating Expenses	(81.781.792)	(11.552.032)	(3.582.876)	(3.861.198)	3.256.133	(97.521.765)
Profit/Loss from Investments Accounted for Using Equity Method	--	--	--	2.902.773	--	2.902.773
Operating Income	**35.774.373**	**10.790.911**	**10.141.095**	**4.192.042**		**59.352.526**

NOTE 5 – CASH AND CASH EQUIVALENTS

As of 31 December 2013 and 31 December 2012 the Group's cash and cash equivalents are as follows:

	31 December 2013	31 December 2012
Cash	76.758	70.995
Banks		
- Demand Deposit	8.064.487	3.126.056
- Time Deposit	63.864.116	12.440.363
Other Liquid Assets *	15.173.304	12.032.151
Total	**87.178.665**	**27.669.565**

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NOTE 5 – CASH AND CASH EQUIVALENTS (Continued)

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

As of 31.12.2013 details of time deposit on bank accounts are as follows:

Currency	Interest Ratio	Maturity	Currency Amount	TRY Equivalent
TRY	6,00% - 9,80%	02.01. - 28.01.2014	38.771.954	38.771.954
EURO	1,75%	02.01.2014	639.644	1.878.316
USD	1,75% - 3,10%	02.01. - 20.01.2014	10.876.562	23.213.846
TOTAL				**63.864.116**

As of 31.12.2012 details of time deposit accounts are as follows:

Currency	Interest Ratio	Maturity	Currency Amount	TRY Equivalent
USD	3,10%	28.01.2013	6.283.161	11.200.363
TRY	6,00%	02.01.2013	1.240.000	1.240.000
TOTAL				**12.440.363**

NOTE 6- FINANCIAL ASSESTS

As of 31.12.2013 and 31.12.2012 the Group's long term financial investments classified as available-for-sale financial assets are as follows:

	31 December 2013		31 December 2012	
	Share (%)	Amount	Share (%)	Amount
Ak Enerji A.Ş	--	7	--	7
Aktur Turizm ve Endüstri A.Ş.	--	913	--	913
TI Roro Denizcilik San Tic A.Ş	4,93	290.909	4,93	290.909
Kiplasma Endüstiryel Atık Bertaraf San. Tic. A.Ş	0,40	40.000	0,40	40.000
Pamukbank Tic. A.Ş	--	541.233	--	541.233
Polısan Rus Ltd.	90,00	291.292	90,00	291.292
Provision for Impairment (-)		**1.164.354**		**1.164.354**
TI Roro Denizcilik San Tic A.Ş	--	(290.909)	--	(290.909)
Pamukbank Tic. A.Ş	--	(541.233)	--	(541.233)
Polısan Rus Ltd	--	(291.292)	--	(291.292)
Total		**40.920**		**40.920**

Available-for-sale financial assets are stated at their costs since there is no active market available and it is not possible to reliably measure their fair value.

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NOTE 7- FINANCIAL LIABILITIES

As of 31.12.2013 and 31.12.2012 the Group's financial liabilities are as follows:

	31 December 2013		31 December 2012	
Short Term Financial Borrowing	**Interest Ratio**	**Amount**	**Interest Ratio**	**Amount**
Short Term Bank Debt				
-TRY	8,30% - 9,00%	20.971.895	6,30%-7,75%	83.601.311
- USD	3,30% - 4,20%	58.103.516	2,70%-5,50%	17.923.877
- EURO	3,98%	3.567.432	--	--
Financial Leasing, Net Net		118.228		671.054
Total		**82.761.071**		**102.196.242**
Short Term Portion of Long Term Borrowing				
Short Term Interest and Capital Payment of Long Term Debt				
-TRY	9,85%	4.951.932	--	--
- USD	3,48% - 4,70%	47.808.527	3,50%-5,50%	34.212.295
- EURO	3,35% - 5,50%	27.583.479	5,40%-5,62%	6.494.105
Total		**80.343.938**		**40.706.400**
Long Term Financial Borrowing				
Long Term Bank Loan				
-TRY	9,85	25.384.616	--	--
- USD	3,48 - 4,70	65.057.761	3,50%-4,70%	25.175.409
- EURO	3,35 - 5,50	69.877.172	5,40%-5,62%	18.023.536
Financial Leasing, Net		--		94.690
Total		**160.319.549**		**43.293.635**

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NOTE 7- FINANCIAL LIABILITIES (Continued)
Maturities of financial liabilities are as follows:

Maturity	31 December 2013	31 December 2012
Until 0 – 3 months	65.470.443	106.284.780
Between 3 - 6 months	29.745.640	15.193.077
Between 6 - 12 months	67.888.926	21.424.785
Between 1 - 2 years	142.419.263	31.352.493
More than 2 years	17.900.286	11.941.142
Total	**323.424.558**	**186.196.277**

Warrants such as guarantees and pledges provided for financial liabilities are as follows:

31 December 2013

Type of Guarantee	TRY	USD	EURO	AMOUNT (TRY)
Guarantees Given in favor of Related Parties				
-Polisan Holding A.Ş.	72.250.000	260.400.000	3.000.000	636.831.220
-Polisan Boya San.Ve Tic.A.Ş.	100.500.000	11.500.000	3.000.000	133.853.950
-Poliport Kimya San. A.Ş.	173.500.000	25.250.000	--	227.391.075
-Polisan Kimya Sanayii A.Ş.	190.500.000	20.500.000	--	234.253.150
Total	**536.750.000**	**317.650.000**	**6.000.000**	**1.232.329.395**

31 December 2012

Type Of Guarantee	TRY	USD$	Amount (TRY)
Guarantees Given in favor of Related Parties			
-Polisan Holding A.Ş.	166.150.000	180.600.000	488.087.560
-Polisan Boya San.Ve Tic.A.Ş.	130.500.000	17.300.000	161.338.980
-Polisan Kimya Sanayii A.Ş.	201.900.000	23.000.000	242.899.800
-Poliport Kimya San. A.Ş.	191.500.000	24.950.000	235.975.870
Total	**690.050.000**	**245.850.000**	**1.128.302.210**

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NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

As of 31.12.2013 and 31.12.2012 the Group's trade receivables are as follows:

Current Trade Receivables	31 December 2013	31 December 2012
Trade Receivables	49.700.110	42.334.430
Trade Receivables from Related Parties (Note:30)	2.667.647	1.901.336
Notes Receivables	234.468.444	198.831.965
Other Trade Receivables	2.178.087	2.688.753
Doubtful Trade Receivables	23.284.924	19.588.814
Total Trade Receivables	**312.299.212**	**265.345.298**
Provisions For Doubtful Trade Receivables (-)	(23.284.924)	(19.588.814)
Deferred Financial Income (-)	(7.321.840)	(4.567.400)
Total	**281.692.448**	**241.189.084**
Non-Current Trade Receivables		
Notes Receivables	9.192.096	4.184.057
	9.192.096	**4.184.057**
Deferred Financial Income (-)	(1.018.092)	(303.617)
Total	**8.174.004**	**3.880.440**

The qualifications and amounts of the guarantees received for receivables are stated in Note 17.3

Risks and degree of risks that the Group is exposed to are described in the Note 31.

The amount of foreign currency in trade receivables is explained in the Note 31 currency risk.

As of 31.12.2013 and 31.12.2012 movement of provisions for doubtful receivables is as follows:

	31 December 2013	31 December 2013
Opening balances at 1 January	19.588.814	17.411.137
Increase in provisions in the current period	4.534.060	2.952.759
Account receivables written off	(439.753)	(88.747)
Provisions no longer required	(398.197)	(686.335)
Total	**23.284.924**	**19.588.814**

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NOTE 8 – TRADE RECEİVABLES AND PAYABLES (Continued)
As of 31.12.2013 and 31.12.2012 maturities of trade receivables are as follows:

Maturity	31 December 2013	31 December 2012
Overdue Receivables	15.452.688	28.464.246
0-3 months	148.638.451	87.004.129
3-6 months	65.546.576	80.789.036
6-9 months	31.931.203	32.594.855
9-12 months	27.443.799	16.904.218
1-2 years	8.813.667	4.184.057
2-3 years	380.000	--
Total	**298.206.384**	**249.940.541**

As of December 31, 2013 letter of guarantees amounting to TRY 5.172.484 (31 December 2012: TRY 4.047.298) has been received on receivables of TRY 15.452.688 (31 December 2012: TRY 28.464.264), which are overdue but not impaired.

As of 31.12.2013 and 31.12.2012 the aging of the overdue trade receivables are as follows:

	31 December 2013	31 December 2012
Overdue 30-1 days	11.364.154	23.381.900
Overdue 3-1 months	2.701.230	3.100.893
Overdue 12-3 months	358.189	1.762.107
Overdue 5-1 years	1.029.115	219.346
Total	**15.452.688**	**28.464.246**

As of 31.12.2013 and 31.12.2012 the Group's trade payables are as follows:

	31 December 2013	31 December 2012
Current Trade Payables		
Trade Payables	73.917.555	34.178.078
Notes Payables	21.687.506	12.445.286
Trade Payables to Related Parties	6.945.471	6.740.105
Deferred Financial Expenses (-)	(623.732)	(352.843)
Total	**101.926.800**	**53.010.626**

As of 31.12.2013 and 31.12.2012 maturities of trade payables are as follows:

Maturity	31 December 2013	31 December 2012
Overdue Payables	13.036.205	10.272.765
0-3 months	80.259.527	36.043.245
3-6 months	9.188.012	7.039.731
6-9 months	9.183	4.105
9-12 months	57.605	3.623
Total	**102.550.532**	**53.363.469**

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

As of 31.12.2013 and 31.12.2012 the Group's other short term receivables are as follows:

	31 December 2013	31 December 2012
Due from Personnel	56.874	80.669
Deposits and Advances Given	28.891	28.891
VAT Receivables	4.032.285	1.734.272
Advances Given for Business Purposes	33.707	13.683
Goods in Transit	4.969.795	--
Other Doubtful Receivables	60.096	60.096
Provision for Other Doubtful Receivables (-)	(60.096)	(60.096)
Other Receivables	747.851	336.609
Total	**9.869.403**	**2.194.124**

As of 31.12.2013 and 31.12.2012 movements of provision for other doubtful receivables are as follows:

	31 December 2013	31 December 2012
Provisions at the beginning of period	60.096	60.096
Total	**60.096**	**60.096**

As of 31.12.2013 and 31.12.2012 other long-term receivables are as follows:

	31 December 2013	31 December 2012
Other long-term receivables		
Deposits and guarantees given	281.502	119.629
Total	**281.502**	**119.629**

As of 31.12.2013 and 31.12.2012 the Group's other short term liabilities are as follows:

	31 December 2013	31 December 2012
Deposits and guarantees	12.182	9.924
Other payables	20.844	112
Total	**33.026**	**10.036**

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NOTE 10 – INVENTORIES

As of 31.12.2013 and 31.12.2012 the Group's inventories are as follows:

	31 December 2013	31 December 2012
Raw Materials	56.084.970	36.107.271
Unfinished Goods	3.250.529	2.895.283
Finished Goods	17.194.499	10.491.063
Merchandises	3.708.961	3.951.390
Other Inventories	2.274.991	2.881.724
	82.513.950	**56.326.731**
Provision for Impairment of Inventories (-)	(159.406)	(235.644)
Total	**82.354.544**	**56.091.087**

As of 31.12.2013 and 31.12.2012 movement of provision of impairment of inventories is as follow:

	31 December 2013	31 December 2012
Provisions at Beginning of the Period	235.644	463.251
Provisions no longer required	(76.238)	(227.607)
Total	**159.406**	**235.644**

NOTE 11 – PREPAID EXPENSES AND DEFERED INCOMES

As of 31.12.2013 and 31.12.2012 prepaid expenses are as follows:

	31 December 2013	31 December 2012
Prepaid expenses in current assets		
Prepaid Expenses	4.114.274	3.344.595
Advances Given for Inventories	8.219.923	11.796.073
Total	**12.334.197**	**15.140.668**

	31 December 2013	31 December 2012
Prepaid expenses in non-current assets		
Advances Given for Tangible and Intangible Assets	38.090.709	9.637.536
Total	**38.090.709**	**9.637.536**

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NOTE 11 – PREPAID EXPENSES AND DEFERRED INCOME (Continued)

As of 31.12.2013 and 31.12.2012 deferred income is as follow:

	31 December 2013	31 December 2012
Short-term deferred income		
Advances Received(*)	70.772.110	57.720.279
Income Related to Future Months	454.766	504.606
	71.226.876	**58.224.885**
Deferred Financial Expenses (-)	(3.815.712)	(1.713.334)
Total	**67.411.164**	**56.511.551**
Long-term deferred income		
Advances received	8.310.382	1.323.200
Deferred Financial Expenses (-)	(858.137)	(93.863)
Total	**7.452.245**	**1.229.337**

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

NOTE 12 – ASSETS RELATED TO CURRENT TAX

As of 31.12.2013 and 31.12.2012 the Group's assets related to the current tax is as follows:

Assets related to current tax assets	31 December 2013	31 December 2012
Prepaid Taxes	5.133.910	1.249.159
Total	**5.133.910**	**1.249.159**

NOTE 13 – INVESTMENTS ACCOUNTED FOR USING EQUITY PICK UP METHOD

As of 31.12.2013 and 31.12.2012, the Group's investment accounted for using equity pick up method is as follows:

	31 December 2013		31 December 2012	
	Share (%)	Amount	Share (%)	Amount
Rohm And Haas	40,00	4.558.254	40,00	2.902.773
Total		**4.558.254**		**2.902.773**

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NOTE 13 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)
As of 31.12.2013 and 31.12.2012, the movement of the investment accounted for using equity pick up method is as follows:

	31 December 2013	31 December 2012
Beginning of Period	2.902.773	--
Investment Income / (expenses)	1.655.481	2.902.773
Total	**4.558.254**	**2.902.773**

Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş. has been accounted for using the equity pick up method based on the 31.12.2013 and 31.12.2012 financial statements, the information of which are presented below.

	31 December 2013	31 December 2012
Total Assets	60.290.897	43.576.070
Current Liabilities	48.730.570	35.804.964
Net Profit/(Loss) for the Period	4.138.703	6.563.981

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NOTE 14 – INVESTMENT PROPERTY

	31.12.2011	Additions	Increase/ Decrease in value, net	31.12.2012	Additions	Increase/ Decrease in value, net	31.12.2013
Cost							
Land	187.041.801	1.849.875	16.685.696	205.577.372	1.162.909	11.626.516	218.366.797
Total	**187.041.801**	**1.849.875**	**16.685.696**	**205.577.372**	**1.162.909**	**11.626.516**	**218.366.797**

Investment property of Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. ("Polisan Yapı") consists the land located on the 2nd and 3rd plots of the map-sheet numbered 8165-8181-8195-8197-9832 next to the Pendik Sabiha Gökçen Airport, the building located on the 3-13 plots on the map-sheet numbered 12715 in Kağıthane Merkez Mahallesi (Based on the decision of the Council of Kağıthane Municipality dated 18.10.2011, the description of the building has been converted into the land), and lands located on the plots numbered 2/1045-1047-1050, which are next to the Pendik Sabiha Gökçen Airport and registered under Polisan Holding A.Ş. assets. Based on the real estate evaluation report dated 19 December 2013 prepared by an independent valuation company, the revalued amount of the lands in Pendik having a registered book value of TRY 18.566.544 is TRY 146.366.796, in total.

Based on the real estate evaluation report dated 19 December 2013 prepared by the independent valuation company, the revalued amount of the land in Kağıthane, having a registered book value of TRY 9.227.466 is TRY 72.000.000. The real estate valuations have been prepared by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş. The construction work of the Kağıthane Z Office Project, which is built on the aforementioned land pursuant to the "flat for land basis construction and real estate sales commitment agreement" signed between the Group and DAP Yapı has been completed in 2014.

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NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

As of 31.12.2013 and 31.12.2012 movement of property, plant, equipment and related accumulated depreciations are as follows:

	31.12.2011	Additions	Disposals
Cost			
Lands	74.051.739	293.511	--
Infrastructures and Land Improvements	142.455.540	1.286.703	--
Buildings	142.103.160	2.822.931	--
Plant, Machinery and Equipment	87.485.904	28.664.616	(174.111)
Vehicles	2.616.940	280.370	(135.991)
Furniture and Fixtures	12.721.758	508.529	(49.955)
Other Tangible Assets	3.504.933	70.113	--
Leasehold Improvements	3.489.415	65.462	--
Construction in Progress (*)	6.002.972	5.345.109	--
Total	**474.432.361**	**39.337.344**	**(360.057)**
Accumulated depreciation (-)			
Infrastructure and Land Improvements	20.976.581	5.627.761	--
Buildings	50.411.956	2.262.640	--
Property, Plant and Equipment	46.539.082	7.839.610	(119.829)
Vehicles	1.332.191	420.037	(61.952)
Furniture and Fixtures	11.158.533	497.553	(46.044)
Other Tangible Fixed Assets	3.291.955	80.182	--
Leasehold Improvements	2.959.844	258.336	--
Total	**136.670.142**	**16.986.119**	**(227.825)**
Net Value	**337.762.219**		

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Transfers	31.12.2012	Additions	Disposals	Foreign Exchange Differences	Transfers	31.12.2013
--	74.345.250	6.814.551	--	231.893	--	81.391.694
--	143.742.243	317.990	--	--	--	144.060.233
--	144.926.091	8.303.300	--	529.912	--	153.759.303
5.330.981	121.307.390	19.086.551	(314.994)	457.927	2.393.677	142.930.551
--	2.761.319	1.159.695	--	7.097	--	3.928.111
--	13.180.332	834.808	(11.524)	18.502	--	14.022.118
--	3.575.046	23.883	--	--	--	3.598.929
--	3.554.877	123.787	--	--	--	3.678.664
(5.330.981)	6.017.100	22.718.361	--	--	(2.393.677)	26.341.784
--	**513.409.648**	**59.382.926**	**(326.518)**	**1.245.331**	**--**	**573.711.387**
--	26.604.342	5.676.750	--	--	--	32.281.092
--	52.674.596	2.369.823	--	6.147	--	55.050.566
--	54.258.863	10.539.016	(122.834)	9.161	--	64.684.206
--	1.690.276	550.481	--	270	--	2.241.027
--	11.610.042	536.305	(4.322)	844	--	12.142.869
--	3.372.137	41.052	--	--	--	3.413.189
--	3.218.180	183.758	--	--	--	3.401.938
--	**153.428.436**	**19.897.185**	**(127.156)**	**16.422**	**--**	**173.214.887**
	359.981.212					**400.496.500**

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NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (Continued)

(*) Investments in progress consist of formaldehyde oxide facilities, mix machines, expanded Polystyrene project, Poliport storage tank building project and amounts related to other investments.

As of December 31, 2013 and 2012 the allocation of the Group's depreciation and amortization expenses are as follows:

	31 December 2013	31 December 2012
Depreciation And Amortization Expenses		
Cost of Products Sold	3.290.376	2.687.329
Cost of Goods Sold and Services Rendered	11.720.169	10.302.104
Research and Development Expenses	373.889	269.533
Marketing, Selling and Distributing Expenses	4.242.136	3.527.986
General Administrative Expenses	1.329.349	1.194.588
Total	**20.955.919**	**17.981.540**

Based on the real estate evaluation reports dated 21 March 2011, 09 January 2013, and 19 December 2013 prepared by the independent valuation companies, the revalued amount of the property, land, and equipment recorded on the balance sheets of the Group companies, which are consolidated into the attached financial tables with a registered book value of TRY 206.091.119 is TRY 512.325.140 (including the ones classified under for investment purposes), in total. As a result of the evaluation, TRY 306.234.021 revaluation difference is recorded under the property, lands, and buildings (including land improvements), TRY 61.246.804 under the deferred tax liability, TRY 214.670.575 under the tangible asset revaluation fund in shareholders' equity, TRY 14.560.000 under the previous year profits, and TRY 9.301.213 in the income statement.

Calculation regarding to the revaluation is stated below:

Revaluation Amount	512.325.140
Book Value (-)	(206.091.119)
Revaluation Difference	306.234.021
Deferred Tax (% 20) (-)	(61.246.804)
Minority Interest (-)	(6.455.429)
Revaluation Funds	**238.531.788**

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NOTE 16 – INTANGIBLE FIXED ASSETS

As of 31.12.2013 and 31.12.2012 movement of intangible fixed assets and relevant amortizations are as follows:

	31.12.2011	Additions	31.12.2012	Additions	Disposals	31.12.2013
Cost						
Rights (*)	6.172.322	--	6.172.322	50.000	--	6.222.322
Other Intangible Fixed Assets	4.695.503	244.643	4.940.146	412.500	(5.732)	5.346.914
Total	**10.867.825**	**244.643**	**11.112.468**	**462.500**	**(5.732)**	**11.569.236**
Accumulated Amortization(-)						
Rights(*)	441.451	411.746	853.197	414.397	--	1.267.594
Other Intangible Fixed Assets	2.630.325	583.675	3.214.000	644.337	(5.732)	3.852.605
Total	**3.071.776**	**995.421**	**4.067.197**	**1.058.734**	**(5.732)**	**5.120.199**
Net Value	**7.796.049**		**7.045.271**			**6.449.037**

(*) TRY 5.930.793 capital gain within the Rights arises from the right of land tenure (rental) of the port due to the real estate revaluation, carried out by Standart Gayrimenkul Değerleme Uygulamaları A.Ş. dated 01.04.2011 for the Poliport port facility, rented as per the contract signed between Poliport, Real Estate General Directorate of Ministry of Finance, and Turkish State Railways. Land tenure (rental) right determined by using the discounted cash flow method, is amortized by the straight line depreciation method through the duration of the contract to use the port.

NOTE 17 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

17.1 Debt Provision

Short Term Provisions	31 December 2013	31 December 2012
Tax Penalties	63.829	191.488
Total	**63.829**	**191.488**

Long Term Provisions	31 December 2013	31 December 2012
Tax Penalties	--	63.829
Total	**--**	**63.829**

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NOTE 17 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS (Continued)

Tax penalties consist of the accrued amount due to the tax base difference, which has been identified as a result of the corporate tax audit of the Polisan Kimya San. A.Ş. that was conducted by the Tax Administration in 2009 and as a result of the VAT investigation of Polisan Boya. San. ve Tic. A.Ş. in 2005. A lawsuit for the annulment of above mentioned penalties had been filed, however, after the Debt Restructuring Law numbered 6111 was declared the lawsuit was withdrawn and relevant provisions of the law was utilized.

17.2 Litigation and Disputes

1) The ongoing lawsuits filed by the Group:

As of 31 December 2013 total amount of ongoing lawsuits and execution proceedings filed by the Group is TRY 36.036.975 (31 December 2012: TRY 36.114.755). The group has set aside TRY 23.284.924 (31 December 31 2012: TRY 19.588.814) provisions for the receivables regarding to the ongoing lawsuits and execution proceedings in progress.

2) The ongoing Lawsuits filed against the Group:

As of 31 December 2013, total amount of lawsuits filed against the Group is TRY 575.420 (31 December 2012: TRY 988.944), of which TRY 467.064 (31 December 2012: TRY 396.673) is for the probable compensation for damage.

17.3 Guarantees-Commitment- Pledges Given/Received:

1)Guarantees- Commitment- Pledges Given

Guarantees, Commitments and Pledges given by the Company (TRY)	31 December 2013	31 December 2012
A. Total guarantees and pledges given by the Group for its own legal entity	--	--
B. Total guarantees and pledges given by the Group for its subsidiaries consolidated under the full consolidation method (1)	1.232.329.395	1.128.302.210
C. Total guarantees and pledges given by the Group for other third parties for its ordinary commercial activities	17.003.159	8.931.852
D. Other guarantees and pledges given	--	--
i. Total guarantees and pledges given by the subsidiaries for the Group (1)	--	--
ii. Total guarantees and pledges given by the Group for other group companies which are not covered in B and C clauses	--	--
iii. Total guarantees and pledges given by the Group for other third parties which are not covered in the C clause	--	--
Total	**1.249.332.554**	**1.137.234.062**
Other Collateral / Pledge / Mortgage to Equity Ratio	--	--

1) Consists of guarantees given for the general loan agreements. Details are explained in Note 7.

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NOTE 17 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS (Continued)

As of 31.12.2013 and 31.12.2012 the details of the GCP given by the Group is listed below;

31 December 2013

Type of Commitment	Reason	Given To	Type of Currency	Amount of Currency	TRY Equivalent
Guarantee	Bank Loan	Related Parties(*)	USD	317.650.000	677.960.395
Guarantee	Bank Loan	Related Parties(*)	EURO	6.000.000	17.619.000
Guarantee	Bank Loan	Related Parties(*)	TRY	536.750.000	536.750.000
Letter of Guarantee	Guarantee	Customers	TRY	86.000	86.000
Note of Guarantee	Guarantee	Customers	TRY	1.050.000	1.050.000
Letter of Guarantee	Guarantee	Dealers	TRY	13.300	13.300
Letter of Guarantee	Guarantee	Custom Undersecretaries	TRY	12.654.325	12.654.325
Letter of Guarantee	Guarantee	Custom Undersecretaries	EURO	500.000	1.468.250
Letter of Guarantee	Guarantee	Court and Execution Office	TRY	521.402	521.402
Letter of Guarantee	Guarantee	Government agencies	TRY	1.209.882	1.209.882
Total					**1.249.332.554**

31 December 2012

Type of Commitment	Reason	Given To	Type of Currency	Amount of Currency	TRY Equivalent
Guarantee	Bank Loan	Related Parties(*)	USD	245.850.000	438.252.210
Guarantee	Bank Loan	Related Parties(*)	TRY	690.050.000	690.050.000
Letter of Guarantee	Guarantee	Customers	TRY	39.000	39.000
Letter of Guarantee	Guarantee	Customers	TRY	1.050.000	1.050.000
Letter of Guarantee	Guarantee	Dealers	TRY	13.300	13.300
Letter of Guarantee	Guarantee	Custom Undersecretaries	TRY	3.777.341	3.777.341
Letter of Guarantee	Guarantee	Custom Undersecretaries	EURO	500.000	1.175.850
Letter of Guarantee	Guarantee	Court and Execution Office	TRY	54.000	54.000
Letter of Guarantee	Guarantee	Government agencies	TRY	2.822.361	2.822.361
Total					**1.137.234.062**

(*)Details of related parties are indicated in Note 7.
2) Guarantees- Commitment- Pledges Received

31 December 2013

Type of Commitment	Reason	Taken From	Type of Currency	Amount of Currency	TRY Equivalent
Pledge	Guarantee	Customers	TRY	25.293.195	25.293.195
Check of Guarantee	Guarantee	Customers	TRY	171.500	171.500
Check of Guarantee	Guarantee	Customers	USD	90.000	192.087
Letter of Guarantee	Guarantee	Customers	TRY	2.347.500	2.347.500
Letter of Guarantee	Guarantee	Dealers	TRY	97.779	97.779
Letter of Guarantee	Guarantee	Dealers	USD	221.418	472.572
Letter of Guarantee	Guarantee	Dealers	EURO	9.264.000	27.203.736
Note of Guarantee	Guarantee	Customers	TRY	3.887.983	3.887.983
Note of Guarantee	Guarantee	Dealers	EURO	21.200	62.254
Note of Guarantee	Guarantee	Dealers	TRY	0	0
Total					**59.728.606**

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NOTE 17 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS (Continued)

17.3 Guarantees-Commitment- Pledges Given/Received (Continued)

31 December 2012

Type of Commitment	Reason	Taken From	Type of Currency	Currency Amount	TRY Equivalent
Pledge	Guarantee	Customers	TRY	24.178.195	24.178.195
Check of Guarantee	Guarantee	Customers	TRY	147.600	147.600
Letter of Guarantee	Guarantee	Customers	TRY	2.477.500	2.477.500
Letter of Guarantee	Guarantee	Dealers	TRY	60.000	60.000
Letter of Guarantee	Guarantee	Dealers	USD	10.912	19.452
Note of Guarantee	Guarantee	Dealers	EURO	2.250.000	5.291.325
Note of Guarantee	Guarantee	Customers	TRY	413.000	413.000
Note of Guarantee	Guarantee	Dealers	EURO	21.200	49.856
Note of Guarantee	Guarantee	Dealers	TRY	412.500	412.500
Total					**33.049.428**

17.4 Limitations on the Real Estate

As of 31.12.2013 and 31.12.2012, annotation and limitation on the Group's real estate properties are listed below:

Beneficiary	Real Estate	Nature Of Annotation	Date
Polisan Holding:			
Turkish Electricity Administration	Building - Merkezefendi District. Zeytinburnu/İstanbul	Annotation of rent	23.11.1983
İ.E.T.T Head Office	Building - Merkezefendi District. Zeytinburnu/İstanbul	Access and parking establishment annotation	11.12.1978
Polisan Kimya:			
Gebze Civil Court of Peace	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of joint ownership elimination	22.01.2003
Şengün Family Inheritors	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of sale promise	13.03.2002
Gebze Civil Court of Peace	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of joint ownership elimination	18.04.2002
Gebze Civil Court of Peace	Land- Tavşanlı Village Gebze/Kocaeli	Interim Injunction	18.05.2004
Gebze 1st civil court of first instance	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of joint ownership elimination	11.10.2011
Botaş A.Ş.	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of expropriation	05.09.1986
Botaş A.Ş.	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of access	26.05.1987
Dilovası Municipality	Land- Tavşanlı Village Gebze/Kocaeli	Annotation of expropriation	21.04.2008
Polisan Yapı:			
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building- Kağıthane/İstanbul	Annotation of flat for land basis sale	21.11.2006
Turkish Electricity Administration Head Office	Land- Merkez District Kağıthane/İstanbul	Annotation of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land- Merkez Distict Kağıthane/İstanbul	Annotation of flat for land basis sale	21.11.2006
Turkish Electricity Administration Head Office	Building- Kağıthane/İstanbul	Annotation of rent	03.07.1987
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd	Building- Kağıthane/İstanbul	Annotation of flat for land basis sale	21.11.2006
TOKİ	Land- Şeyhli District, Kağıthane/İstanbul	Annotation of pre-emptive right	09.02.2010
TOKİ	Land- Şeyhli District, Kağıthane/İstanbul	Annotation of pre-emptive right	09.02.2010

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NOTE 17 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS (Continued)

17.4 Limitations on the Real Estate (Continued)

Turkish Electricity Administration	Land- Şeyhli District, Kağıthane/İstanbul	Annotation of expropriation	14.07.1977
TOKİ	Land- Şeyhli District, Kağıthane/İstanbul	Annotation of pre-emptive right	09.02.2010
Turkish Electricity Administration	Land- Şeyhli District, Kağıthane/İstanbul	Annotation of expropriation	14.07.1977
Turkish Electricity Administration	Land- Şeyhli District, Kağıthane/İstanbul	Annotation of expropriation	14.07.1977
T.C. Pendik Civil Court of Peace	Field- Şeyhli District, Kağıthane/İstanbul	Lawsuit of joint ownership elimination	24.09.2009

NOTE 18 – EMPLOYEE BENEFITS

Short-term:

	31 December 2013	31 December 2012
Due to Personnel	1.920.257	1.521.575
Taxes Payable	700.948	527.893
Social Security Premiums Payable	1.196.303	727.051
Total	**3.817.508**	**2.776.519**

Long-Term Employee Benefits (Severance Payment Provision)

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 3.438,22 (31.12.2012: TRY 3.129, 25) as of 01.01.2014.

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:

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NOTE 18 – EMPLOYEE BENEFITS (Continued)

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 31.12.2013, 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 31.12.2013, the provisions are calculated by 3,58% real discount rate (31 December 2012: 3,33 % 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 95,37% (31.12.2012: 96,58%) 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.

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NOTE 18 – EMPLOYEE BENEFITS (Continued)
As of 31.12.2013 and 31.12.2012 movement of the severance payment provision of the Group is as follows:

	31 December 2013	31 December 2012
Opening Balance	6.784.671	5.391.405
Payments	(1.139.057)	(1.272.735)
Interest Cost	226.140	251.256
Current Service Cost	1.352.188	1.288.878
Actuarial (Gain)/Loss	337.553	1.125.867
Balance at the end of period	**7.561.495**	**6.784.671**

As of 31.12.2013 and 31.12.2012, the number of personnel employed by the Group is as follows:

	31 December 2013	31 December 2012
Employees on payroll	1.134	899
Agency workers (person)-(building contractor)	11	210
Total	**1.145**	**1.109**

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NOT 19 – OTHER ASSETS AND LIABILITIES

As of 31.12.2013 and 31.12.2012, Group's other current assets and liabilities are as follows:

Other current assets	31 December 2013	31 December 2012
Deferred VAT	5,871,926	4,988,256
Accrued income	2.495	22.165
Total	**5,874,421**	**5,010,421**

	31 December 2013	31 December 2012
Short-term other liabilities		
Income taxes payable	461.415	585.390
Prepaid expenses	912.120	449.348
Total	**1,373,535**	**1,034,738**

There are no other fixed assets and other long term liabilities. (31.12.2012: None).

NOTE 20 – 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 31.12.2013 and 31.12.2012 the Group's shareholder structure is as follows:

	31 December2013		31 December 2012	
	(%)	Capital Amount	(%)	Capital Amount
Necmettin Bitlis	15,19	56.163.449	15,19	56.163.449
Ahmet Faik Bitlis	10,20	37.756.717	10,20	37.756.717
Fatma Nilgün Kasrat	10,20	37.756.717	10,20	37.756.717
Ali Fırat Yemeniciler	0,95	3.502.500	0,95	3.502.500
A.Melike Bitlis (Bush)	10,20	37.756.717	10,20	37.756.717
Mehmet Emin Bitlis	16,89	62.493.625	16,89	62.493.625
Ahmet Ertuğrul Bitlis	16,89	62.493.625	16,89	62.493.625
Aladdin Bitlis	1,36	5.018.350	1,36	5.018.350
Melis Bitlis	1,71	6.329.050	1,71	6.329.050
İbrahim Sevel	3,06	11.313.425	3,06	11.313.425
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
Public Held(*)	5,34	19.750.000	5,34	19.750.000
	100	**370.000.000**	**100**	**370.000.000**
Capital Adjustment Differences		1.467.266		1.467.266
Total		**371.467.266**		**371.467.266**

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NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

(*) As of March 5, 2014, the share of Şark Mensucat Fabrikaları A.Ş, which is one of related parties, increased to 2,713% due to the purchasing transactions from publicly traded shares at the Bourse Istanbul (“BIST”).

- 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 15 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

Restricted reserves comprise of the legal reserves. According to the Turkish Commercial Code (“TCC”), the legal reserves are classified under two categories as the first and second legal reserves. Based on TCC, up until first legal reserves reach 20% of the paid-in capital, the first legal reserve is 5% of the statutory profits. The second legal reserve is the 10% of the dividend distribution, which exceeds 5% of the paid-in capital. According to TCC, unless the legal reserves exceed 50% of the paid-in capital, they can only be used to offset the losses and they cannot be used in any other way.

Share Premium/discounts

Holding offered to the public 5.34% of its paid-in capital, representing TRY 19.750.000 nominal shares on 16-17-18 May 2012 at a price of TRY 2,25 for each share with a nominal value of TRY 1 and that TRY 24.687.500 has been recorded as "Share Premium" under the shareholders’ equity. TRY 1.557.280 expense incurred relating to the commission, advertisement and legal consultancy due to the public offering has been recognized 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 1 February 2014.

The Companies 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. The Companies 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 the increase of 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.

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NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The Group decided to distribute gross cash dividends of TRY 10.000.000 during the general assembly meeting dated 29.03.2013 and dividends were distributed on 03.04.2013.

Previous Year's Profit/ (Loss)

	31 December 2013	31 December 2012
Extraordinary Reserves	106.907.832	105.600.780
Previous Year's Profit/Losses	22.942.049	(12.530.467)
Total	**129.849.881**	**93.070.313**

Other comprehensive income or profits that will not be reclassified on profit or loss

	31 December 2013	31 December 2012
Valuation of tangible fixed assets fund (*)	214.670.575	214.670.575
Severance Payment Provision Actuarial gain / loss (**)	(2.029.035)	(1.757.353)
Total	**212.641.540**	**212.913.222**

(*) Described in detail in Note 15.
(**)Severance Payment Provision Actuarial gain / loss

Along with the change in IAS-19 "Employee Benefits" standard, actuarial gains and losses, which are used in the calculation of the provision of the severance payment, are not allowed to be recognized on the income statement. Gains and losses realized as a result of the change in actuarial assumptions are recognized in shareholders' equity.

Severance payment provision actuarial gain/loss is of the quality not to be reclassified in the profit or loss.

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:

	31 December 2013	31 December 2012
Balance at beginning of period	12.005.009	50.629.802
Share of the Profit for the Period	835.853	1.091.388
Parent Company's share purchase (-) (Note 3)	--	(39.705.376)
Revaluation impact on minority interest	--	(10.805)
Distribution of profit (-)	(265.538)	--
Balance at end of period	**12.575.324**	**12.005.009**

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NOTE 21 – SALES AND COST OF SALES

As of 31.12.2013 and 31.12.2012, the details regarding the sales and cost of sales are as follows:

	01.01-31.12.2013	01.01-31.12.2012
Domestic Sales	585,508,231	547,740,139
Export Sales	46,169,762	45,724,610
Gross Sales	**631,677,993**	**593,464,749**
Sales Returns	(11,476,235)	(14,858,188)
Sales Discounts	(33,303,394)	(68,636,051)
Other Discounts	(2,367,486)	(2,034,765)
Sales Deductions (-)	**(47,147,115)**	**(85,529,004)**
Net Sales	**584,530,878**	**507,935,745**

Cost of Sales	01.01-31.12.2013	01.01-31.12.2012
Direct Raw Materials and Supplies Expenses	240,799,606	231,806,995
Direct Labor Cost	9,259,103	8,416,106
General Production Overheads	18,035,720	14,739,738
Depreciation and Amortization	3,290,376	2,687,329
Changes in Work in Process Inventory		
- Opening Inventories	2,895,283	1,867,476
- Closing Inventories	(3,250,529)	(2,895,283)
Changes in Finished Goods Inventory		
- Opening Inventories	10,491,063	6,560,850
- Closing Inventories	(15,899,964)	(10,491,063)
Cost of Goods Sold	**265,620,658**	**252,692,148**
-Opening Inventory	3,951,390	943,861
- Purchases during the Period	83,172,838	62,759,028
-Closing Inventory	(2,994,120)	(3,951,390)
Cost of Merchandise Sold	**84,130,108**	**59,751,499**
Personnel Expenses	20,490,165	18,062,143
Other Service Expenses	12,905,713	11,790,420
Depreciation and Amortization	11,720,169	10,302,104
Cost of Services Rendered	**45,116,047**	**40,154,667**
Cost of Other Sales	**2,441,287**	**1,365,913**
Cost of Sales Total	**397,308,100**	**353,964,227**

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NOT 22- GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

As of 31.12.2013 and 31.12.2012, the Group's operating expenses are as follows:

	01.01-31.12.2013	01.01-31.12.2012
Research and Development Expenses		
Personnel Expenses	2,841,557	2,299,021
Office Expenses	428.916	428.020
Depreciation Expenses	373.889	269.533
Severance Payment Provision	7.187	33.074
Travelling Expenses	47.655	29.245
Research and Development Expenses	192.009	242.379
Other	212.723	33.141
Total	**4,103,936**	**3,334,413**

	01.01-31.12.2013	01.01-31.12.2012
Marketing, Selling and Distribution Expenses		
Personnel Expenses	18.053.525	15.260.133
Advertisement and Promotion Expenses	25.585.316	24.256.266
Freight Expenses	23.662.468	18.364.002
Motor Vehicle Expenses	3.449.600	2.837.994
Depreciation Expenses	4.242.136	3.527.986
Rent Expenses	866.022	830.229
Travelling Expenses	756.113	689.252
Communication Expenses	311.258	283.373
Sponsorship Expenses	1.085.415	806.800
Representation Expenses	567.112	537.165
Provision for Severance Payment	416.919	253.313
Office Expenses	770.187	651.481
Taxes, Duties, and Charges	339.386	327.110
Consultancy Expenses	311.043	211.061
Other	1.146.706	1.124.692
Total	**81.563.206**	**69.960.857**

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NOTE 22 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

	01.01-31.12.2013	01.01-31.12.2012
General Administrative Expenses		
Personnel Expenses	16.972.229	13.626.129
Consultancy Expenses (*)	3.765.543	1.131.987
Taxes, Duties, and Charges	3.529.488	2.985.888
Depreciation Expenses	1.329.349	1.194.588
Insurance Expenses	725.530	702.736
Gifts and Donations	1.754.116	209.464
Rent Expenses	738.494	629.341
Communication Expenses	376.570	243.841
Traveling Expenses	236.004	162.226
Motor Vehicle Expenses	250.608	189.855
Repair and Maintenance Expenses	970.828	224.350
Office Expense	320.872	30.749
Representation Expenses	110.398	99.578
Subscription Expenses	483.151	383.402
Other	297.791	189.023
Total	**31.860.971**	**22.003.157**

(*) TRY 2.755.871 consists of audit costs of Polisan Hellas S.A and other consultancy fees paid out to 3rd parties.

NOTE 23 –EXPENSES BY NATURE

	01.01–31.12 2013	01.01 –31.12 2012
Depreciation and Amortization Expenses		
Cost of Goods Sold	3.290.376	2.687.329
Cost of Merchandises Sold and Services Rendered	11.720.169	10.302.104
Research and Development Expenses	373.889	269.533
Marketing, Selling and Distribution Expenses	4.242.136	3.527.986
General Administrative Expenses	1.329.349	1.194.588
Total	**20.955.919**	**17.981.540**

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NOT 23 – EXPENSES BY NATURE (continued)

	01.01–31.12 2013	01.01 – 31.12 2012
Personnel Expenses		
General Production Expenses	9.259.103	8.935.557
Cost of Services Rendered	20.490.165	18.062.143
Research and Development Expenses	2.841.557	2.299.021
Marketing, Selling and Distribution Expenses	18.053.525	15.260.133
General Administrative Expenses	16.972.229	13.635.510
Total	**67.616.579**	**58.192.364**

NOTE 24 – INCOME AND EXPENSES FROM OTHER OPERATIONS

As of 31.12.2013 and 30.12.2012, Group's income and expenses from other operations are as follows:

	01.01 – 31.12 2013	01.01 – 31.12 2012
Income from Other Operations		
Doubtful Receivables Provision Released (Note:8)	398.197	686.335
Exchange Rate Gains	6.940.402	2.225.929
Deferred Financial Income	5.774.383	4.192.087
Rental Income	420.479	395.242
Insurance Benefit	92.797	246.946
Other	1.327.746	528.816
Total	**14.954.004**	**8.275.355**

	01.01 – 31.12 2013	01.01 – 31.12 2012
Expenses from Other Operations		
Provision for Doubtful Receivables (Note:8)	4.534.060	2.952.759
Exchange rate losses	2.229.053	857.795
Deferred Financial Expenses	9.578.960	5.067.961
Initial Public Offering Expenses	--	1.420.824
Other	338.798	199.354
Total	**16.680.871**	**10.498.693**

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NOT 25 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

As of 31.12.2013 and 31.12.2012 the Group's income and expenses from investing activities are as follows:

	01.01 – 31.12 2013	01.01 – 31.12 2012
Income from Investing Activities		
Revaluation of fixed assets held for investing purpose	11.626.516	18.200.000
Profit from fixed assets sales	52.824	279.878
Interest income	800.371	825.314
Foreign exchange gain	6.606.384	1.478.457
Total	**19.086.095**	**20.783.649**

	01.01 – 31.12 2013	01.01 – 31.12 2012
Expenses from Investing Activities		
Loss on sale of fixed assets	10.561	2.980
Foreign exchange loss	1.306.120	1.567.382
Total	**1.316.681**	**1.570.362**

NOTE 26 – FINANCIAL EXPENSES AND INCOME

As of 31.12.2013 and 31.12.2012 the Group's financial expenses and income are as follows:

	01.01 – 31.12 2013	01.01 – 31.12 2012
Financial Income		
Foreign exchange gain	3.235.773	9.738.676
Total	**3.235.773**	**9.738.676**

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NOTE 26 – FINANCIAL EXPENSES AND INCOME (Continued)

	01.01 – 31.12 2013	01.01 – 31.12 2012
Financial Expenses		
Interest Expense on Loans	14.788.261	20.048.569
Exchange Rate losses	39.502.292	6.997.337
Letter of Guarantee Commission Expenses	83.865	67.457
Bank Charge and POS Expenses	1.098.525	1.008.960
Total	**55.472.943**	**28.122.323**

NOTE 27 – FIXED ASSESTS AND LIABLITIES HELD FOR SALE

	31.12.2011	Additions	Disposals	31.12.2012	Additions	Disposals	31.12.2013
Flats and Shops	1.158.087	118.600	(27.950)	1.248.737	--	(79.368)	1.169.369
Lands	707.783	31.275	--	739.058	--	--	739.058
Total	**1.865.870**	**149.875**	**(27.950)**	**1.987.795**	**--**	**(79.368)**	**1.908.427**

The related assets are comprised of the real estates acquired through sequestration in exchange of the Group's receivables.

NOTE 28 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax

Necessary provisions are set aside 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 2013 is 20% (2012: 20%)

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NOTE 28 – NOTE 28 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)
Corporate Tax (Continued)

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 2013 corporate income by the advance tax periods is 20%. (2012: 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.

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.

As of 31.12.2013 and 31.12.2012, the Group's corporate tax liability reflected on the balance sheet is as follows:

Current Tax Liability	31 December 2013	31 December 2012
Provision for Corporate Tax	6.737.061	7.269.144
Prepaid Taxes and Funds	(5.424.910)	(6.063.572)
Corporate Tax Payable	**1.312.151**	**1.205.572**

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NOTE 28 – 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 31 December 2013 (31 December 2012: 20%).

Net Difference Between Tax Base and Book Value Of Tangible And Intangible Assets	
Tangible Assets' Revaluation	
Deferred Financial Income	
Deferred Financial Expense	
Severance Payment Provision	
Doubtful Receivables Provision	
Foreign Exchange Rate Adjustment	
Adjustments for Inventory	
Affiliate and Subsidiary Impairments	
Adjustments for Interest Accrual	
Financial Loss	
Polisan Hellas S.A's Deferred Tax (*)	
Other	
Deferred Tax Assets/(Liabilities), Net	
Deferred Tax Assets	
Deferred Tax Liabilities	

(*) Deferred tax income related to Polisan Hellas S.A. consists of the net difference between the tax base and book value of tangible assets amounting TRY 452.000, tax loss of TRY 1.089.000, and other deferred tax income of TRY 2.000. Tax rate is 26%.

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31 December 2013		31 December 2013	
Cumulative Differences	Asset / (Liability)	Cumulative Differences	Asset / (Liability)
10.015.465	(2.003.093)	(12.355.473)	(2.471.092)
306.234.019	(61.246.805)	(294.607.505)	(58.921.501)
3.843.825	768.765	3.193.812	638.761
(623.732)	(124.746)	(352.843)	(70.571)
7.552.794	1.510.559	6.784.671	1.356.934
3.366.033	673.207	3.018.144	603.629
350.507	70.101	--	--
907.876	181.575	632.562	126.512
1.123.437	224.687	1.123.437	224.687
(1.383)	(277)	33.661	6.732
5.644.725	1.128.944	3.142.575	628.515
--	1.543.403	--	--
1.137	227	--	--
	(57.273.453)		**(57.877.394)**
	6.101.468 **(63.374.921)**		**3.585.770** **(61.463.164)**

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NOTE 28 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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

	31 December 2013	31 December 2012
Opening Balance	(57,877,394)	(55,308,088)
Period Tax Income / (Expense)	536,431	(3,097,340)
Actuarial Gain / (Loss)	67,510	225,173
Reflected on Revaluation Fund	--	302,861
Closing balance	**(57,273,453)**	**(57,877,394)**

Tax Expenses/ (Income)	**01.01 – 31.12.2013**	**01.01– 31.12.2012**
Provision for Corporate Tax	(6.737.061)	(7.269.144)
Deferred Tax Income / Expenses	536.431	(3.097.340)
Total	**(6.200.630)**	**(10.366.484)**

NOTE 29 –EARNING / (LOSS) PER SHARE

The calculation of the basic and diluted 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 31 December 2013 and as of 31 December 2012, Group's earnings per share are as follows:

	01.01 – 31.12.2013	**01.01– 31.12.2012**
Net Profit /(Loss) for the Period	28.120.680	48.724.294
Weighted Average Number of Ordinary Shares Outstanding	370.000.000	337.327.397
Earnings/(Loss) Per Share	**0,076**	**0,144**

NOTE 30 – RELATED PARTY DISCLOSURES

a) Benefits for Senior Executives

Between 1 January and 31 December 2013, benefits provided to senior executives amount to TRY 2.122.985 (1 January and 31 December 2012: TRY 1.991.768 TRY). Of this, TRY 1.707.276 is salary, TRY 406.364 is bonus, and TRY 9.345 is severance payments and other benefits. The group's senior executives consist of the Board of Directors members, general managers and deputy general managers.

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NOTE 30 – RELATED PARTY DISCLOSURES (Continued)

b) Due from Related Parties

	31 December 2013	31 December 2012
Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş (Net)	261.686	498.317
Şark Mensucat Fabrikası A.Ş	2.405.961	1.403.019
Total	**2.667.647**	**1.901.336**

c) Due to Related Parties

	31 December 2013	31 December 2012
Trade Payables		
Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş	6.945.471	6.740.105
Total	**6.945.471**	**6.740.105**

d) Purchases/Sales from Related Parties

Purchases	**Şark Mensucat Fabrikası A.Ş**	**Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş**	**Şark Mensucat Fabrikası A.Ş**	**Rohm and Haas Kim. Ürün. Üretim, Dağ. ve Tic. A.Ş**
Raw Materials	--	40.356.637	--	36.129.298
Services	--	203.462	--	444.640
Share Purchase (*)	1.646.540	--	--	--
Foreign Exchange Differences	--	1.394.865	--	269.459
Interest Expense	--	--	210.333	--
Total	**1.646.540**	**40.356.637**	**210.333**	**36.129.298**
Sales				
Products	14.482	323.510	7.433	75.256
Services	216.483	3.481.562	213.412	2.889.142
Rent	8.244	--	7.644	--
Sales of Shares (*)	148.686	--	--	--
Maturity Differences	124.457	--	21.920	--
Foreign Exchange Differences	--	56.170	--	289.641
Total	**512.352**	**3.861.242**	**250.409**	**3.254.039**

(*) Polisan Boya realized purchase and sale transactions of Polisan Holding's publicly traded shares to distribute to its distributors as bonus.

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NOTE 31 – QUALIFICATION OF RISKS FROM FINANCIAL INSTRUMENTS

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.

	31 December 2013	31 December 2012
Financial Assets		
Cash And Cash Equivalents	87.178.665	27.669.565
Trade Receivables	289.866.452	245.069.524
Other Receivables	10.150.905	2.313.753
Total	**387.196.022**	**275.052.842**
Financial Liabilities		
Financial Liabilities	323.424.558	186.196.277
Trade Payables	101.926.800	53.010.626
Other Payables	33.026	10.036
Total	**425.384.384**	**239.216.939**

Credit Risks

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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NOTE 31 - RISKS FROM FINANCIAL INSTRUMENTS (Continued)
Credit Risks (Continued)

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

	Receivables				
	Trade Receivables		Other		
	Related Parties	Third Parties	Related Parties	Third Parties	Cash on deposit
Maximum Credit Risk exposed at the Reporting Date	**2.667.647**	**295.538.737**	--	**10.150.905**	**71.928.603**
- Secured portion of the maximum credit risk by guarantees, etc.	--	**59.728.606**	--	--	--
A. Net Book Value of Financial Assets either not due or not impaired	**2.667.647**	**280.086.049**	--	**10.150.905**	**71.928.603**
B. Net Book Value of the assets due but not impaired	--	**15.452.688**	--	--	--
C. Net Book Value of the Impaired Assets - Overdue (gross book value)	--	**23.284.924**	--	**60.096**	--
- Impairment (-)	--	**(23.284.924)**	--	**(60.096)**	--
- Secured portion by guarantees, etc.	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion by guarantees, etc.	--	--	--	--	--
D. 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 17.3, including the customers without a balance as of 31 December 2013.

(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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NOTE 31 - RISKS FROM FINANCIAL INSTRUMENTS (Continued)
Credit Risks (Continued)

	Receivables				
	Trade Receivables		Other		
	Related Parties	Third Parties	Related Parties	Third Parties	Cash on deposit
Maximum Credit Risk exposed at the Reporting Date	1.901.336	248.039.205	--	2.313.753	15.566.419
- Secured portion of the maximum credit risk by guarantees, etc.	--	33.049.428	--	--	--
A. Net Book Value of Financial Assets either not due or not impaired	1.901.336	219.574.959	--	2.313.753	15.566.419
B. Net Book Value of the assets due but not impaired	--	28.464.246	--	--	--
C. Net Book Value of the Impaired Assets - Overdue (gross book value)	--	19.588.814	--	60.096	--
- Impairment (-)	--	(19.588.814)	--	(60.096)	--
- Secured portion by guarantees, etc	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion by guarantees, etc.	--	--	--	--	--
D. 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 17.3, including the customers without a balance as of 31 December 2012.

(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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NOTE 31 - RISKS 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 table is as follow:

31 December 2013

Maturities as per contract	Book Value	Total Cash Outflow	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
Financial Liabilities	323.424.558	323.424.558	65.470.443	29.745.640	67.888.926	142.419.263	17.900.286
Trade Payables	102.550.532	102.550.532	93.295.732	9.188.012	66.788	--	--

31 December 2012

Maturities as per contract	Book Value	Total Cash Outflow	Less than 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years
Financial Liabilities	186.196.277	186.196.277	106.284.780	15.193.077	21.424.785	31.352.493	11.941.142
Trade Payables	53.363.469	53.363.469	46.316.010	7.039.731	7.728	--	--

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 currency denominated financial instruments are exposed to exchange rate risk as a result of exchange rate fluctuations. As of 31 December 2013 and 31 December 2012, Group's foreign currency position is as follows:

	31 December 2013	31 December 2012
A. Foreign Currency denominated Asset	62.605.735	22.631.401
B. Foreign Currency denominated Liabilities	(283.692.485)	(127.989.056)
Net Foreign Currency Position (A-B)	**(221.086.750)**	**(105.357.655)**

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NOTE 31 - RISKS FROM FINANCIAL INSTRUMENTS (Continued)
Exchange Rate Risk (Continued)

31 December 2013	USD	EUR	GBP	CHF	Total Amount (TRY)
Liquid Assets	11.033.826	398.478	50	--	24.719.800
Trade Receivables	1.652.554	656.098	--	--	5.453.676
Trade Receivables from Related Parties	--	9.735	--	--	28.587
Other Current Assets	1.033	624.704	7.810	--	1.864.072
Prepaid Expenses	--	10.400.000	--	--	30.539.600
Financial Payables (Current)	(49.623.784)	(7.459.989)	--	--	(127.818.300)
Financial Payables (Non-current)	(30.482.013)	(16.977.232)	--	--	(114.911.403)
Trade Payables	(8.007.247	(5.794.414)	--	--	(34.105.164)
Due to Related Parties	(3.178.122)	(21.240)	--	--	(6.845.436)
Other Liabilities	11.033.826	(2.476)	--	--	(12.182)
Net Foreign Currency Position, Net	**(78.606.054)**	**(18.166.336)**	**7.860**	**--**	**(221.086.750)**
Export	**16.322.710**	**5.700.357**	**--**	**--**	**46.169.762**
Import	**26.768.916**	**42.508.826**	**17.016**	**2.115**	**159.524.365**

31 December 2012	USD	EUR	NOK	GBP	Total Amount (TRY)
Liquid Assets	6.493.643	90.745	--	--	11.788.973
Trade Receivables	1.328.156	1.209.218	--	2.359	5.218.061
Other Current Assets	129.914	2.293.142	--	--	5.624.367
Financial Payables (Current)	(29.247.263)	(3.046.386)	--	--	(59.300.357)
Financial Payables (Non-current)	(14.122.859)	(7.704.311)	--	--	(43.293.635)
Trade Payables	(7.817.127)	(1.856.119)	(295.664)	--	(18.393.982)
Due to Related Parties	(3.722.968)	--	--	--	(6.636.563)
Other Liabilities	(189.597)	(11.287)	--	--	(364.519)
Net Foreign Currency Position, Net	**(47.148.101)**	**(9.024.998)**	**(295.664)**	**2.359**	**(105.357.655)**
Export	**16.168.170**	**7.200.728**	**--**	**--**	**45.605.146**
Import	**30.759.522**	**43.549.628**	**--**	**18.205**	**156.059.503**

Sensitivity Analysis;

As of December 31, 2013 and December 31, 2012 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.

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NOTE 31 - RISKS FROM FINANCIAL INSTRUMENTS (Continued)
Exchange Rate Risk (Continued)

	Exchange Rate Sensitivity Statement Profit/(Loss)		Shareholders' Equity	
31 December 2013	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
USD Net Asset/Liability	(16.776.890)	16.776.890	(13.421.512)	13.421.512
EUR Net Asset/Liability	(5.334.545)	5.334.545	(4.267.636)	4.267.636
GBP Net Asset/Liability	2.760	(2.760)	2.208	(2.208)
Total	**(22.108.675)**	**22.108.675**	**(17.686.940)**	**17.686.940**

	Exchange Rate Sensitivity Statement Profit/(Loss)		Shareholders' Equity	
31 December 2012	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
USD Net Asset/Liability	(8.404.620)	8.404.620	(6.723.696)	6.723.696
EUR Net Asset/Liability	(2.122.408)	2.122.408	(1.697.926)	1.697.926
CHF Net Asset/Liability	677	(677)	542	(542)
NOK Net Asset/Liability	(9.414)	9.414	(7.531)	7.531
Total	**(10.535.765)**	**10.535.765**	**(8.428.611)**	**8.428.611**

Interest 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 31.12.2013 and 31.12.2012 the Group's interest rate position table is as follows:

	31 December 2013	31 December 2012
Fixed Interest Rate Financial Assets		
Time Deposits	63.864.116	12.440.363
Total	**63.864.116**	**12.440.363**
Fixed Rate Financial Liabilities		
Lease Payables	118.228	765.744
Total	**118.228**	**765.744**
Variable Interest Rate Financial Instruments		
Bank Loans	323.306.330	185.430.533
Total	**323.306.330**	**185.430.533**

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NOTE 31 - RISKS FROM FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis:

If the TRY denominated interest rate was higher/lower by 100 basis points while all other variables were held constant, as of 31.12.2013, profit before tax would be lower/higher by TRY 147.883. (31 December 2012: TRY 129.078)

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.

	31 December 2013	31 December 2012
Total Liabilities	577.751.232	370.477.808
Minus: Cash and Cash Equivalents (Note 5)	(87.178.665)	(27.669.565)
Net Liabilities	**490.572.567**	**342.808.243**
Total Shareholders' Equity	591.153.974	572.825.018
Total Capital	1.081.726.541	915.633.261
Debt/Capital ratio	**%45**	**%37**

NOTE 32 – FINANCIAL INSTRUMENTS: DISCLOSURES (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 approximate to their fair values. The carrying value of trade receivables, after doubtful receivables are deducted, is considered to 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.

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NOTE 32 – FINANCIAL INSTRUMENTS: DISCLOSURES (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

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 approximate to their carrying values since they are short term. The fair value of the long-term fixed interest bank borrowings are observed to 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.

Financial assets that are appraised according to their fair values in line with above categories are represented below:

	1st Category	1st Category	1st Category
Financial Assets Available for Sale			
Ak Enerji A.Ş	--	--	7
Aktur Turizm ve Endüstri A.Ş.	--	--	913
TI Roro Denizcilik San Tic A.Ş	--	--	290.909
TI Roro Denizcilik San Tic A.Ş Impairment Provision(-)	--	--	(290.909)
Kiplasma Endüstiryel Atık Bertaraf San. Tic. A.Ş	--	--	40.000
Pamukbank Tic. A.Ş	--	--	541.233
Pamukbank Tic. A.Ş Impairment Provision (-)	--	--	(541.233)
Polisan Rus Ltd.	--	--	291.292
Polisan Rus Ltd. Impairment Provision (-)	--	--	(291.292)
Total			**40.920**





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