

ANNUAL  
REPORT

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**2019**







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CHEMICALS



PAINT

# THERE IS MORE TO COME

Ours is more than half a century of experience. A journey of perennial success in the chemicals, paint, port operations, real estate and textile sectors...

A unique story of continuous international growth through investments from Greece to Morocco as well as collaboration with Dow Chemical, one of the world's leading companies. Ours is an endless smile, building on strength, and bringing color to the nation, through the partnership with Kansai Paint, one of the top ten paint manufacturers in the world.

**Because for us, there is always more to come.**



PORT

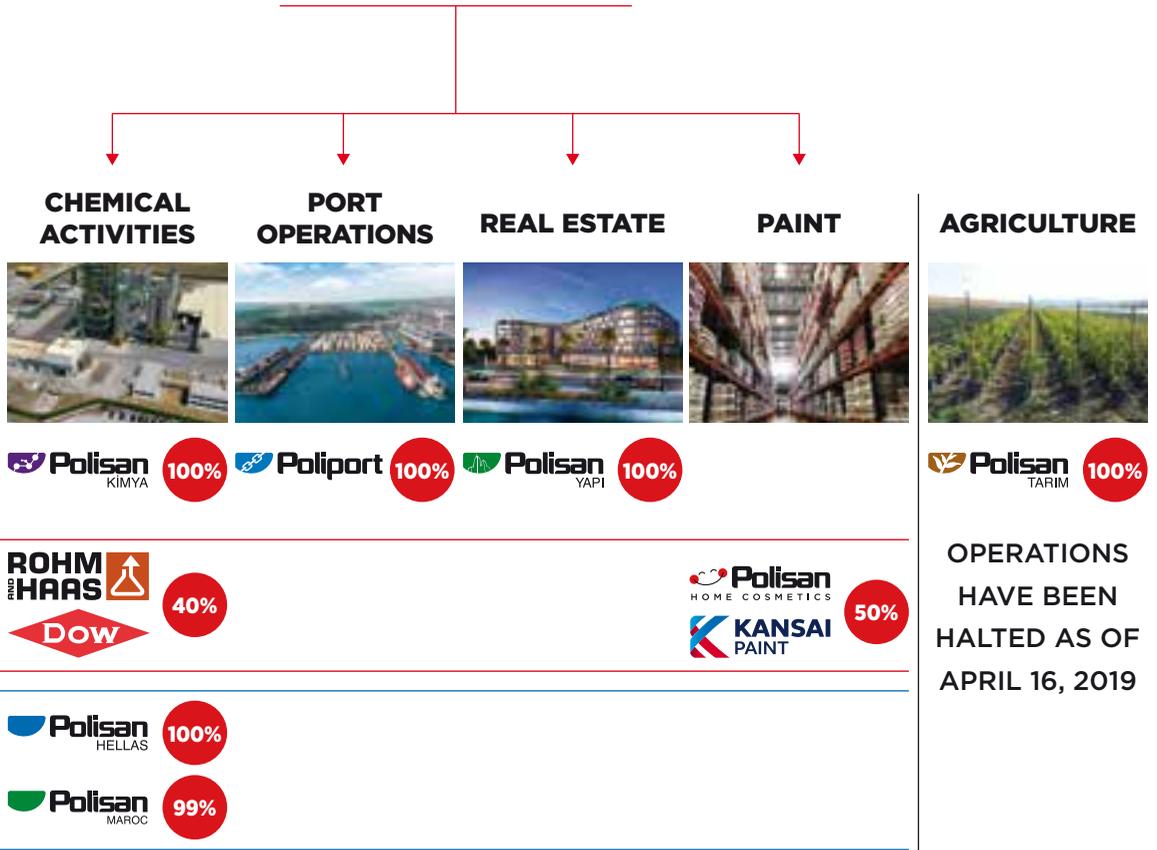


REAL ESTATE



Polisan Holding  
Grows via New  
Partnerships  
and Business  
Lines.

# GENERAL OVERVIEW



## POLISAN HOLDING SHAREHOLDER STRUCTURE

	Share Value (TRY)	Ratio
Bitlis Family	604,476,683.8	79.7%
Other	18,920,409.4	2.5%
Float	135,102,906.8	17.8%
<b>Total</b>	<b>758,500,000.0</b>	<b>100.0%</b>

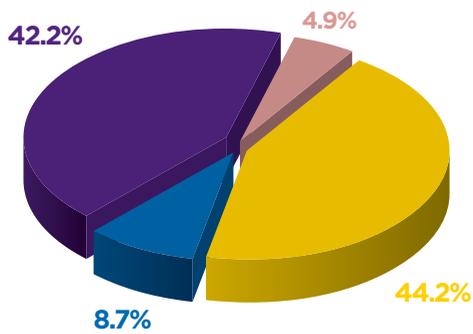
Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. (Rohm and Haas) is an associate and Polisan Kansai Boya Sanayi ve Ticaret A.Ş. is a joint-venture of Polisan Holding, whereas other holding companies are subsidiaries.

\*The shares represent Polisan Holding's direct and indirect stake in the related group company.

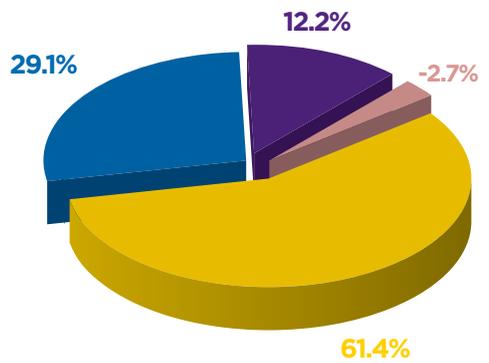
# 2019 FINANCIAL AND OPERATIONAL OUTLOOK

## POLISAN HOLDING 2019 COMBINED FINANCIAL RESULTS

Revenue Breakdown

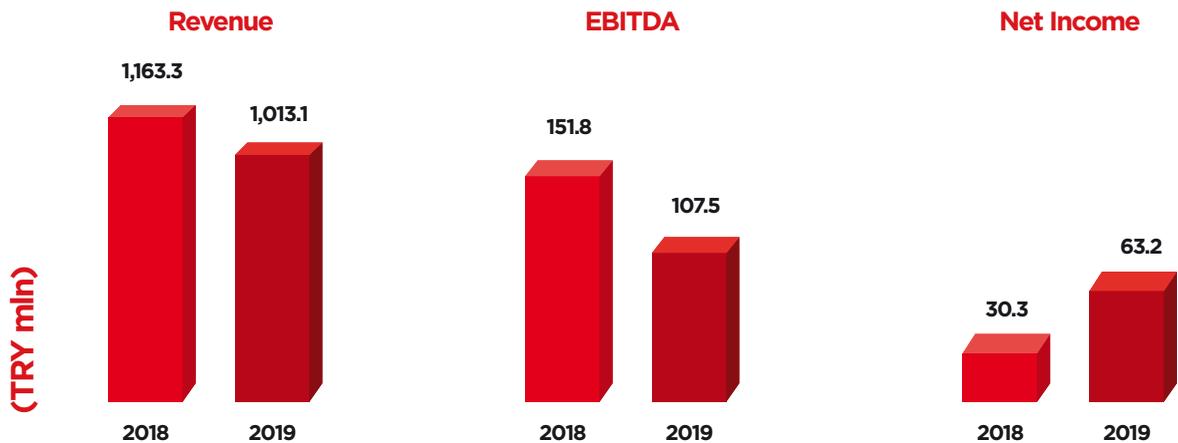


EBITDA Breakdown



● Paint ● Port ● Chemicals ● Other

## POLISAN HOLDING 2019 CONSOLIDATED FINANCIAL RESULTS



# FINANCIAL TABLES

<b>Summary Income Statement</b>			
<b>(TRY Million)</b>	<b>2018</b>	<b>2019</b>	<b>% Change</b>
Revenues	1,163.3	<b>1,013.1</b>	-12.9%
Gross Profit	190.7	<b>164.2</b>	-13.9%
Gross Profit Margin (%)	16.4%	<b>16.2%</b>	-0.2 p.p.
Profit Before Interest and Tax (EBIT)	106.2	<b>56.8</b>	-46.6%
EBIT Margin (%)	9.1%	<b>5.6%</b>	-3.5 p.p.
Profit Before Interest, Tax and Depreciation (EBITDA)	151.8	<b>107.5</b>	-%29.1
EBITDA Margin (%)	13.0%	<b>10.6%</b>	-2.4 p.p.
Net Income	30.3	<b>63.2</b>	108.7%
Net Income Margin (%)	2.6%	<b>6.2%</b>	3.6 p.p.

<b>Summary Balance Sheet</b>		
<b>(TRY Million)</b>	<b>2018</b>	<b>2019</b>
Cash and Cash Equivalents	153.8	<b>179.0</b>
Current Assets	680.0	<b>616.9</b>
Non-Current Assets	1,538.9	<b>1,666.5</b>
<b>TOTAL ASSETS</b>	<b>2,219.0</b>	<b>2,283.4</b>
Short Term Financial Liabilities	324.1	<b>233.3</b>
Long Term Financial Liabilities	60.7	<b>291.9</b>
Paid in Capital	370.0	<b>758.5</b>
Total Equity	1,493.2	<b>1,437.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,219.0</b>	<b>2,283.4</b>

<b>Profitability Ratios</b>		
	<b>2018</b>	<b>2019</b>
Current Ratio	1.192	<b>1.320</b>
Liquidity Ratio	0.932	<b>1.028</b>
Net Income / Total Equity	2.1%	<b>4.4%</b>
Net Income / Total Equity and Liabilities	1.4%	<b>2.8%</b>

## MILESTONES

### 1956

Founded by the Bitlis Family, Şark Mensucat's fabric dyeing and weaving integrated facilities commenced operations in Zeytinburnu.

### 1961

Kağıthane Hosiery was purchased, and operations continued.

### 1964

Polivinil Asetat Kimyevi Maddeler Sanayi A.Ş. was established and commenced production of emulsion resins in a first for Turkey. In 1967, the Company name was changed to Polisan Kimya Sanayi A.Ş. ("Polisan Kimya").

### 1968

The production of formaldehyde resin, used in panel plywood and Formica commenced at the Kağıthane Facilities, in another first for Turkey.

### 1971

Poliport Kimya Sanayi ve Ticaret A.Ş. ("Poliport") was established in Dilovası where Polisan Holding Facilities are located to offer Bulk Liquid Storage Services.

### 1977

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

### 1985

Polisan Boya Sanayi ve Ticaret A.Ş. ("Polisan Kansai Boya") was established and commenced paint production.

### 2000

The first water-based mix machine in the sector was developed, ensuring factory quality, and the sales channel was positioned as the production center.

Polisan Holding A.Ş. ("Polisan Holding") was established.

### 2004

Polisan Holding formed a JV titled Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. ("Rohm and Haas") with Rohm and Haas Co., one of the largest internationally renowned emulsion resin producers.

### 2006

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

### 2008

Polisan Boya changed its brand name to "Polisan", and for the first time in Turkey, and globally, it introduced a new approach, with the statement "we do not produce paint, but home cosmetics instead". Upon registration of the new concept, Polisan products were offered to consumers as "HOME COSMETICS".

### 2009

Polisan Yapı Kimyasalları A.Ş. ("Polisan Yapı Kimyasalları") was established and concrete additives sales commenced.

Polisan Kimya has been granted the VDA license and started AUS32 production with the Adblue brand.

## 2011

The name Polikem Kimya San. ve Tic. A.Ş. was changed to Polisan Tarımsal Üretim San. ve Tic. A.Ş. ("Polisan Tarım") and the Company commenced seeding activities.

Polisan Boya started a loyalty program and collection practice, in a first for the sector, using a single POS.

## 2012

Polisan Yapı Kimyasalları commenced sales of cement chemicals.

Polisan Holding went public and its shares were traded on Bourse İstanbul.

## 2013

The sole Polyethylene Terephthalate (PET) granule plant of Greece and the Balkans, working as a continuous facility with full automation, was purchased. The new facility, which started its operations in Greece as Polisan Hellas, has an area of 75,000 m<sup>2</sup> with a 15,000 m<sup>2</sup> indoor area.

## 2014 <sup>50.</sup> Anniversary...

Polisan Yapı's Z Office Project in Kağıthane was completed.

Polisan Holding Companies were included in the TURQUALITY® Support Program under the 'POLİSAN' brand name.

## 2015

Polisan Boya was the No.1 Paint Manufacturer in Turkey and No.3 in Europe to receive Environmental Product Declaration Certification.

Polisan Kimya renewed its formaldehyde facilities.

Polisan Yapı signed an agreement with DAP Yapı JV for a project to be built on 173,000 m<sup>2</sup> land in Pendik.

## 2016

Kansai Paint, one of the world's top 10, and Japan's leading paint producer, acquired a 50% stake in Polisan Boya, and the investment of the new paint production and storage facility commenced.

Poliport, has been awarded "Best Storage Service Provider in 2015-2016" in Europe by Shell Chemicals Europe B.V.

Having its 2014-2015 Sustainability Report approved by the Global Reporting Initiative (GRI), Polisan Holding became the 65<sup>th</sup> company to publish the "GRI Version 4" compliant Sustainability Report in Turkey.

## 2017

Polisan Yapı Kimyasalları merged with Polisan Kimya.

Polisan Kimya established Polisan Maroc SA ("Polisan Maroc") producing construction chemicals, in Morocco in a 60% partnership.

Polisan Holding became one of the 44 companies eligible for listing on the BIST Sustainability Index.

## 2018

Polisan Holding signed the UN Global Compact, based upon universal principles on which to create a common culture of development in the business world.

Polisan Kansai Boya's new Paint Production and Warehouse Facility began operations.

Polisan Kimya introduced to the market new specific concrete additives and TBM foams to be used in tunnels and mines.

## 2019

The "Polisan of the Future" transformation program, to position Polisan Holding as a global brand embracing the new generation, has been launched.

The operations of Polisan Tarım have been halted in order to focus on the main business lines.

Polisan Hellas commenced r-PET sales.

## OUR MISSION

To have a stake in the development of Turkish society, and the economy with our superior services and products, and to create high value for the environment, and the sectors in which we operate.

## OUR VISION

- To be one of the most respected group companies in Turkey
  - To be the most desirable group of companies to work at
- To lead the sectors that we compete in and be recognized as the leader
- As a result, ensuring sustainable growth and high return for our customers, employees, and shareholders.

# OUR STRATEGIC PRIORITIES

To maximize 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 the other assets in the Holding's portfolio,
- Exploring new markets and becoming a global brand with Polisan's innovative products, services, and practices,
  - Maintaining a high level of Corporate Governance standards with professional management.

## CHAIRMAN'S LETTER

“ We continued to grow in both size and depth in 2019, a milestone of our “Polisan of the Future” vision of embracing the new generation. ”



Dear Shareholders, Customers, Business Partners and Employees of Polisan Holding;

In 2019, the global agenda consisted of concerns over growth and measures taken against it, in the shadow of increasing economic imbalances with trade wars, Brexit and rising geopolitical risk across many diverse geographies ranging from the Middle East to Hong Kong. The Federal Reserve also imposed a gradual rate cut, echoing the monetary policies applied by the Central Bank of Japan and the European Union due to fears over stagnation. While the zero or negative interest policy in developed countries did not achieve the desired level of success, the Central Banks of developing countries also took economic measures with a focus on growth, in step with their inflation policies. Ultimately, the IMF revised its 2019 growth expectation, which had been anticipated as 3.5% in the January 2019 edition of the Global Economic Outlook Report, to 2.9% in its January 2020 issue.

While the Turkish economy spent the first half of 2019 in particular under the influence of Turkish Lira depreciation and high inflation; like the central banks of developed and developing countries, the Central Bank of the Republic of Turkey started to apply loose monetary policies and lowered interest rates to overcome growth obstacles. Depending upon this process, we started to see an improvement in macroeconomic variables such as inflation and the current account deficit, as well as in negative growth trends. The IMF predicted that the Turkish economy could close 2019, previously estimated to contract, with a growth rate of 0.2% and grow by 3% in 2020.

In these days as we proceed into 2020, we are closely following the corona virus outbreak in China and the possible effects of China's failure to meet its commercial commitments, the US presidential elections, tension between the USA and Iran and its reflection on the energy markets, and the developments in the commercial and legal relations between the UK and the EU within the scope of Brexit, all of which have reached the agenda of the entire World.

2019 has been a year when our operations in Turkey due to the economic conjuncture, and in Greece due to the increased competition in the market, have focused more than ever on revenue generation as well as solutions that create value for the protection of profitability. We continued to grow by combining our experience with the advantage of our partnerships with one of the world's leading chemical companies Dow Chemical and paint manufacturers Kansai Paint. Our combined revenues, in which, the unconsolidated Polisan Kansai Boya, our 50% Joint Venture with Kansai Paint, is included; were realized at TRY2,011.2 million. Our combined EBITDA margin rose to 15.1% levels, thanks to the operational efficiency provided by our new facility, while our combined net profit almost tripled, reaching TRY86.9 million.

### **The World is changing at a dizzying pace.**

Marked by the widespread use of computers and Information Technologies, the third industrial revolution is evolving into the industrial revolution known as Industry 4.0 with the transformation of digital, biological and physical innovations.

In the new world named Society 5.0 - Creative Society and structured through digital transformation, people will need imagination and creativity to bring their ideas to life.

Artificial intelligence, the Internet of Things (IoT), robotics and block chains, as well as digital technologies such as biotechnologies trigger revolutionary changes that are structured in Germany as "Industrie 4.0" and in China as "Made in China 2025" strategies. China, India and ASEAN (Association of South East Asian Nations) member countries have begun to turn the World's economic and geopolitical axis from West to East. There has arisen a need to address increasing global environmental issues, social inequality and sustainability issues with a different approach for the welfare of society. While the United Nations has set Sustainable Development Goals for 2030, investors in the financial sector prefer to include in their portfolio those companies showing sensitivity to the fields of the environment, society and governance.

**In 2019, we took steps to position "Polisan of the Future" as a global brand in order to catch up with the global change.**

In 2019, we started a transformation process in order to entrust the Polisan brand, generally recalled for its paint operations - even though it undersigns firsts with innovative products in the field of chemistry in Turkey - to new generations as the "Polisan of the Future". Primarily, we addressed our human resource, which is at the heart of our successes. We have designed a new structure in which Group Companies' executives are accountable to their board of directors and can create joint synergies with Polisan Holding senior management in the fields of strategy and business development. Together with our professional staff that we have restructured, we have determined our road map to apply our strategic perspective to our business practices. We strengthened our audit function to reflect the importance we give to effective risk management. We took actions to simplify and strengthen the capital structures of our subsidiaries and foreign business partnerships, and increased the capital of our Group Companies, which we deem necessary.

We halted our agricultural activities in April 2019 in order to focus on our main business lines. We also reviewed our operations with our performance metrics specific to product, region, industry, competition and stakeholder dynamics.

By reevaluating our internal processes, we have focused on our employees, occupational safety, cost efficiency and customer satisfaction. We have designed a new structure that operates within the framework of the accountability principle, and that improves through feedback: by establishing digital systems to monitor the development of our business and ensure the flow of information; regular reporting of our business results; and ultimately, with a strong audit function.

**On the path to globalization, we position innovation and digitalization as integral parts of all our modes of doing business.**

In order to ensure the continuity of the structure that we design in a rapidly changing world, we do not perceive operational excellence and efficiency as merely temporary aspects of a transformation process. We attach importance to digitalization beyond its being a factor that will increase our efficiency through enhanced data analysis. We aim to position digitalization as an element capable of impacting end-user demand within the value chain of the chemical industry, and of changing the business models through which we create value for our customers. In 2019, by leveraging the power of today's Digital Production Business Technologies we continued investing in our fields of activity to maximize quality, efficiency and the benefit of all our stakeholders, in terms of production processes, process management and customer relations. While aiming to open up to the global markets, in our operations, we want to focus on niche areas and products the added value of which is supported by technology. We aim to proactively offer to overseas markets those products that our R&D units develop for special projects in Turkey, and apply our innovative stance in Turkey to markets abroad. In this context, in our paint operation, we started to develop products tailored to the needs of the markets we have entered.

And meanwhile, on the path to globalization, we are working on innovations in the field of chemistry.

**We carry out our activities in the spirit of social responsibility and sustainability.**

Within the framework of social responsibility, we place all necessary actions on our agenda, considering the good practices of the national and international sustainability platforms we participate in, within the scope of the UN Global Compact, to which we became a signatory in 2018.

We participate in national and international platforms such as the Bourse İstanbul Sustainability Index, Carbon Disclosure Platform, and EPD (Environmental Product Declaration) Platform. We continue our operations cognizant of our impact on the economy, environment and society. We carry out projects in support of children, women, and education, and participate in collaborations to protect the environment and natural life.

**We look to the future with confidence.**

As 2020 began, we relocated to our new headquarters reflecting a next generation approach, where our employees feel even more our appreciation for them, and where they can work ever more efficiently with a renewed team spirit. We gain strength from the rising synergy among our employees thanks to this change. I have full confidence in our ability to see profitability growth with our long-term business plans by achieving our targeted efficiency, thanks to our visionary management team, qualified work force, and loyal customer portfolio, as well as our quality certified business processes, and our globally leading giant business partners.

On behalf of the Polisan Holding Board of Directors, I thank our shareholders, employees, business partners and customers, who provided their support during this transformation process.

**Mehmet Emin Bitlis**  
Board Chairman



# WE REMEMBER HIM WITH DEEP RESPECT...



We remember our Founder, our mighty Plane Tree, our priceless elder Necmettin Bitlis, who laid the foundations of Polisan, and whose name is inscribed among the veterans of Turkish Industry, with respect, in grace and with infinite gratitude.

We carry his memory with a great love inside of us.

1928 - 2017

# POLİSAN HOLDİNG BOARD OF DIRECTORS



Mehmet Emin **Bitlis**  
Board Chairman



Ahmet Ertuğrul **Bitlis**  
Vice Chairman



Ahmet Faik **Bitlis**  
Board Member



Fatma Nilgün **Kasrat**  
Board Member



Murat **Yıldırım**  
Board Member



Zafer **Kurtul**  
Board Member



Esra **Yazıcı**  
Independent Board Member



Şeref **Taşkın**  
Independent Board Member



Arif **Başer**  
Independent Board Member

# POLISAN HOLDING BOARD OF DIRECTORS

## Mehmet Emin **Bitlis**

### Board Chairman

He was born in 1958. Between 1972 and 1984, he attended high school and completed his undergraduate degree in Austria. He speaks English and German. Having started his professional career in 1985, Mehmet Emin Bitlis is the Chairman of the Board of Polisan Holding, Polisan Yapı, Rohm and Haas and a Board Member of Polisan Tarım. He is also a Member of the Board of the Turkish Industry and Business Association, Turkish Chemical Manufacturers Association, Kocaeli Chamber of Industry, Gebze Chamber of Commerce, Dilovası Organized Industrial Zone, Istanbul Rotary Club, and Malatya Education Fund.

## Ahmet Ertuğrul **Bitlis**

### Vice Chairman

He was born in 1961 in İstanbul. He graduated from Boston University, in Production Engineering (BSc) in 1983, and obtained his master's degree from the same university in 1984 in Mechanical Engineering. He started his professional career in 1986. Ahmet Ertuğrul Bitlis is the Chairman of the Board of Polisan Tarım and the Vice Chairman of the Board of Polisan Holding.

## Ahmet Faik **Bitlis**

### Board Member

He was born in 1962 in İstanbul. He graduated from Deutsche High School in İstanbul in 1981 and Boğaziçi University, in Industrial Engineering (BSc) in 1986. He received a master's degree from the İstanbul University International Management Program in 1990 and completed the Harvard Business School Owners and Presidents Certificate Program in 2004. He started his professional career in 1986. Ahmet Faik Bitlis is a Member of the Board of Polisan Holding and Polisan Tarım. He is also a Member of the Board of the İstanbul Minerals and Metals Exporters' Association (IKMIB), Malatya Education Fund, and Deutsche High School Culture and Education Fund.

## Fatma Nilgün **Kasrat**

### Board Member

She was born in 1964 in İstanbul. She graduated from Notre Dame de Sion French Girls High School in 1983 and İstanbul Technical University (ITU), in Chemical Engineering (BSc) in 1987. She started her professional career that year. Fatma Nilgün Kasrat is the Chairman of the Board of Şark Mensucat, and also a Member of the Board of Polisan Holding and Polisan Tarım.

## Murat **Yıldırım**

### Board Member

He was born in 1962. After graduating from Galatasaray High School and Middle East Technical University, Department of Economics, he completed his master's degree in Financial Management at Southeastern University. Mr. Yıldırım started his professional career in 1988 in the field of Investment Banking in Turkey. Between 1989-1991, he managed important projects at the Privatization Administration of the Prime Ministry. In 1991, he joined the Samuel Montagu Bank in London. Between 1993-2007, he worked at the London European Bank for Reconstruction and Development (EBRD) as an executive in project finance (loan, capital) and mergers and acquisitions in various countries. Between 2008-2009, he was the CEO of Martı REIT and between 2009-2010, he acted as the Interim CEO of Capital Resources Co. Group in Azerbaijan. Since 2010, he has served as the Head of Risk and Finance Committee, Executive Board Member and Consultant at İnci Holding, and simultaneously the Board Member and Consultant at companies operating in different sectors and geographies. He speaks English, French and Italian. Murat Yıldırım has started his post as the Polisan Holding CEO and the Board Member as of October 1, 2019. He is also the Chairman of the Board of Polisan Hellas, the Vice Chairman of the Board of Poliport, Polisan Kimya, Polisan Maroc, Polisan Tarım, Polisan Yapı and Şark Mensucat, and a Member of the Board of Polisan Kansai Boya and Rohm and Haas.

## Zafer Kurtul

### Board Member

Zafer Kurtul, CFA, received his undergraduate degree from İstanbul University, Faculty of Business Administration in Finance and obtained his MBA degree from the University of Wisconsin-Madison, also in Finance. He held managerial positions at Citibank, BNP-Ak-Dresden Bank and Societe Generale prior to his appointment to Akbank in 1998 as the Assistant General Manager. Zafer Kurtul served as General Manager in Akbank between 2000-2009, and as the Vice Chairman of the Board between 2009-2010. He assumed the position of CEO of Sabancı Holding between 2010-2017 and acted as Chairman of the Boards of various subsidiaries of Sabancı Holding during this period. Zafer Kurtul has been the Chairman of the Board of ZKurtul Management Consulting company since 2017. Additionally, he is a Member of the Board of Polisan Holding, Şark Mensucat, Alternatifbank and Mersin International Port.

## Esra Yazıcı

### Independent Board Member

Esra Yazıcı was born in 1968 in İstanbul. She graduated from Saint Benoit High School in 1986, and the Business Administration program at Boğaziçi University in 1990. She completed her MBA at the University of Marmara. She fluently speaks English and French. Having started her professional career in 1991 at the Credits Department at Societe Generale Bank, she worked as a Marketing Manager at Tekfen Bank and DHB Bank. Along with training SMEs on effective risk management, she gave consulting to various companies on strategic and corporate management, and financial risk. Esra Yazıcı is a guest lecturer at the University of Bahçeşehir, teaching Crisis Management to MBA students. Esra Yazıcı is the Independent Board Member of Polisan Holding and also a Member of the Board of Poliport, Polisan Kimya, Polisan Yapı, Şark Mensucat and Polisan Kansai Boya.

## Şeref Taşkın

### Independent Board Member

He graduated from Ankara University Faculty of Political Sciences in 1988. Şeref Taşkın joined the Account Experts Board in 1989. Having worked as an Account Expert until 1998, Mr. Taşkın left the Accounts Experts Board to work as a Financial Group Coordinator for a group of companies between 1998-2001, while serving as a board member at several group companies. In 2002, he joined Arkan & Ergin YMM A.Ş. as a Partner and Certified Public Accountant. Şeref Taşkın has been providing with audit and consultancy services for over 17 years to several companies operating in industry, trade and service sectors on issues such tax consultancy, transfer, merger, spin-off restructuring, stock exchange, due diligence, audit consultancy and tax litigation. He continues his professional career as a Certified Public Accountant. Şeref Taşkın is the Independent Board Member of Polisan Holding.

## Arif Başer

### Independent Board Member

He was born in 1967 in Trabzon. After graduating from A.Ü. Faculty of Political Sciences, Department of Finance in 1988, Arif Başer worked as an officer for the General Directorate of National Estate for 1 year. Following success in the entrance exam of the Ministry of Finance Account Experts Board in 1989, he worked as an Account Expert until 2004. Mr. Başer was appointed to conduct research on the functioning of the American Tax Administration (IRS) and spent one year in that country for this purpose in 1999. Between 2000-2004, Mr. Başer worked as the Marmara Corporate Tax Office Director, Foreign Trade Tax Office Director and İstanbul Vice Provincial Treasury, respectively. He resigned from public service in November 2004 and has been working as a Certified Public Accountant since then. Arif Başer is the Independent Board Member of Polisan Holding.

## CEO LETTER

“ We have commenced our transformation journey to restructure the “Polisan of the Future” ”



Dear Stakeholders;

In 2019, we started our transformation journey to restructure Polisan Holding with the best practices, within the framework of a flexible and agile brand vision of global perspective, bringing the sustainability phenomenon and innovation culture into focus. Our focus was directly on the “human” factor in our actions to realize the vision of “Polisan of the Future”. At the start of 2020, we relocated to our new working environment designed with a new generation office concept. We have identified new roles and responsibilities for the needs of each of our group companies, further enriching our organization with the new colleagues joining us. We have set common goals by ensuring that all our employees share a common perspective, one grounded in transparency, with teamwork and accountability firmly embedded within our organizational structure. We conducted efficiency analyses, pursuing market share and profitability optimization in each of our business lines. We determined our road maps for the implementation, reviewing our strategies with a disciplined financial approach. At all our Group Companies, we addressed risk and cash management with caution and a focus on efficiency. We evaluated what could be done by way of innovation, R&D and digitalization in terms of both effective working capital management and developing value-added products.

**We recorded a strong performance maintaining our profitability in 2019, despite the economic conjuncture.**

While, in the last quarter of 2019, we observed a partial recovery in the Turkish paint and construction chemicals markets, which we mainly serve from our product portfolio, we estimate the contraction to reach 40-50% levels throughout the year. On the other hand, the Greek market, where we carry out our PET operations, witnessed price competition. Significantly in 2019, we were able to eliminate those factors that affected our operations, thanks

to our export focus, value-added products developed by our R&D center, and efficiency measures. All in all, our consolidated revenues were realized at TRY1,013.1 million, with an EBITDA margin of 10.6% and net profit of TRY63.2 million. Our combined revenues, in which, the unconsolidated Polisan Kansai Boya, our 50% Joint Venture with Kansai Paint, is included; came in at TRY2,011.2 million with the increased volume of paint sales. Our combined EBITDA margin was realized at 15.1% thanks to the operational efficiency provided by our new facility, while our combined net profit reached TRY86.9 million.

**In our operating areas, we focused on protecting our revenues with exports and value-added products, and our profitability with efficiency measures.**

The new facility of Polisan Kansai Boya, our 50% Joint Venture with Kansai Paint, commenced production at the start of 2019. And thanks to the competitive production advantage of our facility we started to participate in new tenders. At the same time, in the export arena, we took actions towards brand awareness within the scope of the Turquality Program. Our EBITDA margin was realized at a very strong level compared to our global peers thanks to the efficiency of our new facility. The cargo handled at Poliport, conducting our port operations, was affected by the economic conjuncture. However, at Poliport, the revenues of which are in US dollar while expenses are TRY denominated, we recorded TRY174.8 million in revenues and a 50.6% in EBITDA margin. As for our chemical activities in Turkey, in construction chemicals, we developed underground chemicals with high added value for the new airport and for the metro lines under construction, in formaldehyde resins, we focused on exports and in AUS32, we increased the penetration of our product. In Turkey, we contained the need for working capital requirement under control by shortening the collection period and serving the corporate customer portfolio with a selective approach.

While Polisan Kimya's revenues came in at TRY346.0 million, the EBITDA margin was at 11.4%. Our synergies with Rohm & Haas; our partnership with the world's leading chemical company Dow Chemical, continue. We used the water-based binders that Rohm & Haas introduced to Turkey for the first time in 2013 in the road marking paint produced by Polisan Kansai Boya for the General Directorate of Highways' tender. Polisan Maroc, one of our subsidiaries abroad, in Morocco, continued to increase its revenues. Generating Euro-denominated revenues in Greece, Polisan Hellas, as the sole PET production facility in the Balkans, was relatively less affected by the price competition caused by Chinese originated products. Our revenues were realized at TRY502.4 million thanks to r-PET and export sales, while we recorded an EBITDA margin very close to the breakeven point due to market dynamics. Our evaluations and measures to increase our profitability at Polisan Hellas, continue. Following our decision to halt our agricultural activities, we put our lands on sale in Aydin, Manisa and Balikesir provinces. On the other hand, it is among our priorities to accelerate the activities of Polisan Yapı, established to evaluate the real estates within Polisan Holding, as projects.

**We continued our investments towards digitalization for the "Polisan of the Future".**

Our paint operation Polisan Kansai Boya's LEED Gold certified production facility, the first in the Turkish Paint Industry and 308<sup>th</sup> globally, started production with an annual design capacity of 180,000 tons/shift and studies for the renewal of the R&D unit have been accelerated. Our operational profitability started to see accelerated growth, thanks to full automation at our new facility, which is calibrated for Industry 4.0, located on an area of 142,000 m<sup>2</sup>, environmentally friendly, at international standards, and EN 1090-2 certified. In line with our studies to position our new facility as the regional production hub of Kansai Paint, we opened our Polisan Kansai Russia representative office to carry out Russian activities. We will adapt the successful system and distribution models that Polisan Kansai Boya developed in the Turkish market to markets abroad. At our port operation, Poloport, we increased the bulk liquid storage capacity from 237,000 m<sup>3</sup> to 271,000 m<sup>3</sup> at the beginning of 2020 through our US\$15 million investment plan realized in 2019.

Within the scope of the Industry 4.0 process we designed with Emerson at Poloport, we will continue to realize our digitalization studies and invest according to terminal occupancy rates. In our chemical activities in Turkey, in response to shrinking domestic demand, we have started to supply high value-added underground chemicals developed by our Polisan Kimya R&D unit for special projects. Within the scope of digitalization at Polisan Kimya, we have an investment plan to increase efficiency in the production of formaldehyde resins. Having digitalized its reporting systems to increase customer satisfaction, Rohm & Haas, our partnership with world chemical giant Dow Chemical, continues its efforts to digitalize all its functions. We made a PET recycling investment at Polisan Hellas, our PET operation in Greece. We aim to improve our processes and costs thanks to the OPC (Open Platform Communications) system we have established within the scope of digitalization studies at Polisan Hellas.

**On the globalization path, we increased our focus on exports.**

In our paint operations, in addition to neighboring countries such as Russia and the TRNC, we have exported to 37 countries ranging from Nigeria and Azerbaijan, to Iraq and Ghana, over the past seven years, though to a limited degree due to the capacity bottleneck. Thanks to the increase in our capacity in 2019, we accelerated our studies in overseas markets to overcome the effects of contraction observed in the domestic market. We took steps to accelerate growth over the coming years in 18 countries, which we currently have exclusive distributorship agreements with. We are establishing a sales channel by system and infrastructure installation with Polisan Shop and coloring machines in the markets of 3 countries that we entered in 2018. We continue our branding activities within the scope of the Turquality Program with a focus on product development, sales and marketing. We will adapt the successful distribution models that Polisan Kansai Boya developed in the domestic market, to the markets abroad and accelerate the efforts we initiated to increase our brand awareness through innovative products in overseas markets. In our chemical operations, we realize exports in the formaldehyde resins product portfolio. Our R&D unit at Polisan Kimya is working on new products that can also be channeled to exports, in this product group and in underground chemicals. We increased exports at Rohm & Haas.

In Greece, in addition to the PET product that Polisan Hellas exported to Italy and the Balkans, we also started r-PET export. We positioned Polisan Maroc, the production facility of Polisan Kimya in Morocco, for exposure to the African market.

**We emphasize projects that will create added value for society and the environment.**

While focusing on our business, we care about contributing to society and the environment we live in by supporting our people, natural life, education and the arts. In this context, we continued to nurture the 100,000 trees we planted on 2,000 decars of land in Dilovasi. We continued our corporate social responsibility project "Every Voice One Breath", launched 8 years ago with the goal of developing solution-oriented social awareness and drawing attention to all forms of violence and inequality against women in Turkey from physical and psychological violence, to negative discrimination, with the core message "Hear My Voice, Be My Breath". Meanwhile, within the scope of educational support we provided to our youth, the foundation of our future, we undertook the construction of the Industrial Quantitative Analysis Laboratory for the use of the GEBKİM Vocational and Technical Anatolian High School, located in the Kocaeli Gebze V (Chemistry) Specialized Organized Industrial Zone.

**We expect the actions that we initiated to reflect positively both on 2020 overall and our business results.**

As we will strengthen our foundations with a clarified investment direction in 2020, we will be in a position to take steps towards growth by realizing our strategies starting from 2021. Over the coming five years, we aim to maximize the benefit of all our stakeholders by staying true to the essence of "Polisan of the Future".

We would like to thank our shareholders, employees, business partners and customers who have contributed to the added value we have generated for our country and society.

**Murat Yildiran**  
CEO



# POLİSAN HOLDİNG SENIOR MANAGEMENT



Murat **Yıldırım**  
CEO



Ahmet Çağışan **Yılmaz**  
CFO



Ahmet **Türkselçi**  
Human Resources Director\*



Gözde **Gürbüz**  
Head of Audit

## Murat Yıldırım

### CEO

He was born in 1962. After graduating from Galatasaray High School and Middle East Technical University, Department of Economics, he completed his master's degree in Financial Management at Southeastern University. Mr. Yıldırım started his professional career in 1988 in the field of Investment Banking in Turkey. Between 1989-1991, he managed important projects at the Privatization Administration of the Prime Ministry. In 1991, he joined the Samuel Montagu Bank in London. Between 1993-2007, he worked at the London European Bank for Reconstruction and Development (EBRD) as an executive in project finance (loan, capital) and mergers and acquisitions in various countries. Between 2008-2009, he was the CEO of Martı REIT and between 2009-2010, he acted as the Interim CEO of Capital Resources Co. Group in Azerbaijan. Since 2010, he has served as the Head of Risk and Finance Committee, Executive Board Member and Consultant at İnci Holding, and simultaneously the Board Member and Consultant at companies operating in different sectors and geographies. He speaks English, French and Italian. Murat Yıldırım has started his post as the Polisan Holding CEO and the Board Member as of October 1, 2019. He is also the Chairman of the Board of Polisan Hellas, the Vice Chairman of the Board of Poliport, Polisan Kimya, Polisan Maroc, Polisan Tarım, Polisan Yapı and Şark Mensucat, and a Member of the Board of Polisan Kansai Boya and Rohm and Haas.

## Ahmet Çağışan Yılmaz

### CFO

He was born in 1979. He received his degree in Management Engineering from Istanbul Technical University and completed the MBA Program at Koç University. He started his professional life in 2001 in Koç Holding's Audit and Finance Group, where he worked as the Auditor, Senior Auditor and Audit Group Manager until 2011. Then, he worked as the CFO at Beko LLC between 2011 and 2014. Having been transferred to Tat Gıda Sanayi A.Ş. on July 1, 2014, Yılmaz served as the CFO and Corporate Governance Committee member until the beginning of 2019. He speaks English and Russian. Çağışan Yılmaz started his post as the Polisan Holding CFO as of September 2, 2019. He is also a Member of the Board of Poliport, Polisan Kimya, Polisan Hellas, Polisan Maroc, Polisan Yapı and Şark Mensucat.

## Ahmet Türkselçi

### Human Resources Director\*

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

## Gözde Gürbüz

### Head of Audit

Gözde Gürbüz graduated from Dokuz Eylül University, department of Business Administration and received her MBA degree from Bahçeşehir University. Mrs. Gürbüz started her career in 2008 as an Auditor in KPMG Turkey. She held several Financial Reporting and Budget Control responsibilities in Danone between 2012 and 2015. Then, she worked at Çalık Holding as Financial Reporting Manager between 2015 and 2017. Having started to work as the Financial Control Manager responsible for Polisan Holding and Group companies in 2018, Mrs. Gürbüz serves as the Head of Audit since 2019. Her areas of expertise include Financial Reporting, Budgeting and Control, establishment and development of Internal Audit and Internal Control Systems, and the management of Strategic Plan processes. Mrs. Gürbüz holds the Certified Public Accountant and Independent Audit licenses and also is a member of Turkey Institute of Internal Audit (TIDE) and Union of Certified Public Accountants of Turkey (TURMOB).

\* Mr. Ahmet Türkselçi has decided to voluntarily resign his position as Polisan Holding A.Ş. Human Resources Director and Aylin Veliöğlü Çelik has been appointed to his post as of January 2, 2020.

## 2019 EVALUATION

IN 2019, POLISAN HOLDING LARGELY MANAGED TO MAINTAIN ITS PROFITABILITY, WITHIN THE CONTEXT OF PREVAILING CONDITIONS, IN ITS MARKETS OF OPERATION.

### CONSOLIDATED FINANCIAL RESULTS

TRY (million)	2018	2019	2018-2019 (%)
Revenue	1,163.3	1,013.1	-12.9%
EBITDA	151.8	107.5	-29.1%
EBITDA margin	13.0%	10.6%	-2.4 p.p.
Net Income	30.3	63.2	108.7%

#### Consolidated Results

In 2019, while cargo handled at port operations and demand in chemical operations have weakened at Polisan Holding due to the economic conjuncture in Turkey, Polisan Hellas, operating in the Greek market, was also affected by price competition in its domestic market. Polisan Holding's consolidated revenues decreased by 12.9% compared to last year to TRY1,013.1 million, particularly due to the performance of chemical operations. While chemical operations in Turkey recorded an increased EBITDA margin thanks to Euro-indexed sales prices and value-added products, Polisan Hellas focused both on ensuring continuity in production and maintaining its customer base. All in all, Polisan Holding's consolidated EBITDA margin dropped by 2.4 p.p. to 10.6%. (Poliport recorded a provision of TRY16.2 million in 2018 and TRY4.7 million in 2019 related to sea cleaning activities.) Consolidated net income, at TRY30.3 million in 2018, rose by 108.7% in 2019 to TRY63.2 million, thanks to the decreasing financial expenses of Polisan Kimya and the increased profits of investments accounted for using the equity pick-up method. (In 1Q18, there was a TRY4.9 million negative impact on net income from the abandonment of 5,740 m<sup>2</sup> land to the Municipality free of charge, as required for the granting of permits for the Pendik Project.)

### COMBINED FINANCIAL RESULT

TRY (million)	2018	2019	2018-2019 (%)
Revenue	1,934.4	2,011.2	4.0%
EBITDA	261.1	303.2	16.2%
EBITDA margin	13.5%	15.1%	1.6 p.p.
Net Income	30.7	86.9	n.m.

#### Combined Results

Polisan Holding's combined revenues, in which, unconsolidated Polisan Kansai Boya, a 50% Joint Venture with Kansai Paint, is included, rose by 4.0% compared to 2018 to TRY2,011.2 million with the contribution of higher revenues from paint operations. Polisan Holding's operational profitability, which has been suppressed on a consolidated basis, was supported by efficiency provided by Polisan Kansai Boya's new facility, leading to a 1.6 p.p. increase in combined EBITDA margin to 15.1%. Thanks to the increasing operational efficiency of Polisan Kansai Boya and the decreasing financial expenses of Polisan Kimya, combined net income rose to TRY86.9 million, almost tripling in 2019 compared to 2018 when net income was at TRY30.7 million.

#### Actual Results and Forward-Looking Expectations

Polisan Holding and Group Companies performed in line with their expectations in 2019. Poliport completed its US\$15 million investment spending targeted for 2019 and its new capacity was commissioned in 2020. Measures taken for profitability growth will become more effective in the coming periods.

*Transparency*  
**Fidelity** Loyalty Reliability  
Modesty **Innovativeness**  
*Environmental Consciousness*  
Sensitivity to Human Health  
Honesty



Paint

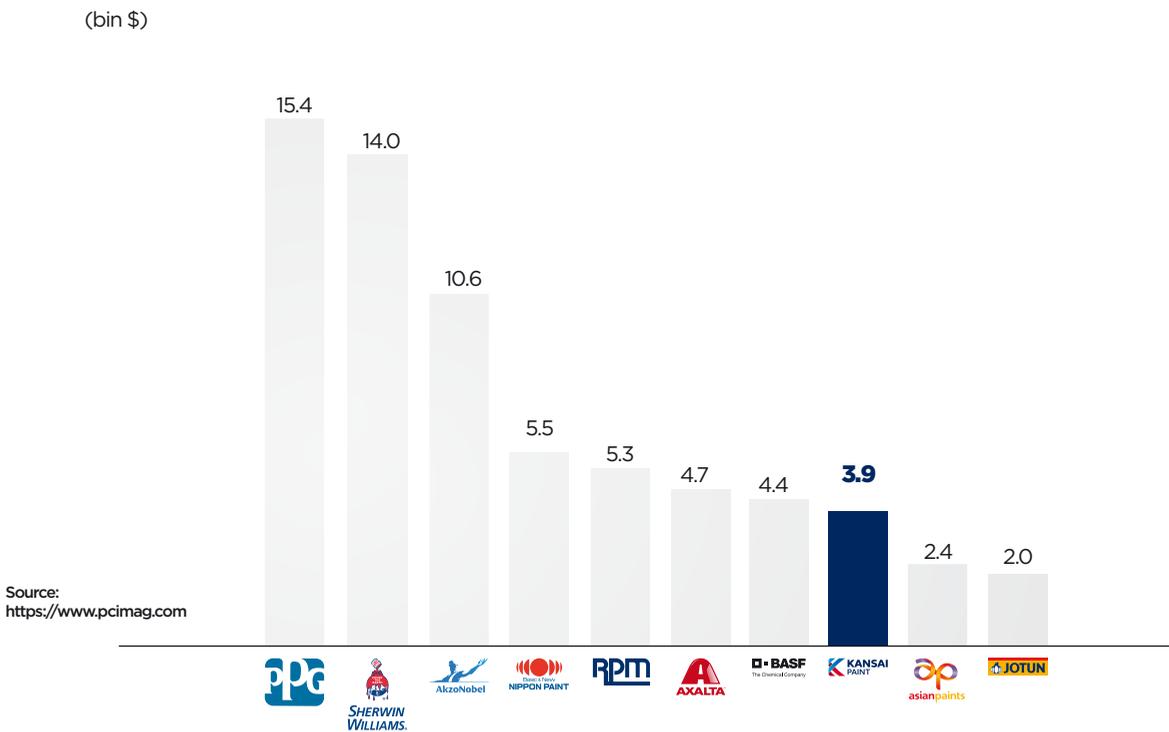


# THE PAINT INDUSTRY IN TURKEY

## THE GLOBAL PAINT INDUSTRY IS A €140 BILLION MARKET.

According to the Paints, Coatings and Binders report published by Chemquest in June 2018, the Global Paint and Coating Industry reached a size of €140 billion in 2017, with decorative paints capturing the largest share at 42% and Europe representing 24% of the total market. While, in the same report, the market is estimated to reach a size of US\$155 billion by the end of 2018, another report published by Research and Markets foresees the market to reach approximately US\$205 billion with a compound annual growth rate of 4.9% between 2018 - 2023.

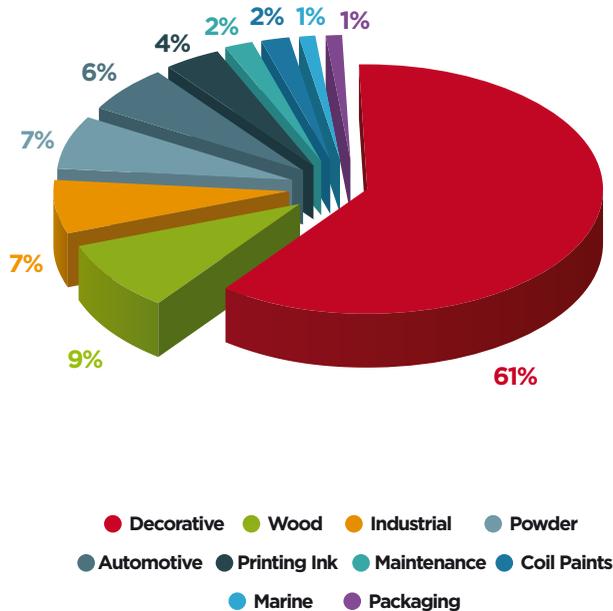
### Almost Half of the Value in the Global Paint Industry is Generated by the Top-Ten Paint Producers, Including Kansai Paint



The Turkish Paint Industry is Among the Biggest Markets in Europe at ~US\$1.7 Billion.

As per the Paint Industry Association (“BOSAD”); approximately 600 producers operate in Turkey, which is the fifth largest paint producer in Europe following Germany, Italy, the UK and France. The number of companies that do not comply with the criteria of production quality and standards, decreases daily. Product quality expectancy has increased in proportion to the rise in consumer brand and purchasing awareness. Approximately 20 paint companies may be considered as having large-scale company status.

## Decorative Segment has the Largest Share in the Market at 61%.



Decorative paint captured the largest share, at US\$595 million with 534,000 tons in volume terms in Turkey's total Paint Industry, which reached a production volume of 875,000 tons and a value of US\$1.7 billion as of 2018 year-end. Growth in the first half of 2018 in Turkey's Paint Industry, which substantially uses imported raw materials, was adversely impacted in the second half of the year by exchange rate fluctuations and changes in the economic conjuncture. Production in Turkey's Paint Industry, which shrank by 10% overall in 2018, declined by 36% in the January - September period, with the prevalence of negative factors affecting the market in 2019. The negative outlook for the sector is expected to change with falling housing loans in the last quarter of 2019.

Source: BOSAD

### Per Capita Paint Consumption Remains Low in Turkey.

The Turkish market, in which per capita paint consumption is at 20 kg according to the Paint & Coatings Industry report published in 2018 by the Ministry of Economy, has the potential to grow through foreign capital investments and incentives intended to increase its regional export strength.

The growth factors of the Turkish Paint Industry are:

- Young and increasing population
- Urban transformation
- Decreasing population per household
- Renovation needs of existing buildings
- Need for buildings in regions affected by the earthquake
- The increasing consumer awareness of paint
- Mandatory heat insulation of buildings
- Incentives related to foreigners' real estate purchases



## Since 85-90% of Demand in the Turkish Decorative Paint Market is Originated from Renovation Related Requirements, It May Show Continuity.

Of the demand for decorative paint, which holds approximately a 61% share of the paint industry, 85-90% stems from renovation related requirements. Thus; demand for decorative paint may still continue even in years when the construction sector contracts.

## Turkey Targets to become Europe's Third Largest Paint Producer with the Support of Exports.

The Turkish paint industry's manufacturers, which mostly export to closer markets, primarily European Union countries, have focused on markets such as Africa and the Far East with recent studies and government support. According to the İstanbul Chemicals and Chemical Products Exporters Association (İKMİB) 2018 Study Report, exports in the sector, which includes paint, varnish, ink, and preparations, rose 14.7% year-on-year to US\$795.9 million. While exports to Europe declined in the product group, an increase in exports to Iraq, Uzbekistan, China, Iran, Azerbaijan-Nakhichevan and Egypt is observed.

## Demand in Exterior Insulation is Expected to Grow Along with Changing Legislation.

The Legislation on Energy Performance in Buildings was published on December 5, 2008, making it mandatory to prepare an Energy ID Card for buildings to receive a new building license as of January 1, 2011. Within this context, it became mandatory for all buildings used by households to obtain an Energy ID Card by December 31, 2019. Effective of this date, no building purchase-sale transaction and the like will be realized without an Energy ID Card. Increasing demand in the insulation sector also increases the consumption of exterior paint, while insulation adds to the value of buildings. According to Turkey's Heat and Water Insulation Market Report published by İzoder, the total size of the Heat and Water Insulation market realized at TRY19.6 billion in 2018. Per capita consumption of insulation products in Europe is 2.5 times higher when compared to Turkey where per capita consumption is 0.213 m<sup>3</sup>. The per capita consumption rate is to further rise as thickness increases. Therefore, the increase in exterior insulation will ultimately have a direct and strong effect on paint production and consumption figures.

## According to the Seismic Risk Map of Turkey, 71% of Turkey's Population Resides in 616,000 Buildings in Areas at Risk of Earthquake.

According to the updated earthquake risk map of Turkey published by İMSAD in its January 2020 industry report, 66% of Turkey's geography and 71% of its population is located in areas at risk of earthquake, where there are 616,270 buildings. In the last century, 56 earthquakes with an intensity of 6 and above, resulted in over 80,000 casualties. In this context, one of Turkey's most important agenda items is to take immediate action with regards to earthquake-focused urban transformation, spatial planning, urban planning and structuring.

## As Well As Social and Governmental Factors, Current and Changing End User Habits are Also an Important Factor.

Consumers' strengthening brand perception and greater awareness, as well as the evaluation of many new parameters in selecting their preferences such as environment, health, sustainability, durability as well as price-quality ratio, are considered factors that will increase the low per capita paint consumption in Turkey.

## ~85% of Decorative Paint Production is Composed of Water-based Paints.

It is possible to manufacture human and environmentally friendly products that also have long lives by means of new production techniques developed. Besides, there is increasing interest in paints that are more durable, service-oriented, easily applied, of high performance, rich in terms of color variation and that have reduced environmental effects (such as those that involve less Volatile Organic Compound (VOC), or do not involve heavy metals, etc.). There is a transition in the industry from solvent-based to water-based paint.

## High Working Capital Requirement due to Seasonality.

April through September is the peak period for the Paint Industry in terms of demand. There is a need for high working capital requirement due to seasonality. Besides, as 80-90% of the industry's main inputs and excipients are not manufactured in Turkey, but imported, costs increase particularly at times when the Turkish Lira depreciates against foreign currencies. In the upcoming period, investment opportunities for the main raw materials to a certain economic and commercial scale may be subject to evaluation under the state's incentive system, particularly within the framework of foreign capital investments depending on economies of scale.

## Buy-It-Yourself Trends Gain Importance.

The clientele of the Turkish Paint Industry is composed of the sales channel (wholesalers, retailers, and construction markets), household, and painters. In recent years, painters and the end users have been increasingly emphasizing color preference and quality. Accordingly, instead of manufacturing every type of color and delivering them to the retailer; base colors are manufactured, and products provided to customers in colors and shades of their preference, at the retail point of sales using Mix System machines.

## Postponed Demand Due to Market Contraction is Expected to Revive.

Fluctuations in the exchange rate and changes in the economic conjuncture have led to increased demand for budget products in all product groups in 2018, and the same trend has continued in 2019. Revival in the postponed demand is expected in 2020.

# POLİSAN KANSAI BOYA SANAYİ VE TİCARET A.Ş.



Similar to the general structure of the Turkish Paint Industry overall, the decorative paints group constitutes the bulk of the production and sales of Polisan Kansai Boya, established in 1985. The Company's main area of activity is paints used in construction and insulation works, special purpose and auxiliary products, insulation materials, thinner, paste and by-product groups such as brushes, rolls, spray, masking tape, hand tools and construction chemicals offered particularly for painters through its widespread distribution channel. Polisan Kansai Boya also manufactures and sells products such as paint, varnish, primer, and coating to evaluate the potential of marine, furniture and industrial paints.

## 2019 FOCUS

## DIGITALIZATION

### 1 DIGITALIZATION IN PRODUCTION WITH TURKEY'S FIRST LEED GOLD CERTIFIED PAINT PRODUCTION FACILITY CALIBRATED FOR INDUSTRY 4.0

POLİSAN KANSAI BOYA'S NEW FACILITY MEETING GLOBAL STANDARDS COMMENCED ACTUAL PRODUCTION IN 2019.

**Polisan Boya** transferred 50% of its shares to global paint giant Japanese **Kansai Paint** in exchange for a US\$113.5 million transfer price (including US\$68.5 million for the share transfer and US\$45 million for the participation of Polisan Boya capital) on December 21, 2016 within the scope of its strategy of extending its leader position in Turkey abroad, and of strengthening its position overseas. Following the transfer, the Company continued its operations as **Polisan Kansai Boya Sanayi ve Ticaret A.Ş.** In 2018, the JV completed its new paint production and warehouse facility investment, work on which had begun in 2016. The new facility, where trial production was carried out as of June 2018, had commenced actual production as of 2019.

**The Full Automation New Paint Production and Warehouse Facility is the Largest Among all Kansai Paint Factories and has the Greatest Capacity.**

Having started paint production with a capacity of 10,000 tons/year in 1985, and operating with a capacity of 180,000 tons/year in 3 shifts at the former paint facility, Polisan Kansai Boya started production with a 180,000 tons/shift design capacity at its new facility. Built to international standards, the new facility is EN 1090-2 certified and is Turkey's first LEED Gold certified paint facility, while ranking as the 308<sup>th</sup> production facility in the world to hold this certificate. LEED certification, developed by the US Green Building Certification Institute, is the most renowned green building certification in the world.

## **DIGITALIZATION STUDIES IN PRODUCTION PROCESSES RESULT IN COST EFFICIENCY.**

The new facility promotes the sustainable and regenerative material cycle in terms of combating global climate change and protecting natural resources, and has significant cost advantages arising from the energy efficiency. With the fully automated raw material conveyor system, the handling automation level of 20% at the current factory, has been increased to 99% for powdered raw material and to 99.7% for liquid raw material, at the new facility. The filling capacity has been doubled by the filling system and fully automated filling lines. Thanks to the cyber-physical systems used at the new facility, the integration and intercommunication of the ERP, production automation system and all production equipment is ensured. Operational efficiency has been maximized with the formula management system. It has been ensured that production parameters are monitored in real time, while forecasting ability has been improved through the analysis of processed data. The line optimization (SAP SCM APO) module has been in use since 2018. The optimization of production, line and location-based demand and distribution planning is provided with forecasts aimed at seasonality and other related needs thanks to new demand models. In addition, in 2019, the demand planning (DP) module came into use at regional warehouses.

## **A Representative Office has been Opened in Russia Within the Scope of Polisan Kansai Boya's Efforts to Become Kansai Paint's Regional Production Hub.**

During the 2018 EMEA meeting of Kansai Paint hosted in Turkey, group companies in the region discussed means of maximizing synergies, and the positioning of Polisan Kansai Boya's new facility as the regional production hub, was brought to the agenda. As a result of actions resulting from this decision, Polisan Kansai Boya opened its Russian representative office to carry out Kansai Paint's activities in that country, and infrastructure studies were initiated to become a stronger player in the Russian market.

## **Participation in Tenders, Previously Evaluated in a Limited Manner Due to the Capacity Bottleneck of the Old Facility, has Begun.**

Having chosen to participate in tenders initiated by the government in a limited manner due to the capacity bottleneck at the old facility, Polisan Kansai Boya has overcome this limitation thanks to its new facility. Polisan Kansai Boya supplied 15,000 tins of paint including a wide portfolio of interior, primer and topcoat paints as the water-based paint supplier for the first phase of İstanbul Airport, the world's largest in many aspects, primarily in terms of passenger number, facility area and number of destinations reached. In addition, Polisan Kansai Boya won the Solvent and Water Based Cold Road Marking Paint tender of the General Directorate for Highways in 2019, for a total of 15,525 tons in exchange for TRY102 million (excluding VAT). Deliveries were realized during the year in compliance with both deadline and standards.

## **DIGITALIZATION STUDIES AT MIX CENTERS ARE PROVIDED WITH THE MIX COMMUNICATION PROGRAM.**

### **Mix Centers, Ensuring Production at Factory Quality at 3,300 Points in Turkey, Also Started to be Expanded Abroad.**

Polisan Kansai Boya introduced the water-based Mix System in 2000, developing it into Turkey's most improved and first water-based new generation Mix System in 2008 through its R&D's technological infrastructure and innovative approach. Polisan Kansai Boya positioned 3,300 sales points as "Production Centers" through the new generation Mix System coloring machines and Modula System, which are deployed at sales points worthy of an integrated facility investment. Through the Mix System, which has a standard 80 color Interior and Exterior color card, 561 color Colorium Interior, 221 color Colorium Exterior, 2,000 color Colorium Universal, and RAL cartel color cards; sales points offer and instantly provide thousands of colors to meet customer preferences without having to maintain inventory for all cartel colors. Thereby, Polisan Kansai Boya both minimizes the inventory cost and saves time. At sites where Mix Machines are not available, the Modula System, which has a higher capacity than Mix Machines, ensures that each logistic center and distributor is positioned like a factory, whereby dealers receive instant delivery upon demand, an extensive product portfolio is made available, and 5,000 SKUs are effectively managed. Due to the advantages the base system provides in inventory management, capital management, and delivery timing, 85-90% of total color sales are performed by the tinting system on site. In parallel to the growth target in foreign markets, the number of Mix Machines abroad has increased. Color cards were distributed by integrating those colors widely preferred in the market in the Mix Machines.

### **The Data of 92% of the Mix Machines Located at Dealerships can be Accessed Through Digitalization Applications.**

The Mix Communication Center (MCC) program was launched in 2018 within the scope of Mix Center digitalization studies. With this program, dealers can request technical service, training and special colors through the Mix System machine screens as well as accessing the substitute color catalog. At the same time, requests opened up through the program are immediately transmitted to the technical team via the screen without having to connect to the call center. Instant analysis of data coming from the Mix Communication and Mix Agent digital platforms can be made with the Mix Portal System, and swift actions can be taken. Thanks to the MixSmartApp application, an opportunity for data entry is provided even in places without internet access. The Mix Announcement application, through which instant announcements can be made to dealers via the Mix device screens, has been developed.

## 2 DIGITALIZATION IN PRODUCT FORMULATION

### IN 2019, POLISAN KANSAI BOYA R&D STUDIES FOCUSED ON FORMULATION OPTIMIZATION WITHIN THE SCOPE OF DIGITALIZATION AT THE NEW FACILITY.

#### Undersigning Innovative Products That Are Firsts In The Sector, Polisan Kansai Boya R&D Also Develops Special Products for New Markets.

One of Polisan Kansai Boya's competitive edges is its R&D strategy, which focuses on producing environmentally-conscious, high-quality, value for money products that comply with standards, meet consumer's present and future needs, ensure their comfort, and differentiate the Company from the competition.

Polisan Kansai Boya was granted Turkey's 159. R&D Center Certificate and title on June 4, 2014. Believing in University - Industry cooperation, the R&D Center applied to TÜBİTAK for 4 new R&D projects in addition to the ongoing 2 TÜBİTAK projects this year. Polisan Kansai Boya R&D completed 3 new product studies in the decorative group and 2 in the furniture and industrial groups. Polisan Kansai Boya R&D initiated product studies tailored to the tendencies of foreign markets, in parallel with the Company's goal of increasing exports, introducing 12 products in total, including its seven new interior and exterior paints developed for the Israeli and Iraqi markets.

In 2019, within the scope of one of its main functions, process control and process improvement, the R&D Department, either through R&D studies, or by accompanying production, has participated in formulation studies related to the upsizing of the production scale of all products, at the new fully-automated paint production facility, as well as operations such as shortening the duration and increasing the scale of processes. In this manner, it has helped to implement formulation optimization on a large scale. In addition, the R&D department, with many years of successful studies on the water-based Mix System, has carried out intensive work in 2019 to include solvent-based product groups in the Mix System. The coloring of these products is planned as of 2020. Additionally, in 2020, it is aimed to implement the software program, for which the R&D department received approval as a TÜBİTAK project in 2019, and which will ensure the production of new color requests at point of sale.

The top-caliber products that Polisan Kansai Boya offers to the market as a pioneer of the sector, and that contribute significantly to its market share gains include:

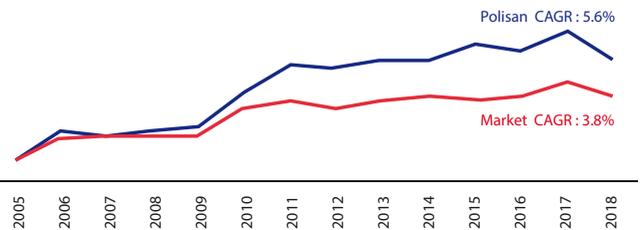
- Anti-carbonization featured exterior paint **EXELANS TURBO FLEX C1**
- Turkey's first water based "oil-paint" **X1 ANTI AGING ODORLESS GLOSS**
- 7-feature interior paint **ELEGANS**
- 9-feature exterior paint **EXELANS**
- Water-based road marking paint **POLIROAD**
- Wood protector spray varnish **WOOD&WOOD**
- **Plastic surface spray paint**

### Polisan Kansai Boya Offers Economic Products in Accordance with Changing Market Trends.

The effects of economic fluctuations experienced in 2018 have continued into 2019, and Polisan Kansai Boya R&D has continued its optimization efforts to increase the production efficiency of the new facility, which commenced trial production in June 2018. The Company has launched economic roof products (Perla Roof and Perla Roof fiber products) for the domestic market. In this period, the product portfolio has been simplified as part of a shift towards simplification.

### Polisan Kansai Boya is Among the Leaders of the Decorative Paint Segment with the Widest Product Portfolio.

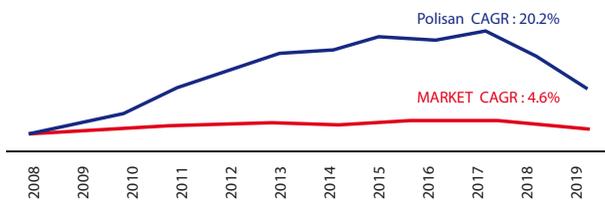
Polisan Kansai Boya has the widest product portfolio across all price segments in the decorative paint market with more than 4,500 Polisan branded product types including packaging and color options (over 200 excluding packaging and color options). The furniture, marine, and industrial groups are complementary business segments. Polisan Kansai Boya's decorative paint sales volume outperforms overall market growth. In the Turkish Decorative Paint segment, sales grew at a CAGR of 3.8% between 2005 and 2018. Having realized historic high revenues in the first half of 2018, Polisan Kansai Boya's decorative paint sales CAGR was at 5.6% between 2005 and 2018. According to BOSAD data, as of September 2019 decorative paint sales in the paint market had plunged by 36% compared to last year, while the contraction in Polisan Kansai Boya was less than that of the market at 28%.



Source: Polisan Kansai Boya

## Polisan Kansai Boya Exelans Products are Among the Leaders of Package Sales in the Insulation Market.

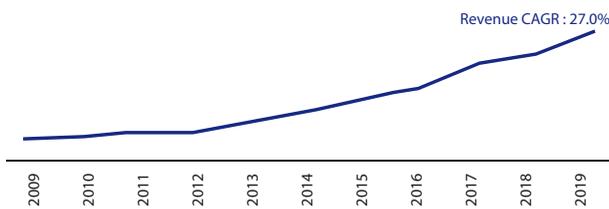
Polisan Kansai Boya has been operating in the growing Turkish Insulation Industry since 2007. Polisan Kansai Boya Polisan Insulation Systems contains thermal insulation materials such as panels used for walls, roofs, and bases to provide thermal gain and prevent heat loss in Turkey. Polisan Insulation Systems, which can be bought from authorized Polisan Kansai Boya dealers, is composed of 4 different packages (EPS, XPS, Rock wool, Carbon EPS). Polisan Kansai Boya has integrated the continuity of its service quality by granting free of charge Energy ID Cards to approximately 410 buildings in 2019. The Company has introduced approximately 28,200 buildings to Polisan Insulation Systems product and service quality since 2008. The Exelans Energy Turbo Heat Insulation Package offered in 2016, and ensuring an energy saving of close to 10% with its high-grade heat insulation ratio, continues to receive market appreciation. However, the insulation market was also adversely affected by contraction in the construction sector. With a CAGR of 20.2% on a square meter basis between 2008 and 2019, Polisan Insulation Systems outpaced the Turkish thermal insulation market, posting a 4.6% CAGR in the same period. In terms of insulation revenues, the CAGR between 2008 and 2019 printed at 33.3%.



Source: Polisan Kansai Boya

## Polisan Branded, High Quality Commercial Products are Offered Through the Sales Channel.

Commercial Products, which have a small share in Polisan Kansai Boya revenues, comprise high-quality, auxiliary products, manufactured by third parties. These products are offered to painters and others requiring them, directly through the Polisan Kansai Boya sales channel, under the Polisan brand. As such, painters and customers can readily obtain auxiliary products (such as paint brushes, the roller group, effect fixtures that enable the processing of various patterns on walls, as well as silicon, foam, mastic, satin coat, masking band, and spatulas required for painting) at Polisan Kansai Boya quality standards, while Polisan Kansai Boya increases its revenues. In 2019, the product portfolio consisting of approximately 245 products in line with market needs was simplified, and new product additions made, with a focus on increasing revenues.



Source: Polisan Kansai Boya

## Polisan Kansai Boya Shapes its Strategies in the New Markets It Enters Within the “Home Cosmetics” Concept, which it Registered as a First in the World.

Polisan Kansai Boya emphasized the “Polisan does not produce paint, it produces Home Cosmetics” approach, claiming that paint is not all about colors, but that in addition to its functional benefits of maintenance and protection, paint makes an aesthetic contribution to the environment.

Within this context, it registered the “Home Cosmetics” concept in 2008, becoming the first company to introduce the “Home Cosmetics” approach to the world. Polisan Kansai Boya succeeds in being the first preference of women by differentiating itself from the competition through innovative products, as well as shop and package design.

## Polisan Holding’s Partner, World’s Chemical Giant Dow Chemical, develops Special Products for Polisan Kansai Boya.

Polisan Holding’s American-originated partner, and the world’s leading chemicals company Dow Chemical develops binders specific to Polisan Kansai Boya, thanks to its scientific know-how. The binder also used in the formula of Exelans Turbo Flex C1 exterior paint offered in 2018 has been developed for Polisan Kansai Boya by Dow Chemical.

## Polisan Kansai Boya is the Producer of Turkey’s First and Private Hybrid Brands.

Polisan Kansai Boya offers its products to its customers in 3 market chains in Turkey through the “Corner Shop” and “Polisan Shop” concept. In these market chains, Polisan Kansai Boya sells Polisan labeled products. Additionally, it manufactures private label products on demand for the market chains; being either their own brand, or a hybrid brand produced specifically for the chain by Polisan Kansai Boya. Polisan Kansai Boya is the producer of the Turkey’s first hybrid paint brand Polibau for Bauhaus. Additionally, the Company is the producer of Fabel (Koçtaş) and Bolero (Tekzen) brands, which are the brand labels of market chains.

### 3 DIGITALIZATION IN THE SALES CHANNEL

#### LOGISTIC COST AND ENVIRONMENTAL IMPACT ARE REDUCED WITH THE VEHICLE LOADING AND ROUTING SYSTEM.

#### Costs are Reduced, While the Environmental Footprint is Also Minimized Thanks to the 12 Logistics Centers Throughout Turkey.

Polisan Kansai Boya is aware that developing and marketing products of high functional benefits is not sufficient for today's competitive environment. Accordingly, it executes practices in sales, distribution, and service areas, that are followed by the market. Polisan Kansai Boya has pioneered another innovation in distribution given that timely distribution is mandatory nowadays as consumers can rapidly switch to substitute products. Polisan Kansai Boya has logistic centers in twelve provinces, in addition to the Gebkim factory, Bursa, Afyon, İzmir, Muğla, Samsun, Adana, Diyarbakır, Trabzon, İstanbul (European side), and Antalya, together with the latest one opened in 2019, the Ankara Logistic Center. Distribution is realized directly and indirectly to approximately 8,000 points through centers spread over a total area of 46,000 m<sup>2</sup> together with the Ankara Logistic Center located on a 4,500 m<sup>2</sup> area. Logistic centers are expected to increase the service quality of the sales channel, while positively reflecting on costs due to effective inventory and working capital management. Polisan Kansai Boya contains its logistics costs and environmental footprint at the minimum through utilizing the Transport Management (SAP TM - Transportation Management) module in the vehicle loading and routing system within the scope of digitalization.

#### Polisan Kansai Boya Structured the Most Widespread Sales Channel, Which Serves at 6,000 Points in Turkey, with Maximum Efficiency.

Polisan Kansai 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. Thanks to its logistics centers, Polisan Kansai Boya has reduced its number of distributors from 26 in 2017 to 14, in line with more effective cost management. The Company sells its products through 5,650 dealers, of which 3,500 are direct and approximately 1,000 are exclusive dealers. Also realizing sales at 165 stores of 3 market chains, Polisan Kansai Boya has the most extensive sales channels in Turkey.

#### Launched as Turkey's First and Sole Example of "Concept Merchandizing", the Polisan Shop Implementation has now been Expanded Abroad.

Having positioned paint as "Home Cosmetics", Polisan Kansai Boya foresaw that the number of women visiting merchandisers to buy paint was in an increasing trend. Accordingly, in 2008, Polisan Kansai Boya initiated Polisan Shop investments, which became Turkey's only standard "Concept Merchandizing" example on this scale.

In 2019, Polisan Kansai Boya protected by registration the display and merchandizing items of the "Polisan Shop" and "Polisan Shop Improvement Points", the first and sole 'Concept Merchandizing' in the paint industry. Since 2008, over 2,500 dealers in Turkey have provided the prerequisites of transformation to "Polisan Shops" and "Polisan Shop Improvement Points". These dealers have been redesigned from the ground up using computer aided design, with tailor made projects for each point by the "Corporate Implementation & Project" teams that have expertise in the merchandizing field, and have since multiplied their revenues. Polisan Kansai Boya continues its investments to help organize the hardware and paint retailers', or contractors' stores according to set standards, enabling these sales points to offer their customers a more comfortable and pleasant shopping experience. Polisan Kansai Boya's creative idea to apply Polisan Shop standards at its merchandizing corners in Do-It-Yourself shopping centers such as Bauhaus, Koçtaş, and Tekzen has been exemplary in the sector.

Polisan Kansai Boya provides an unrivaled Polisan Shop merchandizing service, which it offers in the domestic market, as well as in its foreign markets, primarily in Israel, Iraq, France, Romania and Cyprus, ensuring customer satisfaction.



## 4 DIGITALIZATION IN SERVICE AND CUSTOMER SATISFACTION

### EXPECTATIONS ARE MET FASTER WITH THE CRM PROGRAM AND DEALER PORTAL.

There are 4 main target groups in the Paint Industry; the sales channel (dealers, implementing dealers, and DIY stores), painters, end consumers, and professionals (architects and contractors). Paint manufacturers have to take into account where these four main target groups come into contact with paint, as well as their paint-related decisions, and factors affecting these decisions such as purchasing habits and use of paint, expectations, and possible satisfaction and complaints. Manufacturers must therefore differentiate their product development, sales, marketing and after-sales activities, accordingly. The most important requirement with regards to a target group is to get to know that group inside out, and to define it correctly. Thanks to the network established between the end user, the painter, and the sales channel, it is not difficult to analyze and foresee consumption habits, expectations from the paint manufacturers, possible complaints and the requests of each of these groups, which are composed of target mass and customers. Within this framework, Polisan Kansai Boya can respond to the expectations and demands of these target groups in the fastest and most effective way through its wide sales channel network and painter database, both during face to face communication with the end user, and through the social media. With the Microsoft CRM program used since 2018, the purchasing behavior of craftsmen has been analyzed accurately and effectively. The results, which have been shared with the Sales Directorate, continue to contribute to sales. As a reflection of incorporating digitalization and technology into operations, the development process of the new generation automation system, Dealer Portal, started in 2017, and a faster and more practical collection system platform was launched with the Virtual POS System.

### Fast and Results-Oriented Solutions are Produced with a More Intensive Use of Technology for Customer, Vendor and Business Partner Satisfaction.

As much as with pre-sales services, Polisan Kansai Boya also targets perfection in after-sales services within ISO 10002 standards. Polisan Kansai Boya processes complaints coming from customers, vendors and business partners, or the 4448380 Polisan Customer Services line within 24 hours. The 0533 144 83 80 WhatsApp line launched in 2018 to provide faster customer access as part of a 100% customer satisfaction target, thereby increasing satisfaction, remained operational in 2019. Additionally, in an attempt to ensure business partners' satisfaction and loyalty, Polisan Kansai Boya began to provide free of charge "Professional Qualification Certification" to the implementation teams of dealers within its network in 2016. Polisan Kansai Boya has signed a protocol with TEBAR, the authorized institution of the sector in this area, with the aim of certifying 400 painters. Having initially certified 2,020 painters, the project, aiming to certify even more, is to continue in the years to come.

Having undersigned innovations that emphasize superior service quality in brand communication, Polisan Kansai Boya has enabled its consumers to choose the most ideal color for their venues, color them, and decide depending on the result by utilizing thousands of color options and color combination suggestions offered via their smartphones and tablets through the Polipalette app offered in 2016. The Policlubextra mobile app, which pioneered a first in the area of loyalty in Turkey, continued to be preferred by painters in 2019 with its renewed design and developed features.

### Polisan Kansai Boya Stands by its Customer with Polisan Insulation Insurance, a Global First.

Polisan Kansai Boya broke new ground not just in the paint and insulation industry, but also in the World Insurance Sector by launching "Polisan Insulation Insurance" in 2013. The initial cost of investment in a thermal insulation system is quite high at 1-3% of the total cost of the building, although the pay-back period is just 3-5 years due to the savings gained from insulation. In an attempt to ease the lives of decision makers, Polisan Kansai Boya has combined its product quality with service quality for this system, which has a high initial cost, launching "Polisan Insulation Insurance". Polisan Insulation Insurance covers all work related to insulation and paint throughout Turkey with the condition that Polisan Kansai Boya's thermal insulation brand, Exelans Energy products are being used, and that the work is carried out by Exelans Energy Implementation Contractors who have Polisan Expert Implementation Certification. Polisan Insulation Insurance guarantees compensation for any damage, harm or loss that may occur for 24 months starting from the implementation of the insulation.

### Polisan Kansai Boya Facilitates Life for its Customers with Ekokredi Insulation Loan.

In 2016, consumers were offered the possibility of financing thermal insulation expenses with Ekokredi Yalıtım, which was initiated in cooperation with Polisan Kansai Boya and Şekerbank. Within this scope, apartment/apartment complex superintendents and individuals wishing to insulate their buildings can utilize Ekokredi Yalıtım, which is offered at no cost, at zero interest rate for up to 18 months provided that the building insulation is done by Polisan experts. Consumers can benefit from Ekokredi Yalıtım, which offers options of up to 60 months maturity and advantageous interest rates by applying at 300 Şekerbank branches in 71 provinces and 100 districts, or at Polisan dealers throughout Turkey. Ekokredi Yalıtım can also grant loans to apartment or apartment complex management, instead of having each flat owner pay through separate loans or payment instruments.

### Polisan Kansai Boya's New Facility is the First LEED Gold Certified Facility in the Turkish Paint Market and the 308<sup>th</sup> Such Production Facility in the World.

Having introduced the "Home Cosmetics" concept globally in 2008, Polisan Kansai Boya realizes production at global standards with its ISO 9001, ISO 14001, OHSAS 18001, ISO 10002, and ISO 50001 certification. As of June 19, 2014, Polisan Kansai Boya has been included in the TURQUALITY® Support Program ("TURQUALITY®"), initiated by the Ministry of Economy for the branding of the Turkish product abroad, and to strengthen its image internationally, under the "POLISAN" trademark.

TURQUALITY® also acts as a guarantor and defines Polisan Kansai Boya's quality and care from product design to its sales from the shelf. In 2015, Polisan Kansai Boya was the first in Turkey and the third manufacturer in Europe to receive Environmental Product Declaration ("EPD") Certification for its Exelans Macro, Elegans Extra Semi Matt, Natura Ambians, and Natura A1 Silicon products developed by its R&D department. In 2020, EPD Certificate applications will be submitted for new products produced according to changing market conditions. LEED Gold certification has been received for the environmentally friendly, and energy efficient facility, built to International Standards and compliant with EN 1090-2 certification.

## 5 WITH THE EFFICIENCY PROVIDED BY DIGITALIZATION, WE HAVE FAITH IN THE FUTURE.

### POLISAN KANSAI BOYA HAS GROWN FASTER THAN THE TURKISH ECONOMY AND THE PAINT INDUSTRY FOR THE PAST 10 YEARS.

Having formed its value for money perception through its widest sales channel, the best quality and service and high brand awareness in the Turkish Market, Polisan Kansai Boya adopts the principle that "Paint is not just a matter of color". In this direction, excellence of product, sales channel, service and quality plays an important role in the Company's differentiation strategy. In order to maintain its profitable revenue growth in the market, Polisan Kansai Boya has been focusing on,

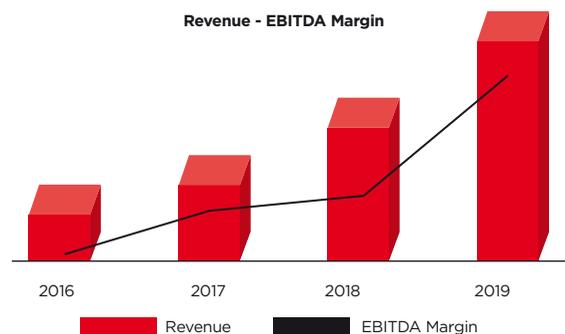
- I. The ability to generate higher revenues, while differentiating itself from the competition with innovative products,
  - II. Cost control and high profitability in the sales channel with practices unique in the sector,
  - III. The best service for customers and business partners,
  - IV. Ensuring strong brand perception in global markets with high quality standards,
- and has recorded growth in sales volume above that of the Turkish economy and the Paint Industry for the past 10 years.

### POLISAN KANSAI BOYA FOCUSED ON OVERCOMING THE CONTRACTION IN DOMESTIC DEMAND THROUGH GROWTH IN GLOBAL MARKETS.

In recent years, Polisan Kansai Boya has preferred to keep its export volume at a certain scale, as it could only respond to domestic market demand with its production, experiencing a capacity bottleneck in high seasons. Nevertheless, over the past seven years, it has actively exported to 37 countries from Nigeria to Azerbaijan, and from Iraq to Ghana, as well as neighboring countries such as Russia and the Turkish Republic of Northern Cyprus. Polisan Kansai Boya has an exclusive distributor agreement in 18 of these countries. Polisan Kansai Boya, established with Polisan Holding's aim of creating a global brand and Kansai Paint's goal of ascending the global leadership scale by strengthening its growth in the Eastern European market, identified new target countries in 2018. The Company evaluated the conditions to enter those countries not previously penetrated, and initiated studies accordingly.

For markets already penetrated, the Company also took steps to accelerate growth. Within this context, a representative office has been launched in Russia. In the 3 countries penetrated in 2018 out of 43 countries targeted for the long term, Polisan Kansai Boya has received international brand registrations, and has continued sales, distribution and infrastructure installation studies in those markets. In addition to infrastructure works, marketing activities have started in these countries, and investments have been made in advertisement films, billboards and the Polisan Shop. Among export markets, within the scope of the distribution agreement concluded in France, Israel and Romania, the sales and shipment volume of these markets continued to increase in 2019 as well. In 2019, the establishment of a strong distribution network in overseas markets and restructurings to have a say, particularly in prestigious projects, commenced. The system and infrastructure installation in target markets is incentivized by the government within the scope of the Turquality Program, which the Company participated in 2014. In 2017, Polisan Kansai Boya received Authorized Liability Certification, which is a practice minimizing the duration of import and export operations, granted by the Ministry of Customs and Trade to reliable companies that meet the requirements stipulated by law during the compliance process with the European Customs System. Polisan Kansai Boya is on its way to also becoming a well-known brand in international markets through the synergy of its Kansai Paint partnership.

### POLISAN KANSAI BOYA AIMS TO SUSTAIN INCREASED OPERATIONAL EFFICIENCY BOTH THROUGH ITS INVESTMENT COMPLETED IN A CHALLENGING ENVIRONMENT, AND DIGITALIZATION.



Source: Polisan Kansai Boya

- Domestic demand not previously met due to capacity bottlenecks will be catered to, while participation in tenders can now be realized, enabling the Company to focus on exports.
- Operational costs at the new facility are expected to decline as a result of savings observed in areas such as raw material procurement, labor and packaging.
- The investment will be able to finance itself through savings to be obtained due to falling labor and production costs at the new facility, and corporate tax exemption within the scope of the investment incentive.
- It is observed that demand in the market has shifted towards more economical products over premium products, and that new products have been introduced to the market in this segment.
- Production on site through Mix Machines has become widespread.
- Working capital requirement is managed in the most efficient way possible by working with the minimum inventory and shortening the collection period.

# Port Operations



# PORT INDUSTRY

## SEABORNE TRANSPORT, AT 80%, IS THE WORLD'S MOST PREFERRED MODE OF TRANSPORT.

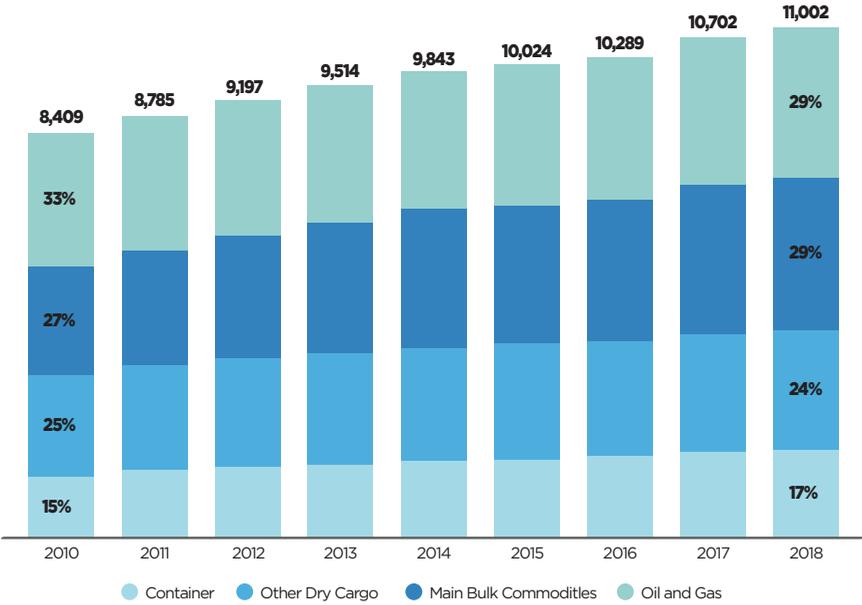
Seaborne transport is the most preferred way of transportation in the world as it enables the massive amounts of cargo, which particularly constitute industrial raw materials, to be transported from one point to another at once; it is reliable, there is no over limit, the loss of property is minimal, it is the least pollution causing for the environment, the energy consumed per passenger-km, ton-kilometer is the least, there is almost no other forfeit, and it is 14 times cheaper than air, 7 times cheaper than road, and 3.5 times cheaper than rail.

Seaborne transportation runs in parallel with the increase and decrease in the country's imports and exports. Over recent years, seaborne transportation has seen an increasing trend in total trade volume. Capturing an 80% share of volume and 70% share in monetary terms of global trade, seaborne transportation positions the Maritime Industry as the most strategic for global trade. According to the Review of Maritime Transport 2019 report prepared by UNCTAD (United Nations Conference on Trade and Development), the growth rate of the World Gross Domestic Product (GDP), which stood at 3.1% in 2017, declined to 3.0%, with a sudden slow-down in the fourth quarter of 2018, partially reflecting the recession in certain emerging economies and the weakness of industrial sectors in many regions. Global industrial production, a leading indicator of demand for maritime transport services, fell from 3.6% in 2017 to 3.1%, while international seaborne trade also lost momentum in 2018.

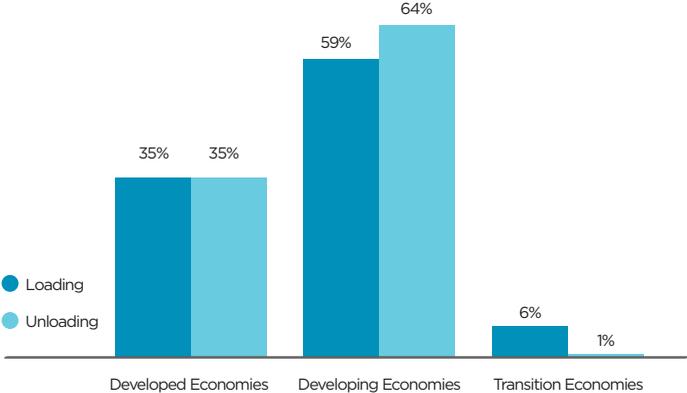
While the volume of cargo handled in almost all categories was negatively affected, the increase in the volume of total cargo handled, which was realized at 4.1% in 2017, dropped to 2.7% in 2018, although total cargo handled reached an all-time high of 11 billion tons. While growth in the global economy is expected to further decelerate in 2019, UNCTAD foresees a 2.6% increase in total cargo handled and an average annual growth rate of 3.4% for the period between 2019-2024. Nonetheless, rising uncertainty over trade policy harbors risk in terms of its general outlook. While Global merchandise trade is adversely affected by increasing trade tensions between China and the United States and the tariffs that have arisen as a result of national measures restricting trade, as well as geopolitical and environmental concerns, sanctions and fuel economy, maritime transport is also taking shape on a "new normal" plane. This new trend is characterized by moderate growth across the global economy and trade, a restructuring of the supply chain mainly within the framework of regional commercial flows, ongoing rebalancing in the Chinese economy, the increasing role of technology and services in value chains and logistics, intensifying and frequent natural disasters, climate originated deterioration and an increased awareness of the effects of global warming, along with an accelerated environmental sustainability agenda.



THE SHARE OF MAIN BULK CARGO HANDLED IN GLOBAL SEABORNE TRADE IS ON THE INCREASE.

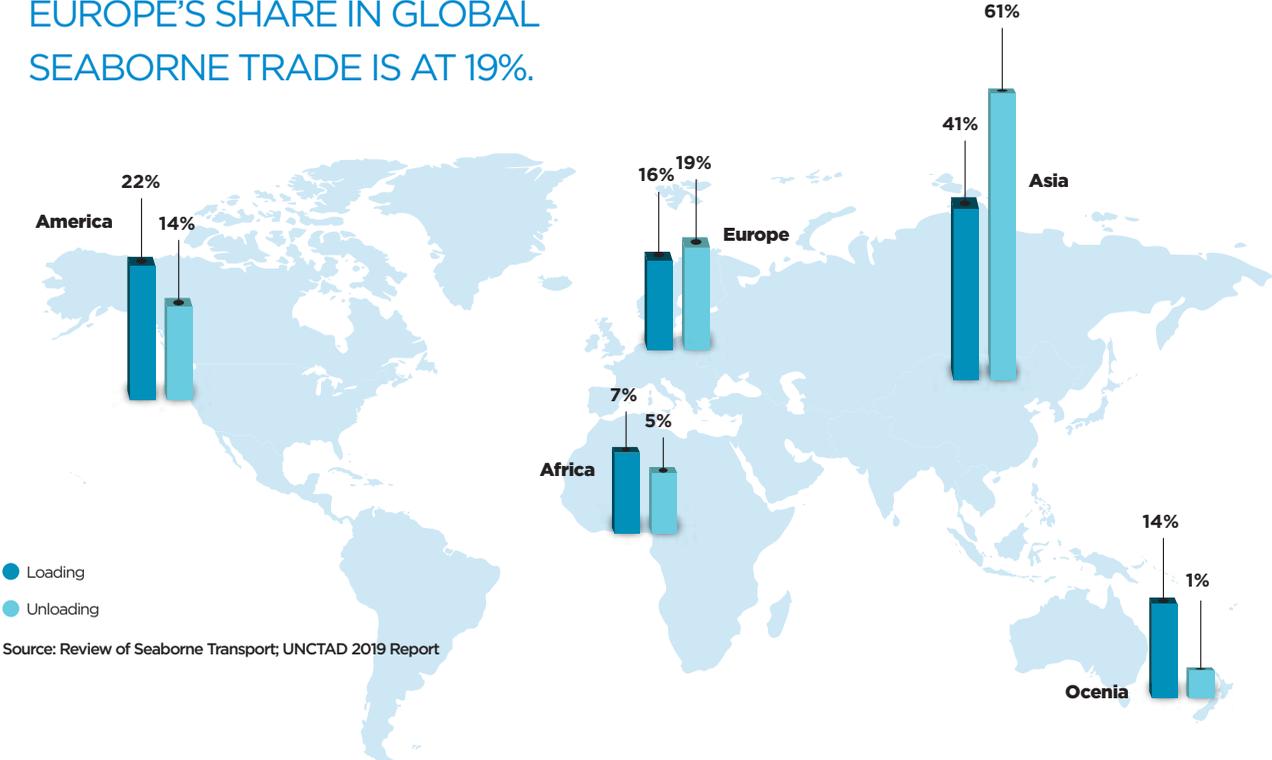


\* 2018 breakdown has been calculated based on data provided in the report.



DEVELOPING ECONOMIES HAVE THE LARGEST SHARE OF GLOBAL SEABORNE TRADE.

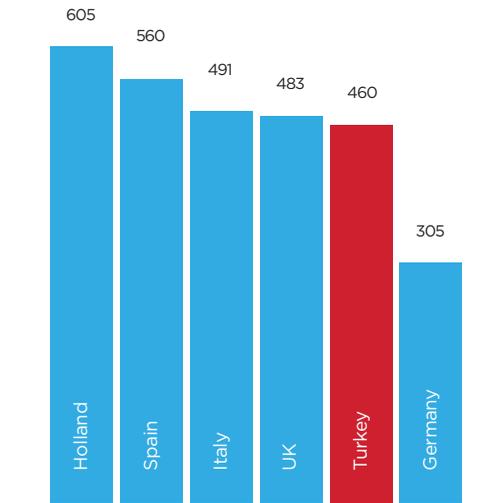
EUROPE'S SHARE IN GLOBAL SEABORNE TRADE IS AT 19%.



Source: Review of Seaborne Transport; UNCTAD 2019 Report

## TURKEY IS EUROPE'S 5<sup>th</sup> LARGEST MARKET IN SEABORNE TRADE.

Transportation starts and ends at ports where cargo is handled, and 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 long and based on property rights, there are 160 port facilities; of which 25 are belonged to the public, 27 to municipalities, and 108 to the private sector. As is the case elsewhere in the world, the merchandise trade in Turkey, surrounded by sea on three fronts, is basically realized via seaway. Comparing seaborne trade based on the cargo handled in countries where Europe's most important ports are located, Turkey was ranked fifth in 2018 after the Netherlands, Spain, Italy, and UK. With a 3.9% CAGR between 2008 and 2018 and 46.3% growth rate compared to 2008, Turkey is the highest growing country in terms of cargo handled.



	Holland	Spain	Italy	UK	Turkey	Germany
Cargo Handled (2008 - 2018)	<b>14.0%</b>	<b>2.3%</b>	<b>-1.0%</b>	<b>-0.4%</b>	<b>46.3%</b>	<b>-5.0%</b>
CAGR (2008 - 2018)	<b>1.3%</b>	<b>0.2%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>3.9%</b>	<b>-0.5%</b>

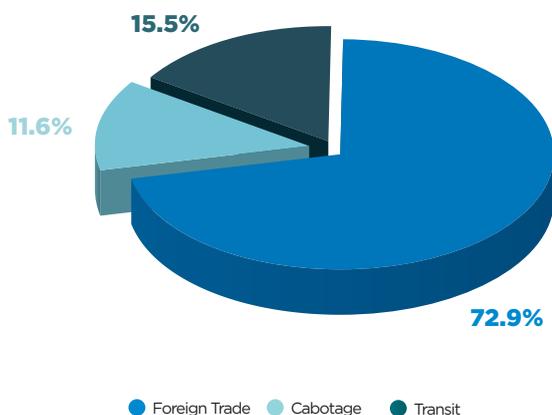
Source: Statistics for EU ports are based on the database of each country's government.

### In 2019, Cargo Handled at Turkish Ports Increased by 5.2% Despite Economic Fluctuations.

In Turkey, the cargo handled in 2019 increased by 5.2% compared to last year to 484.2 million tons. The reason for this increase is the surge in total cargo handled in foreign trade of 7.3% compared to the previous year, due to the increased cargo handled particularly in exports with the exchange rate effect. On the other hand, the share of imports in total cargo handled declined with the fall in imported coal to Turkey, as well as iron and steel products due to contraction in the construction and automotive sectors. A large portion of the increase in cargo handled in 2019 stems from the rise in cargo handled at Aliğa port, with the effect of SOCAR.

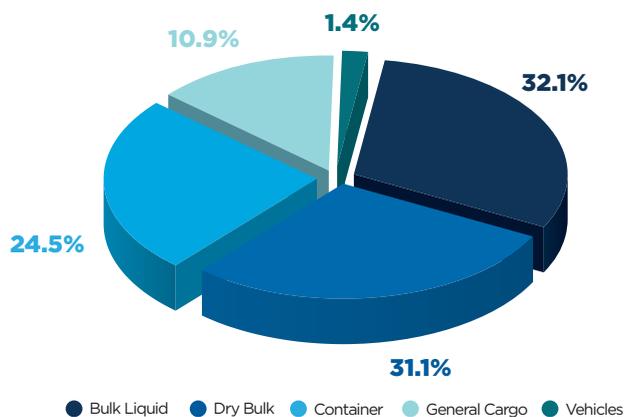
### By Regime, Foreign Trade Had the Largest Share at 72.9%.

By regime, in 2019, the largest share in Turkey's seaborne trade was captured by foreign trade with 72.9%, followed by transit cargo with 15.5% and cabotage with 11.6%.



### Bulk Liquid, at 32.1%, is the Cargo Type Handled the Most.

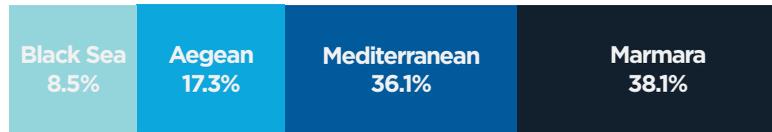
Based on cargo types handled, bulk liquid ranked first on 32.1% in 2019. It was followed by dry bulk on 31.1%, container on 24.5%, general cargo on 10.9%, and vehicles on 1.4%.



Source: Republic of Turkey, Ministry of Transport, Maritime Affairs and Communications Directorate General of Merchant Marine

## On 38%, the Marmara Region is the Leader in Cargo Handling.

In 2019, 38% of the total cargo handled in Turkish ports, was handled by ports in the Marmara Region, which plays an important role in extending the Trans-Europe and Pan-Europe transportation corridors formed by the EU to the East.



Source: Republic of Turkey, Ministry of Transport, Maritime Affairs and Communications Directorate General of Merchant Marine

## KOCAELI GULF REGION IS TURKEY'S LARGEST NATURAL PORT WITH ITS CLOSE PROXIMITY TO THE STRATEGIC GATEWAYS AND THE INDUSTRIAL ZONE WHERE ~45% OF TURKEY'S GDP IS GENERATED.

In addition to being one of Turkey's leading trade and industrial centers, Kocaeli also has significant potential in the logistics sector due to its geographic location. It has the strategic advantage of being positioned both on the Black Sea's and Marmara Sea's coastline, around the bay and at the center of major transportation networks. Kocaeli has 404 km of provincial and state roads, 91 km of motorways, 158 km of railways and 103 km of coastline, which is easy to berth. It is located in the Marmara Region where the traffic density is the highest on Turkey's land route network. The flow of intensive raw materials and finished products between Istanbul and Anatolia passes over the TEM motorway and D100 highway through Kocaeli.

Additionally, the railway network starting from Haydarpaşa, passes through the city center, and then continues to Ankara. Kocaeli benefits from Ataturk Airport on İstanbul's European side and Sabiha Gökçen Airport on the Anatolian side. The Maritime Industry in Kocaeli is set to evolve over the coming years. Ports in the Kocaeli Gulf Region are vital gateways, ensuring that rapidly developing industrial products in the region enter and exit the country by sea. Ports in the Gulf of İzmit; particularly, Kocaeli, Adapazarı and İstanbul have a vast hinterland. Kocaeli provides all types of freight service through 35 terminals within its borders.

## KOCAELI GULF REGION IS AMONG THE TOP 10 PORTS OF THE EU.

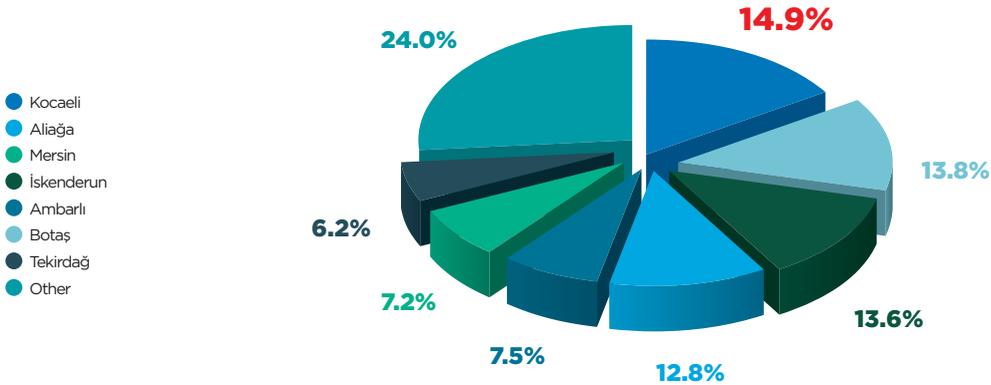
2018	Port	Cargo (mln ton)
1	Rotterdam (NL)	469.0
2	Antwerpen (BE)	235.2
3	Hamburg (DE)	135.1
4	Algeciras (ES)	105.2
5	Amsterdam (NL)	82.3
6	Marseille (FR)	80.9
7	Valencia (ES)	75.3
8	Bremen (DE)	74.4
9	<b>KOCAELI (TR)</b>	<b>73.1</b>
10	Le Havre (FR)	70.8

Source: Eurostat

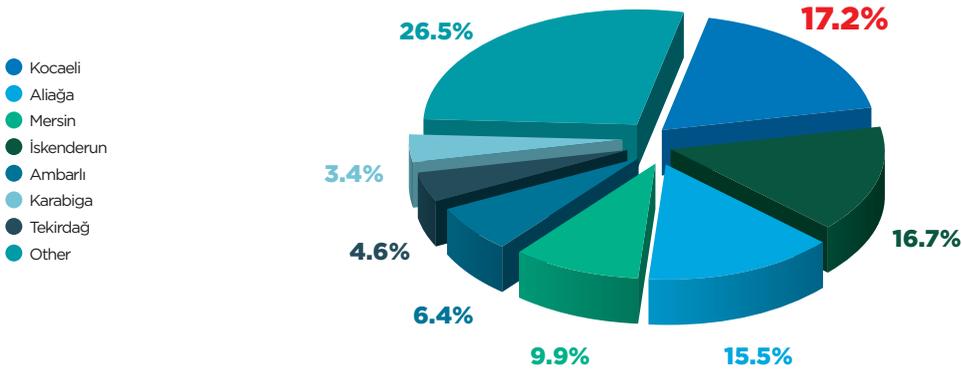
## PORTS IN THE KOCAELİ GULF REGION MAINTAIN THEIR LEADERSHIP IN TURKEY WITH 72.2 MILLION TONS OF CARGO HANDLED.

While ports in the Kocaeli Gulf Region have maintained their leadership in Turkey in 2019 in terms of cargo handled, foreign trade and number of ships, total cargo handled decreased by 1.3% compared to the previous year to 72.2 million tons due to the fall in transit and cabotage cargo.

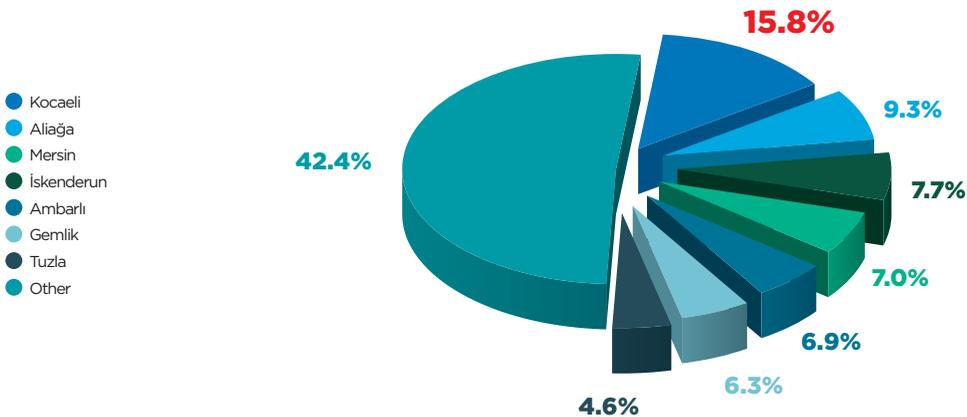
### 1. IN CARGO HANDLED



### 1. IN FOREIGN TRADE



### 1. IN SHIPS CALLING TURKISH PORTS



# POLİPORT KİMYA SANAYİ ve TİCARET A.Ş.

Poliport was founded in 1971 in Dilovasi, where Polisan Holding facilities are located, in an attempt to provide bulk liquid services. With its jetty, pier, embarkment, and warehousing facilities, Poliport is one of the largest ports, and the closest to İstanbul on the Anatolian side.

Poliport is an independent liquid and chemical storage terminal, which does not carry out merchandising, but gives storage and handling services for the products of third parties. Out of 35 ports in the Kocaeli Gulf Region, only 9 port facilities (Poliport, Solventaş, Limaş, Efesan, Evyap, Yılport, Rota, Safi, and Autoport) serve third parties.

## WITH ITS LEADERSHIP IN DIGITALIZATION AND INDUSTRY 4.0, POLİPORT IS AMONG THE BEST TERMINALS IN EUROPE PROVIDING STORAGE SERVICES.

Having been deemed worthy of Europe's best storage services provider award by Shell Chemical, Poliport implements the Industry 4.0 process and roadmap drafted in previous years, with Emerson. In this project, under the roof of DeltaV, the control of all inventory stored at the terminal is provided and the entire data set can be accessed, as a result of digitalization. The system also provides access to SAP Management modules. In this context, the filling arms can be controlled in accordance with the MID (Measuring Instruments Directive) Measurement Instruments Regulation, while space saving can also be achieved with the use of new modules at explosion-proof sites by using CHARME technology. The use of Emerson instruments began in all main equipment. In this context, the largest 12-inch fuel meter in Turkey is integrated to the system. Thanks to digitalization, a traceable, reliable and extendable infrastructure has been established.

### Poliport is Among the Leading Independent Chemical Storage Terminals in the Kocaeli Gulf Region.

#### Important Features:

Leased Area with Concession Agreement	142,565 m <sup>2</sup>
Land Owned by Polisan Kimya at the Background	135,000 m <sup>2</sup>
Total Ship Capacity	1,500
Total Cargo Handled (2019)	3.8 mln tons
Concession Term	49 years
Concession Expiration (Same status with the other ports, marinas and hotels behind the shoreline)	2033

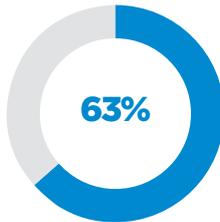
Source: Poliport



## POLIPORT HAS 3 MAIN OPERATIONAL ACTIVITIES:

### BULK LIQUID SERVICES

Revenue Share



The jetty at the bulk liquid storage terminal has 250-meter length, 12-meter width, and a 10.5 to 13.5-meter draft, which can accommodate 4 vessels of up to 40,000 DWT at one time. The terminal has 166 storage tanks made of carbon steel or stainless steel with capacities ranging from 100 cubic meters to 9,300 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 40 product transfer lines running from the tanks of different sizes at the plant to the four jetty manifolds. There are gas return circuits and scrubber systems for the loading and unloading operations of special products.

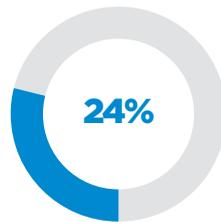
In 2019, total cargo handled stood at 1.6 million tons, wherein 39% comprised chemicals and 61% petroleum products.

2019 terminal fill rate: 87%

Annual handling capacity of the terminal: 2.5 million tons

Bulk liquid storage capacity at the end of 2019: 246,000 m<sup>3</sup>

### DRY BULK & GENERAL CARGO SERVICES



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 8 electric cranes with lifting capacities ranging from 6 tons to 124 tons, loaders and forklifts of various capacities, and lifting attachments for various loads. Poliport has the capacity to service 6 ships at one time with water depths ranging from 12 to 24 meters.

Poliport has the capacity to serve 1,500 ships per year.

Total cargo handled in 2019 amounted to 2.2 million tons, with 54% comprising coal, 13% aluminum, 12% steel roll, 7% clay, 3% sheet metal and 11% other products.

Dry bulk handling capacity: 5 million tons

### WAREHOUSE SERVICES



In addition to flammable products, a wide variety of products, including general cargo such as all types of packed, non-packed, ferrous, non-ferrous, hazardous material, and metal and mining products are stored at the warehouses.

The terminal area has a customs zone and is eligible for import and a full spectrum of transit trade practices.

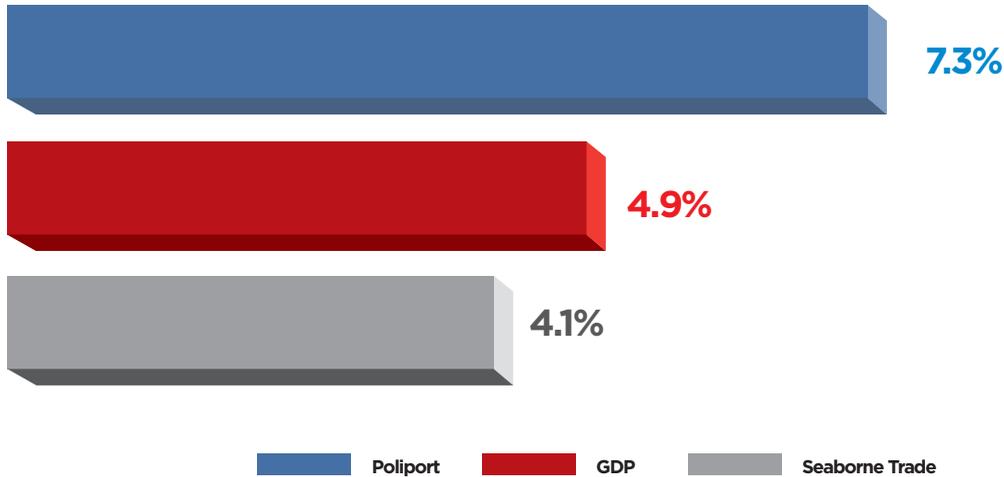
The opportunity to track the inventory and delivery of the products stored in A Type General Warehouses is provided on the website.

In 2019, cargo stored in A type warehouses amounted to 351,673 tons.

Warehouse services are being carried out on an open and closed area of 40,430 square meters.



## POLIPORT GROWTH\* OUTPACES GDP.



\* Based on average growth rates between 2009-2019.

Source: Republic of Turkey, Ministry of Transport, Maritime Affairs and Communications Directorate General of Merchant Marine; GDP - IMF; Poliport

Since 1990, Poliport has been serving the world's largest producers such as Dow, BASF, Bayer and Shell.

- On the back of high consumer satisfaction and due to the risk of losing their tanks to other companies, loyal customers continue to rent their tanks even in times of short-term contraction.
- Poliport's revenues are based on US dollars.
- Service prices at the Terminal increase in proportion to US CPI.

### THE CAPACITY INCREASE INVESTMENT THAT POLIPORT SELECTIVELY IMPLEMENTS WILL PROVIDE IT WITH A COMPETITIVE ADVANTAGE GOING FORWARD.

Poliport expects Turkey to experience growth in the sphere of chemistry and petrochemicals, and similarly, to make rapid progress in the paint, textile and automotive industries. The Company makes investment plans to strengthen its infrastructure with tanks, pier and docks, cranes, and equipment reinforcements to serve all kinds of material input that will contribute to this growth.

Poliport commenced its capacity increase in the beginning of 2020, raising it to 271,000 m<sup>3</sup> from 237,000 m<sup>3</sup> in 2017, through investment expenditure of US\$13.5 million in 2018 and US\$15 million in 2019.

Ports in the Kocaeli Gulf Region, which have grown at a CAGR of 4.0% between 2009 and 2019, are expected to require a capacity increase over the coming years.

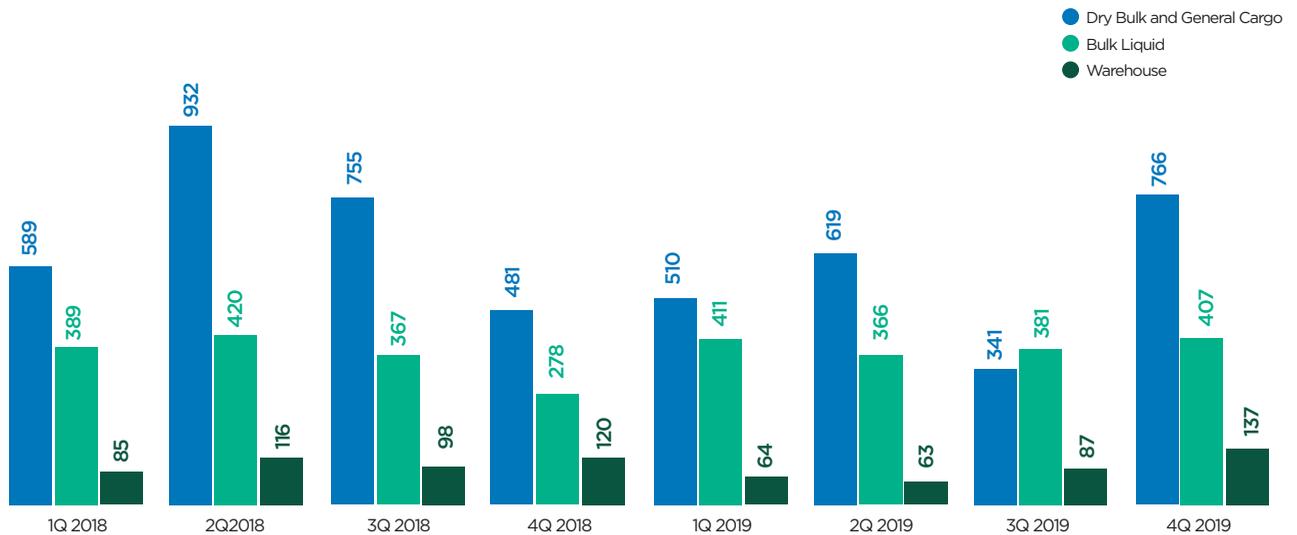
- Investments for new port facilities and capacity increase projects in the Kocaeli Region are allowed on a limited scale.
- Poliport has an idle land for expansion behind the terminal area.
- Poliport realizes its capacity increase investments based on the fill rate of tanks.
- Accordingly, it can offer more competitive prices and grow its customer base.
- Certain terminals handling their own dry bulk cargo in the Kocaeli Gulf Region provide services at competitive prices in order to utilize their idle capacity. However, as these terminals approach full capacity utilization rates, the supply-demand balance is expected to deteriorate in favor of Poliport, which, by then will have completed its capacity increase investments.



**AT POLIPOINT, IN ADDITION TO THE FX RATE EFFECT, THE RISE IN CARGO HANDLED IN THE LAST QUARTER OF THE YEAR POSITIVELY REFLECTED ON PROFITABILITY.**

TRY (million)	2018	2019	2018-2019 (%)	4Q18	3Q19	4Q19	4Q18-4Q19 (%)	3Q19-4Q19 (%)
Revenue	159.7	174.8	9.4%	42.8	39.7	51.6	20.4%	30.0%
EBITDA	70.5	88.4	25.4%	4.8	21.7	24.2	n.m.	11.5%
EBITDA margin	44.1%	50.6%	6.5 p.p.	11.2%	54.7%	46.9%	35.7 p.p.	-7.8 p.p.
Adjusted EBITDA	86.7	93.1	7.4%	21.0	22.2	28.4	35.2%	27.9%
Adjusted EBITDA margin	54.3%	53.3%	-1.0 p.p.	49.0%	56.0%	55.1%	6.1 p.p.	-0.9 p.p.
Net Income	45.9	51.8	12.7%	2.4	13.0	15.2	n.m.	17.1%

Based on data released by the Directorate General of Merchant Marine, cargo handled at Turkish Ports in 2019 increased by 5.2% due particularly to the rise in cargo handled in exports with the exchange rate effect. In the same period, total cargo handled at ports in the Kocaeli Gulf Region decreased by 1.3% compared to the previous year as a result of the fall in transit and cabotage cargo. At Poliport, 2,235,855 tons (2018: 2,755,950 tons) handled at the dry bulk pier and 1,564,684 tons (2018: 1,453,107 tons) handled at the terminal totaled 3,800,539 tons (2018: 4,209,057 tons), representing a 9.7% decrease compared to cargo handled last year. This was due to the diminishing dry cargo handled with the fall in imported coal to Turkey in the first half of the year, as well as iron and steel products due to contraction in the construction and automotive sectors. In 2019, approximately 351,673 tons (2018: 418,386 tons) of cargo were stored in A type warehouses.



Source: Poliport

In 2019, despite the contraction in total cargo handled at Poliport, revenues increased by 9.4% compared to last year, reaching TRY174.8 million, since Poliport's revenues are based on the US dollar against which the TRY depreciated by 12.5% over the year.

In 2019, while Poliport's operational costs were positively affected by the change in the accounting methodology of leasing with the IFRS 16 standard, its EBITDA margin was suppressed due to the fixed costs that Poliport has undertaken, despite the decrease in cargo handled. Having recorded a provision of TRY16.2 million and TRY4.7 million, respectively in the last quarters of 2018 and 2019 related to sea cleaning activities, Poliport's EBITDA margin rose 6.5 p.p. to 50.6%. While Poliport posted a net financial income of TRY1.4 million due to the sale of fixed assets in 2018, the Company recorded a net financial expense of TRY8.8 million in 2019 due to the fx-denominated loan used this year. Thanks to the increase in operational profitability, net income has also increased by 12.7% to TRY51.8 million.

In 4Q19, while total cargo handled increased by 54.6% compared to the same period of the previous year on recovery signals in the economy, revenues also rose 20.4% to TRY51.6 million. Having recorded provisions in the last quarters of 2018 and 2019, Poliport's EBITDA margin increased to 46.9%, rising by 35.7 p.p. in 4Q19. Thanks to increased operational profitability, net income, at TRY2.4 million in 4Q18, increased to TRY15.2 million in 4Q19 in spite of a net financial expenses of TRY9.7 million.

Based on operational area, in 2019, bulk liquid and dry bulk revenues increased by 16.0% and 63.3%, respectively compared to 2018, while warehouse revenues decreased by 11.1%.

# Chemical Activities



## THE CHEMICALS INDUSTRY

### THE CHEMICALS INDUSTRY ACCOUNTS FOR AN IMPORTANT SHARE OF TURKEY'S EXPORTS.

The chemicals industry is essential in bringing a wide range of products from medicine to paint, and from plastics to cosmetics to the end user; it provides inputs to information and communication technologies, construction, automotive, machinery, investment, and the entire consumer goods industry; supplies organic, inorganic chemicals, dyes, laboratory chemicals, thermoplastics that the manufacturing industry needs, and is an important branch of industry with a significant share of global trade. Of the Chemical Industry products 30% are consumed by end users, while 70% are used as inputs by other sectors.

The chemical industry has been localized mostly in the coastal regions of the country due to logistical importance. Most of the chemical companies manufacturing petroleum and petroleum products, detergents, soaps, pharmaceutical chemicals and paint are located in Istanbul, Kocaeli and Sakarya in the Marmara Region; and in Izmir in the Aegean Region; while most fertilizer and petroleum products companies are concentrated in the Mediterranean Region.

As for foreign trade, chemicals industry exports, at \$20.6 billion in 2019, had an approximately 11% share in Turkey's overall exports.

Per capita sales of the Chemicals Industry in EU countries are approximately €1,860 on average, whereby Turkey lags well behind on €196.



## POLİSAN KİMYA SANAYİİ A.Ş.

### POLİSAN KİMYA IS ONE OF THE PIONEERS AND LEADING MANUFACTURERS OF THE TURKISH CHEMICALS INDUSTRY.

The Bitlis Family was the first to introduce the technology to produce chip board, MDF, plywood, formica resins, fiber glass and rock wool resins, melamine, urea, and phenol formaldehyde resins in Turkey. Polisan Kimya's first facility was established in Kağıthane in 1968. In 1977, Polisan Kimya relocated its facilities operating in Kağıthane to Dilovası where it still carries out its activities today, due to the need for increased capacity and convenient access to raw material sources. Polisan Kimya, which has relocated to its facility in Dilovası equipped with state-of-the-art technology, has become the market leader by following innovations in resin production simultaneously with the world since its inception. Over time, Polisan Kimya expanded its product range to construction chemicals for use in concrete and cement production, and with Adblue for use in diesel vehicles.

In 2011, Polisan Holding established Polisan Yapı Kimyasalları A.Ş. in order to carry out the sales and marketing of construction chemicals produced by Polisan Kimya. As of March 31, 2017, Polisan Yapı Kimyasalları A.Ş. has been transferred to Polisan Kimya, with all of its assets and liabilities as a result of the restructuring need in construction chemicals to increase efficiency. Again, to achieve greater proximity to the market and become a dominant manufacturer in construction chemicals sales, construction chemicals production plants in Adana and Samsun were opened, on January 5, 2017 and May 19, 2017, respectively. The first overseas construction chemicals production plant started production in July 2017 in Casablanca-Morocco. Having been established in Dilovası Organized Industrial Zone, Polisan Kimya has a competitive edge due to its logistical advantage with close proximity to the chemical materials port, as well as the highway and railways, and continues its investments to grow both vertically and horizontally.

## TURKEY OPERATIONS

POLISAN KİMYA HAS 3 MAIN OPERATIONAL ACTIVITIES.

### FORMALDEHYDE and RESINS

**Polisan Kimya is Turkey's First Formaldehyde Resin Manufacturer.**

#### Products and Areas of Use:

**Urea Formaldehyde Resin:** It has a wide area of use in the furniture industry with wood panel production (MDF, chipboard, plywood, board lining and OSB).

**Urea Formaldehyde Concentrate (UFC):** It is used in the production of urea formaldehyde and melamine urea formaldehyde resin, as well as for coating in urea processing.

**Formaldehyde:** It has a wide usage area ranging from construction chemicals to agriculture, medicine, cleaning supplies and cosmetics.

**Phenol Formaldehyde Resin:** It is used in the production of marine type plywood, construction molds, OSB, fiber glass and rock wool and laminate, as well as insulation for underground welding.

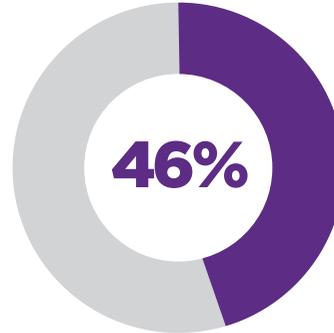
**Market Position:** Polisan Kimya is ranked first with a 40% share in the Turkish Formaldehyde and resins market.

**2019 Capacity:** 150,000 tons/year

### Polisan Kimya to Invest in Digitalization and Automation at its Formaldehyde Facilities.

In 2019, demand was negatively affected as the main sectors to which formaldehyde resin is supplied are connected to the construction sector. Phenolic resin sales have shrunk in particular due to a 40% contraction in the stone wool and plywood sectors that resulted in almost a halving of demand. Polisan Kimya minimized the negative impact of decreasing phenolic resin sales by increasing the sales of formaldehyde and UFC products. The downward trend of raw material prices throughout the year also affected sales prices, and therefore revenue, negatively. In contrast, the Company reached its targeted profitability level by maximizing operational efficiency through the cost measures taken. Polisan Kimya plans to be active in diverse sectors in the years to come, with over 10 new projects that were evaluated by the R&D department in 2019. In this manner, the Company aims to minimize sectoral risks. Having increased its export revenues in 2019 compared to a year ago, Polisan Kimya aims to increase both its domestic and export sales with new products to be developed in 2020. Polisan Kimya also aims to increase efficiency by realizing an investment in digitalization and automation at its formaldehyde facilities in 2020.

### Formaldehyde and Resins Revenue Share\*



Source: Polisan Kimya

#### Growth Potential:

According to Article 27 of the Regulation on the Protection of Buildings from Fire, issued by the Council of Ministers and published in the Official Gazette dated 09.07.2015, exterior facades should be made of hard combustive materials in buildings with a height of more than 28.5 meters and made from the least flammable material in other buildings. Phenol resin is used in rock wool, which has a "fireproof" characteristic in the A1 fire category. In parallel to rising rock wool demand, phenol resin demand is also expected to surge.

In addition, Polisan Kimya aims to increase its sales volume in exports with stone wool resins tailored specifically for abroad with a longer shelf life and to increase its revenues and profitability by expanding its product portfolio with the resins it develops for various sectors.



\*Please note that 19% of revenues stem from the sale of other products.

## CONSTRUCTION CHEMICALS

**Polisan Kimya is Among the Leaders of the Concrete, Cement and Underground Chemicals Market with its Construction Chemicals Products.**

### Products and Areas of Use:

**Concrete Chemical Additives:** These are used as an input in ready mixed concrete production.

**Cement Chemical Additives:** These are used as an input in cement production.

**Underground Chemical Additives:** High performance additive products, which are developed to mitigate mechanical and geological problems underground and are used in mining and tunneling projects.

**Market Position:** With an approximately 20% market share, Polisan Kimya became one of the three leading companies in the construction chemicals market, which has 7 foreign and close to 20 domestic companies.

**2019 Capacity:** 130,000 tons/year - 50,000 tons Dilovası, 40,000 tons Adana, 40,000 tons Samsun

### Polisan Kimya Aims to Increase the Domestic Sales and Exports of Value-Added Construction Chemicals Developed for Special Projects.

Following the economic developments and exchange rate fluctuations experienced in 2018, the construction sector in Turkey continued to contract in 2019. In this period, the Government supported the construction sector by reducing interest rates. Therefore, among the road, infrastructure and urban transformation projects that were halted in 2018, construction studies for priority schemes such as metro projects and the Ataşehir Finance Center in İstanbul, have resumed.

In 2019, Polisan Kimya's priority was to sell concrete and cement chemicals to corporate ready-mixed concrete and cement companies, and mainly underground chemicals to the mining industry and metro projects, while keeping working capital and cash flow under control. During this period, various customer and dealer visits, as well as market research were conducted to increase exports, and applications have been submitted to benefit from government incentives.

## Construction Chemicals Revenue Share\*



Source: Polisan Kimya

### Growth Potential:

Having become acquainted with ready-mixed concrete nearly 100 years later than Europe, Turkey today has an important place in the world, in terms of ready-mixed concrete production volume. While annual ready mixed concrete production amounted to 1.5 million cubic meters in 1988, when the Turkish Ready-Mixed Concrete Association (TRMCA) was founded, it has increased over the past 30 years - in 2018 - to 100 million cubic meters. With this growth performance, Turkey has ranked as the European leader in concrete production since 2009. It is the third largest ready mixed concrete producer in the world, following China and the USA.

Based on 2018 data released by the European Ready Mixed Concrete Association (ERMCO), while the total production volume of all European Union member countries stood at 250.4 million cubic meters, Turkey's production alone was 100 million cubic meters. While this production volume ranks Turkey first among EU countries, Germany ranks second with 52.8 million cubic meters of production and France third with 39.7 million cubic meters.

While average per capita ready mixed concrete production in EU countries is 0.6 cubic meters, it is at 1.2 cubic meters in Turkey. Turkey has a leading position not only in terms of quantity, but also for the strength class of the concrete used. According to the 2018 data of TRMCA, based on the strength classes of concrete used, in the C25/30-C30/37 strength classes, Turkey ranks above the EU average of 57.6% with 66%. As per C35/45 and above, with 25.5%, it exceeds the EU average of 11.3%.

With its concrete and cement additives production facilities at three locations, Polisan Kimya is well positioned to claim a large share of the Turkish market, having a cement and concrete production capacity capable of catering to a market of this size.

Parallel to the development of PolyCarboxylate (PC) based products in the concrete chemical additives group, market demand and preference for these products has increased. With the investments it realized at the Dilovası Facility, Polisan Kimya is among the few companies producing the raw material of PC-based chemical additives at its own facilities in Turkey.

\*Please note that 19% of revenues stem from the sale of other products.

## ADBLUE

### Polisan Kimya is One of the First ADBLUE/AUS 32 Producers in Turkey.

#### Products and Areas of Use:

**Adblue®/AUS 32:** Adblue®/AUS 32 additive, which can be used with the German Automotive Foundation's (Verband der Automobilindustrien) VdA license, is a chemical mixture, not toxic for human health. AdBlue®, decreasing NOx exhaust gas emission by 80%, saves up to 4% in diesel consumption and contributes to a cleaner environment. This product is being used by logistics companies; buses and metro buses in the transportation sector; duty vehicles in the construction industry; concrete mixers; motorized farm vehicles, and fuel companies.

**2019 Capacity:** 50,000 tons/year

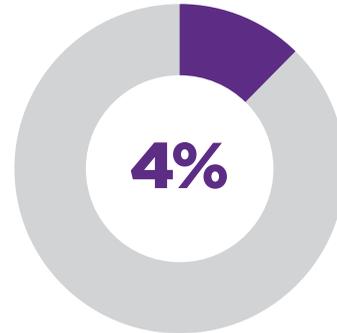
**Market Position:** One of the first AdBlue® manufacturers in Turkey for global giants such as Lukoil, BP, Petrol Ofisi and Total, Polisan Kimya continues its activities with a focus on quality and working with corporate clients, rather than market share.

### Polisan Kimya Contributes to Global Sustainability Goals with Adblue.

With the rise in the number of local producers over time, the AdBlue market in Turkey became an intensely competitive one. Having served corporations from its inception, Polisan Kimya continued catering to those firms in 2019, aiming to be the first company that comes to mind for quality, and differentiated from the price-focused competition. Polisan Kimya, which also offers after-sales technical service to ensure quality continuity of the Adblue product, has become a solution partner for its customers.

Since competition in the Turkish Adblue market has become irrational, Polisan Kimya continues to keep this product in its portfolio, in the most optimal manner, in the interests of sustaining brand awareness.

### Adblue Revenue Share\*



Source: Polisan Kimya

#### Growth Potential:

In EU countries, no vehicles except for Euro 6 standard can be sold as of 2014. In Turkey, all vehicles containing Euro 6 diesel engines started to use Adblue as of September 2016. The growing number of vehicles and the obligation to comply with Euro norms points to growth potential for the Adblue market.

Within the framework of use of AdBlue for all vehicles comprising Euro 6 diesel engines in Turkey, the market is expected to grow, and demand, which is currently outside the city, to begin to shift towards the city centers in the near future. In addition, in parallel to the development of environmental legislation and awareness, the Turkish market is expected to reach 150,000 tons by 2020.

In the long run, the use of AUS40 is predicted to become mandatory for sea vessels, with demand for Adblue projected to increase further.

\*Please note that 19% of revenues stem from the sale of other products.

## POLISAN KİMYA MAINTAINED ITS PROFITABILITY WITH NEW VALUE-ADDED PRODUCTS AND AN EXPORT FOCUS.

TRY (million)	2018	2019	2018-2019 (%)	4Q18	3Q19	4Q19	4Q18-4Q19 (%)	3Q19-4Q19 (%)
Revenue	417.8	346.0	-17.2%	102.8	82.3	89.2	-13.2%	8.3%
EBITDA	38.9	39.3	0.9%	4.4	10.6	9.6	115.2%	-10.3%
EBITDA margin	9.3%	11.4%	2.1 p.p.	4.3%	12.9%	10.7%	6.4 p.p.	-2.2 p.p.
Net Income	-79.8	-1.6	n.m.	22.2	6.7	1.9	-91.4%	-71.7%

The business lines of Polisan Kimya have been adversely affected by increasing competition in formaldehyde resins and AUS32, and in construction chemicals by the contraction in the cement and concrete sector reaching 40%-50% levels as a result of the economic turmoil experienced in Turkey. Polisan Kimya focused on exports, particularly in formaldehyde resins, in the shrinking domestic market, and on managing the working capital requirement to optimum efficiency against currency fluctuations.

In 2019, Polisan Kimya increased the sales of formaldehyde and UFC products, in contrast to the volume contraction in phenolic resin sales, while focusing on corporate companies with ready-mixed concrete and cement chemicals, and on the mining industry and metro projects with underground chemicals. Polisan Kimya reduced the effects of contraction in the sector to a minimum thanks to the sales of value-added products, recording a limited decrease in relative terms across all product groups compared to the market. As a result, the revenues of Polisan Kimya decreased by 17.2% compared to a year ago, realizing at TRY346.0 million. Value added underground chemicals, and Euro-indexed sales prices in formaldehyde and resins, coupled with the positive impact on cost of the change in accounting methodology of leases with the IFRS 16 standard, led to an EBITDA margin increase of 2.1 p.p. compared to the previous year to 11.4%. Thanks to the cash inflow generated by the capital increase, Polisan Kimya's foreign exchange denominated debt position has declined. Consequently, due to falling net financial expenses, the net loss of TRY79.8 million in 2018, regressed to TRY1.6 million in 2019.

In 4Q19, Polisan Kimya's revenues decreased by 13.2% compared to the previous year to TRY89.2 million as a result of contraction in resin product group revenues. The EBITDA margin rose by 6.4 p.p. to 10.7% with the contribution of i) the fall in production costs due to efficient raw material procurement and ii) increased net other operating income in the absence in 2019 of the provision for doubtful receivables that were expensed in 2018. Polisan Kimya recorded a net financial expense of TRY7.1 million in 4Q19, compared to net financial income of TRY20.8 million in 4Q18 stemming from the income on fx rate difference due to fx-denominated financing. In parallel, net income, which came in at TRY22.2 million last year, was realized at TRY1.9 million in 4Q19.

## FOREIGN PARTNERSHIP

# ROHM AND HAAS KİMYASAL ÜRÜNLER ÜRETİM DAĞITIM ve TİCARET A.Ş.



## POLYMERS

**Polisan Holding, Which Commenced Emulsion Polymer Production for the First Time in Turkey with Polisan Kimya, Established a JV with Rohm & Haas in 2004.**

### History:

Having initiated the production of emulsion polymers through Polisan Kimya in 2001 in a first for Turkey, Polisan Holding established a JV with Rohm and Haas; one of the world's leading companies in this area, in 2004. Following the acquisition of Rohm and Haas in 2009 by Dow Chemical, one of the world's largest chemicals companies, this partnership continues with Dow Chemical, the world's chemical giant. In this partnership, Polisan Holding has 40% and Dow Chemical a 60% share. This partnership leads the way in the introduction of innovative and environmentally sensitive products to the market.

**Operating Area:** Selling, marketing and trading of emulsion polymers as well as their additives and raw materials, which are used as input in various industries such as paint, wood, textiles, carpeting and glue.

**Market Position:** Leads the market in the innovative products category.

**2019 Theoretical Capacity:** 58,000 tons/year

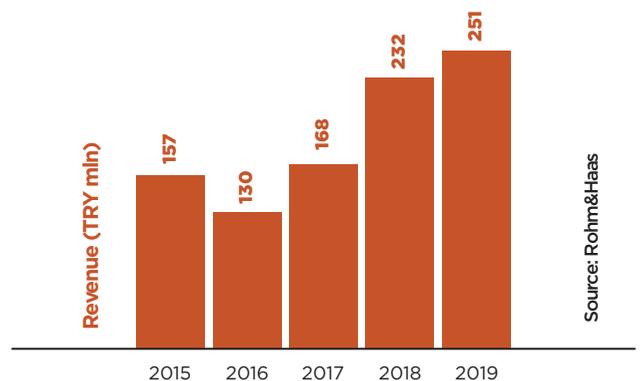
### In 2019, Rohm & Haas Digitalized Reporting Systems with a Focus on Customer Satisfaction.

The contraction experienced in the paint market in 2018 continued in 2019. Negatively affected by domestic market contraction, Rohm & Haas increased its exports by focusing on overseas markets. The Company promptly took necessary measures against prevailing difficulties in financial markets and effectively managed its working capital. Polisan Kansai Boya is among the key customers of Rohm & Haas, whose products are used by various industries. Having introduced the binder of water-based road marking paint to Turkey for the first time in 2013, Rohm & Haas, in 2019 supplied the binders used in the road marking paint produced by Polisan Kansai Boya for the Highways Tender. The Company aims to expand its existing export markets in 2020. In 2019, the quarterly customer experience survey conducted with Dow coating materials customers, and where actions were taken in light of feedback received, has been transported to the electronic environment with reporting systems being digitalized. In 2020, efforts will continue to expand digitalization to all functions of the Company.



### Growth Potential:

Rohm & Haas pursues a growth strategy towards increasing the share of innovative and environment-friendly products in its product range and production capacity with a focus on sustainability.



## INTERNATIONAL INVESTMENT

# POLISAN MAROC



## CONSTRUCTION CHEMICALS

**Polisan Maroc is the Gateway of Polisan Kimya to Africa in Construction Chemicals.**

### History:

Polisan Maroc, 60%-owned by Polisan Kimya and 40% by a local producer, was established and started production in July 2017 in Morocco, to support exposure to the African market as part of Polisan Kimya's growth strategy in construction chemicals. Upon the transfer of its shares from the local partner in 2019, Polisan Maroc is 99%-owned by Polisan Kimya.

### Operating Area:

**Construction Chemicals:** The production and sales of ready-mix concrete, cement and underground chemical additives.

**Adblue®:** AUS 32 sales.

**Market Position:** Polisan Maroc, as a producer, has just entered into a market, in which four international companies operate, and had achieved an 8% market share by the end of 2019.

**2019 Capacity:** 40,000 tons/year

**Polisan Maroc Remained a Supplier of Large-Scale Cement Facilities in Morocco in 2019.**

Polisan Maroc succeeded in establishing its name in the market shortly after completing the construction of its production facilities and laboratories in 2017, commencing production in 2018. In 2019, the Company continued its Sales, Production and R&D activities in line with its growth strategy, while being the supplier of large cement factories such as Votorantim Cement and Ciment Du Maroc (HeilderbergCement) in order to win a share from global additives companies long operating in the market. The number of customers has increased in the northern and southern regions of the country in line with the new sales strategy, positively reflecting on the market share. In this period, export opportunities from Morocco to neighboring countries were researched and laboratory trials for the first export transaction were completed. In addition, the first orders for AdBlue, as well as necessary steps to capture market share in this product group, were taken. The positive local perception and market awareness of Polisan Maroc has increased over time.



Polisan Maroc is also an exemplar of positioning in the right overseas market at the right time, by means of establishing a production facility on behalf of Polisan Kimya; in addition to exports.

### Growth Potential:

Following the Moroccan investment, realized with a vision of becoming a global player in the Construction Chemicals market, Polisan Kimya plans to establish new facilities in North African, Asian and European markets so as to commence production in its other regional export markets, as well as creating sales potential in new ones.

## INTERNATIONAL INVESTMENT

### POLISAN HELLAS S.A



#### PET (POLYETHYLENE TEREPHTHALATE)

**Polisan Hellas is the sole PET resin producer in Greece and the Balkans.**

##### History:

100% owned by Polisan Holding, Polisan Hellas SA was established with a capital of €24,000 in August 2013 to carry out operations in Greece. In September 2013, Polisan Hellas purchased 100% of the assets owned by Spanish Arterius Hellas. The capital of the Company was increased to €1,400,000 as suggested by the authorities within the framework of the purchasing transaction, fully paid out by Polisan Holding. The total investment amount for Polisan Hellas SA including taxes, all fees and other expenses is €8,675,000. Located on a 15-decare closed area and 75-decare land in total, Polisan Hellas' facility is valued approximately at €70 million. Having ISO 9001, ISO 14001, OHSAS 18001, and ISO 22000 certification, Polisan Hellas quickly completed its integration to Polisan Holding following the acquisition. Polisan Hellas had started to be consolidated into Polisan Holding financials by the end of 2013, and the Company had begun to record meaningful revenues by April 2014.

**Operating Area:** The production of 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 fiber.

**Market Position:** The only Polyethylene Terephthalate (PET) granule producer in Greece and the Balkans.

**2019 Capacity:** 84,000 tons/year

#### Polisan Hellas Pioneered Sustainability in Greece in 2019 by Increasing the Ratio of Recycled Materials in its Products.

Polisan Hellas has been growing by adding the world's leading beverage manufacturers to its customer portfolio since 2014, when it commenced activities in the Greek market. In addition, the Company mitigated the relatively limited sales volume in the domestic market through exports, which reached 26% in 2019, to the Balkans and Italy. Attaining profitability levels above the industry average due to operating at nearly full capacity in recent years, Polisan Hellas has had to pursue the price policy in the market in order to ensure continuity in production in an intensely competitive Greek market resulting from low-priced, Chinese products in 2019. Thanks to its investment in PET bottle recycling, Polisan Hellas increased the ratio of r-PET (recycled plastic) used in production in 2019, positioning itself as one of the major players in the market in this area. Polisan Hellas both contributed to environmental protection and exported these products to the Bulgarian and Italian markets with the use of r-PET.

The Company aims to continue investing in r-PET facilities in 2020, and to increase profitability by evaluating potential collaborations with global brands in the years to come.

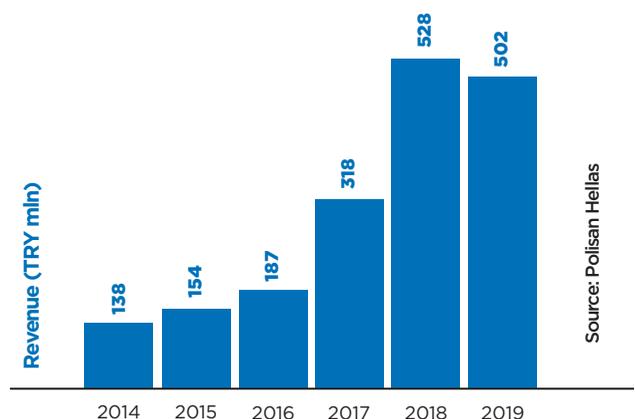
Polisan Hellas commenced digitalization studies in 2019, subsequently implementing business intelligence applications. As a result, the Company prepares more transparent reporting and aims to make process and cost improvements through online measurements thanks to the OPC system.



##### Growth Potential:

According to research conducted by Research Nester, the Global Polyethylene Terephthalate market, which reached an approximate value of \$24 billion in 2017, is expected to grow at a CAGR of 7.1% over the next 10 years. Another research study conducted by Mordor Intelligence also indicates that the r-PET market will achieve a compound annual growth rate of over 7% between 2020 and 2025, in particular due to global awareness of sustainability.

One of the key drivers of this growth is the preference for PET bottles, especially in beverages, as the most easily recyclable type of plastic, rather than glass bottles. The countries of the world with the greatest consumption of bottled water are in Western Europe.



## POLISAN HELLAS BEGAN r-PET SALES IN CONTRAST TO THE PRICE COMPETITION INDUCED BY CHINESE-ORIGINATED PRODUCTS IN THE GREEK MARKET

TRY (million)	2018	2019	2018-2019 (%)	4Q18	3Q19	4Q19	4Q18-4Q19 (%)	3Q19-4Q19 (%)
Revenue	527.8	502.4	-4.8%	132.6	140.7	104.6	-21.1%	-25.7%
EBITDA	42.7	-2.3	<i>n.m.</i>	4.0	-5.1	-0.9	<i>n.m.</i>	<i>n.m.</i>
EBITDA margin	8.1%	-0.5%	-8.6 p.p.	3.0%	-3.6%	-0.9%	-3.9 p.p.	2.7 p.p.
Net Income	26.4	-17.1	<i>n.m.</i>	-4.7	-8.6	-5.9	<i>n.m.</i>	<i>n.m.</i>

The easing of oil prices as we entered 2019, with the US granting an exemption to 8 countries for oil imports from Iran, coupled with competition induced by low-priced Chinese-originated products in the Greek market has resulted in a sharp decline in unit prices throughout the year. In this period, having pursued a strategy intended both to ensure continuity of production and to protect its customer base, Polisan Hellas commenced sales of r-PET (recycled PET) used in production by realizing additional investments in the facility in order to process recycled PET bottles.

While sales volume in 2019 fell by just 4.9% compared to last year, despite price competition, revenues in the same period decreased by 4.8% to TRY502.4 million. In this period, exports had a 26% share of Polisan Hellas' total revenues. The EBITDA margin dropped by 8.6 p.p. to -0.5% due to both increased price pressure and the halt in production during maintenance at the facility. The Company posted a net loss of TRY17.1 million with the impact of the net financial expense of TRY11.1 million.

While sales volume in 4Q19 increased by 2.8% on the back of products that Polisan Hellas offered to the market at more competitive prices, revenues fell by 21.1% to TRY140.6 million due to price pressure. The EBITDA margin fell 3.9 p.p. to -0.9% with the effect of rising raw material costs. Meanwhile, the net loss, at TRY4.7 million in 4Q18, increased to TRY5.9 million in 4Q19 with the decrease in operational profitability and the net financial expense of TRY2.5 million.



Real Estate



## REAL ESTATE INDUSTRY IN TURKEY

### The Recovery in the Second Half of 2019 and Declining Interest Rates Reflected Positively on the Real Estate Market.

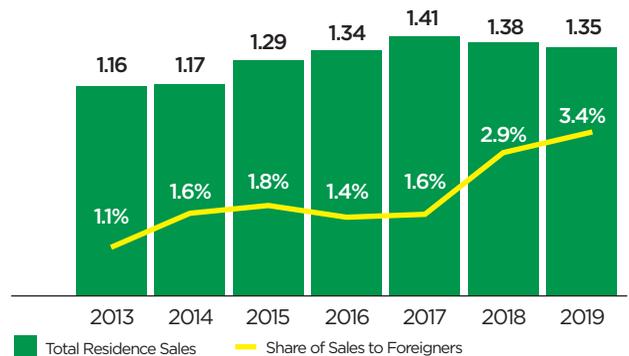
The Turkish economy, particularly during the first half of 2019, was marked by the trade wars that overshadowed global growth, while also impacted by TRY depreciation and high inflation. The Central Bank of the Republic of Turkey, like the central banks of developed and developing countries, had started to apply loose monetary policies and lower interest rates to overcome growth obstacles. In parallel, a gradual improvement was observed in macroeconomic variables and the IMF predicted that the Turkish economy could close 2019, previously estimated to contract, on growth of 0.2%. While global growth and the slowdown in trade put downward pressure on real estate prices, the decrease in interest rates on housing loans with the reduction in policy interest rates, started to increase the revival both for consumers and manufacturers.

### Istanbul is Listed Among Cities in Europe Suitable for Investment in the Real Estate Sector.

The regulations regarding the Land Registry and Cadaster Law, Mortgage Law, and Tax Laws to preserve and improve the competitive nature of the real estate industry, updates that reduce the investment process to a few simple steps, and the Housing Financing Regulation, which came into force to protect consumer rights have facilitated the entry of investors into the real estate industry in Turkey. According to the Emerging Trends in Real Estate Europe 2019 Report; Istanbul, which ranks first in Turkey by housing sales to foreigners on 46%, has been listed among the European cities suitable for investment in terms of rental income generation and capital value index.



### In 2019, Housing Sales to Foreigners Increased with the Lead of Istanbul.



Source: TurkStat, mln units

Enactment of the regulation on the sale of real estate to foreigners in 2012, and granting citizenship and residence permits to foreigners, have reflected positively on housing sales. According to the Turkish Real Estate Sector Report 2019 prepared by GYODER; of the US\$13.2 billion foreign direct investment inflow to Turkey 44.9% in 2018, and 53.4% of the US\$7.1 billion in 2019, was spent on real estate purchases.

### 2019 Witnessed Changes in the Supply, Demand and Price Balance in the Real Estate Market.

2019 witnessed changes in the supply, demand, and price balances in the real estate markets. This was due to the effects of cost, sales, and use of resources on the supply side, and to the delay in demand, interest rates, and the exchange rate on the demand side. According to the Turkish Real Estate Sector Report 2019 prepared by GYODER, total housing sales in 2019 decreased by 1.9% to 1.35 million units. However, the public banks' decrease in interest rates to below 1% on housing loans of up to TRY500,000 as of August 2019, reflected positively on demand. In the second half of 2019, housing sales rose 15.6% compared to last year. In this period, while the housing price index increased, new housing purchases began to be replaced by second-hand housing purchases. Duly, overall, second-hand housing purchases, which had a 52.6% share in total housing sales in 2018, increased to 62.1% in 2019. In the same period, the share of mortgage sales increased from 20.1% to 24.7%.

### Converting Lease Contracts to Turkish Lira Will Lead to Revival of the Office Market in the Upcoming Periods.

According to the Turkish Real Estate Sector Report 2019 prepared by GYODER, with the new office area of 276,000 m<sup>2</sup> delivered to the market in Istanbul, the total office area supply has increased to 6.46 million m<sup>2</sup>. With 278,828 m<sup>2</sup>, total rental transactions realized in 2019 remained almost at the same level as in the previous year. In the same period, the vacancy rate was 24.8%. Office market investment activity, which gained momentum in the third quarter, is expected to accelerate further with the participation of the Turkey Wealth Fund as an investor in the Istanbul Finance Center (IFC) Project, and completion of the Project by the end of 2021.

# POLİSAN YAPI İNŞAAT TAAHHÜT TURİZM SANAYİ ve TİCARET A.Ş.

Polisan Yapı İnşaat Taahhüt Turizm San. ve Tic. A.Ş. ("Polisan Yapı") was established in 2006 in order to utilize the assets owned by Polisan Holding and its subsidiaries on a project basis.

## Polisan Yapı:

- Is neither a Real Estate Investment Trust, nor a contractor company.
- Does not incur any capital expenditure for the projects.
- Provides the land and obtains residences and/or offices in units upon completion of the projects.
- Records the proceeds from the sale of the projects as net profit.

## POLİSAN HOLDİNG and POLİSAN KANSAI BOYA REAL ESTATE APPRAISAL TABLE

	Location	m <sup>2</sup>	Appraisal Value (000 TL)	Current Status / Development Plan	Registered Company
Properties to be Sold	Aydın Karacasu*	2,492,757	7,092	Agricultural Land	Polisan Kimya
	Balkesir İvrindi - Savaştepe*	3,804,314	8,532	Agricultural Land	Polisan Kimya
	<b>TOTAL</b>		<b>15,624</b>		
Properties to be Used for Investment	İstanbul Pendik	172,980	230,813	Land for Residents & Commercial Offices	Polisan Yapı
	İstanbul Kağıthane**	26 Shops, 73 offices	55,088	Z Office Project	Polisan Yapı
	Other		2,900		
	<b>TOTAL</b>		<b>288,801</b>		
Properties Used for Operations	Kocaeli Dil İskelesi***	154,672	418,000	Poliport Facilities	Poliport
	Kocaeli Dilovası	90,142	160,500	Poliport Facilities	Polisan Kimya
	Kocaeli Gebze - Aysan****	31,810	59,855	Land	Polisan Kimya
	<b>TOTAL</b>		<b>638,355</b>		
Other Properties	Kocaeli Gebze - GebKim*****	142,147	145,701	2/3 Paint Facility, 1/3 Investment	Polisan Kansai Boya
	Kocaeli Dilovası - DOSB	30,150	36,000	Land	Polisan Kimya
	Kocaeli Gebze*****	195,210	32,495	Farm	Polisan Kimya
	Other		3,830		
<b>TOTAL</b>		<b>218,026</b>			
<b>TOTAL</b>			<b>1,160,806</b>		

### Source: Polisan Holding

\* Appraisal valuations of the land in Aydın Karacasu and Balkesir İvrindi-Savaştepe-Manisa-Soma are as of 2017 year end.

\*\* Z Office appraisal value is for 26 shops and 73 offices, unsold as of 2019 year end.

\*\*\* The right of use subject to appraisal is based on 6 agreements and 1 preliminary permit for a total area of 142,564 m<sup>2</sup> with the Treasury, and 1 agreement with TR State Railways for 12,108m<sup>2</sup>.

\*\*\*\* The appraisal value of the land in Kocaeli Aysan was calculated based on the 2013 transaction price of €9 million, using the CBRT's € Buying Rate (6.6506) as of 31.12.2019.

\*\*\*\*\* 2019 appraisal value of real estate being established on the land, as well as the environmental planning.

\*\*\*\*\* There is 1,500 decares of forest being maintained by Polisan Kimya around the 190 decare farm in Kocaeli, Gebze.

### Polisan Yapı Signed an Agreement for a Project to be Built on Its Land in Pendik, Kurtköy.

Polisan Yapı signed an agreement for a project to be built on land in Pendik, Kurtköy. The land is spread on an area of approximately 180,000 square meters, and is very close to the TEM Motorway, E-5 Highway, Sabiha Gökçen Airport, and Ankara-İstanbul high-speed railway. On March 5, 2015, Polisan Yapı signed an agreement for the project to be built on this land with the Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ("DAP Yapı") and DOP Yapı Mimarlık İnşaat Gıda Turizm Hizmetleri Sanayi ve Ticaret Ltd. Şti. ("DOP Yapı") Joint Venture ("JV"). Based on the agreement, the DAP Yapı - DOP Yapı JV will own 66% of the land but will not pay any cash. Instead, it will build on a turnkey basis and deliver 34% of the independent units to Polisan Yapı. DAP Yapı continues to work on the details of the project. Growth resulting from the increase in Sabiha Gökçen Airport's traffic and easy access to be provided by the planned Kartal-Pendik-Kurtköy metro route is expected to increase the demand for the houses and commercial estates in the region. Besides, other business and tourism focused projects are expected to reach the agenda, such as a fair, congress center and techno-park.

### Sales and Rental Process of Kağıthane "Z Office" Business Center Project Continues.

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 6<sup>th</sup> most densely populated district, undergoing rapid urbanization. In June 2014, Polisan Yapı received the deeds with construction servitudes for 126 offices and 28 shops that it owns for the Z Office Project, which is 42% owned by Polisan Yapı and 58% by DAP Yapı. Kentsel Hizmetler Yapı ve İşletme Sanayi Ticaret A.Ş. continues efforts to sell and lease these offices and shops. Within the Z Office Project there are 26 shops and 73 offices ready for sale as of December 31, 2019.





Agriculture

## **POLİSAN TARIMSAL ÜRETİM SANAYİ ve TİCARET A.Ş.**

Polisan Holding established Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. (“Polisan Tarım”) in 2010 with the aim of implementing the best practices in agricultural activities.

Polisan Tarım set out to conduct walnut plantation works on approximately 4.4 million square meters of agricultural land in Balıkesir and olive production on 2.5 million square meters of land in Karacasu.

On April 16, 2019, Polisan Holding decided to halt its agricultural activities in order to concentrate on its core business lines, and the land on which it carried out agricultural activities in Aydın, Manisa and Balıkesir provinces, has been put up for sale.



# Human Resources



# HUMAN RESOURCES

## POLİSAN HOLDİNG HUMAN RESOURCES POLICY

The principal of Polisan Holding's Human Resources Policy is to ensure that competent and results-oriented human resources are being employed in line with the Holding's targets and strategies; contributing to the productivity of Polisan Holding and its Group Companies through performance-based wage management; strengthening corporate culture by preparing the employees, who become experts in their career for managerial positions within the organization; supporting employees' personal development with continuous training and increasing the value-added to the Holding by improving their profession; and creating an effective and motivated organization that ensures employee satisfaction through proactive human resources practices.

Accordingly, strategic Human Resources management includes factors that will propel Polisan Holding to its strategic targets, such as planning the work force, as well as employee development, remuneration, and performance evaluation.

In 2019, the Human Resources processes at Polisan Holding were managed by Human Resources Director Ahmet Türkselçi, who also served in the Senior Management of Polisan Holding. As of January 2, 2020, Aylin Veliöğlü Çelik was appointed to this position.

The Human Resources Directorate ensures that Human Resources Policy and Rules of Business Ethics are adopted throughout Polisan Holding and its Group Companies, and that employees improve as potential leaders, internalizing their responsibilities for society, the sector, and for one another. Practices, which are adopted in line with Polisan Holding's priorities, increase efficiency while contributing to the increase in the society's quality of life in general.

Polisan Holding has procedures relating to Human Resources processes regarding recruitment; training; performance evaluation; domestic and international travel; appointment and promotion; as well as discipline; personal loans and benefit policy practices. During the recruitment process, Polisan Holding evaluates candidates who are reliable, sensitive to people, possessed of ethical values, open to change, market oriented, capable of long-term thinking, as well as innovative, and open to cooperation. As for interviews, after the initial evaluation of the Human Resources Department, the manager of the department where the candidate will be employed always interviews the applicant. Trainee programs and policies are set in order to improve the information and skills of Polisan Holding employees. Within this context, the training sessions provided to 5,271 employees on SEÇ (SEÇ stands for Health, Security, and Environment in Turkish), Management Systems and Sustainability, sales and development totaled 18,373 hours in 2019. The average number of employees in 2019 is 1,167 and the average number of training hours per person is 15.74.

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.

Polisan Holding treats all employees equally on training and development, performance evaluation, career management, remuneration, and other human resources processes without making any ethnicity, language, religion, racial, or gender discrimination. No complaints were filed by employees in 2019 relating to discrimination.



## ETHICAL RULES

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

Polisan Holding contributes to the increase in our country's quality of life with its health and environmental protection practices done to global standards, while focusing on strategic targets with its employees to gain further 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

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

- Ensure sustainable development, which is dynamic, efficient, competitive, and respectful of the natural and cultural environment,
- Contribute to establish, build, and develop relations based on ethical rules and mutual trust at work and in private life,
- Prevent attitudes and behavior that violates ethical rules,
- Contribute to the development and expansion of awareness required for the efficient and effective use of all of Polisan Holding's and its Group Companies' resources (financial and non-financial).

All managers and officers are informed regarding ethical rules and their responsibilities concerning these rules. Polisan Holding management carries out all kinds of studies or else has these done in order for the ethical culture and ethical principles to take root and become widespread. The management leads, contributes, and tracks the results of all studies undertaken in this regard.

All the employees of Polisan Holding and its Group Companies are required to comply with the ethical rules and immediately inform the management should they detect any factors acting against them. In case of any breach, first Polisan Holding Senior Management, then, in necessary cases, the BoD evaluates the reported violations or situations within the bounds of violation possibility and ensures that ethical rules are complied with. If the breach is permanent, necessary disciplinary action is taken in line with the provisions of Polisan Holding Discipline Procedures.



The image features a large, vibrant red shape on the left side, which tapers and curves towards the right, creating a dynamic, organic form. The rest of the background is plain white. Centered within the red area is the word "Sustainability" in a clean, white, sans-serif font.

Sustainability



# SUSTAINABILITY

## MANAGEMENT SYSTEMS and CERTIFICATES

Management Systems ensure that activities carried out based on the final results of scientific, technical and experimental studies with a systematic perspective, are secured. Thanks to these systems, organizations reinforce their success and brand awareness by constantly and regularly monitoring and improving their processes, and keeping them under control. While Polisan Holding Group Companies offer high quality products and services within the framework of international management systems, they aim to reflect a continuous approach of improvement and development to all their activities.

Group Companies carry out all their activities within the guidance framework of many national and internal standards in order to constantly increase customer satisfaction; to work on a zero accident principle in occupational health and safety, as well as environmental issues; to leave a healthy business climate and environment for future generations; to minimize the depletion of natural resources by effectively managing energy consumption, and to ensure the security of corporate information heritage.

Group Companies automate their business processes electronically to increase the efficiency of all business processes, ensure transparency and facilitate compatibility with repeatable processes. This increases the process management performance, enables corporate role definitions to emerge as processes become traceable based on roles, and ensures that processes are independent of individuals. Across the Group Companies, the number of automated processes in the digital environment has reached 67 by the end of 2019.

The seven different management systems implemented by Group Companies in an integrated manner at the Dilovasi, Adana and Samsun facilities and Regional Directorates in accordance with the stipulations of national and international legislation are:

- ISO 9001 Quality Management System
- ISO 14001 Environment Management System
- OHSAS 18001 Work Health and Safety Management System
- ISO 10002 Customer Satisfaction Management System
- ISO 50001 Energy Management System
- ISO 27001 Information Security Management System
- ISO 17025 Polisan Kansai Boya Laboratory Accreditation

As members of the Turkish Chemical Manufacturers Association connected to the European Chemical Manufacturers Council (CEFIC); Polisan Kansai Boya, Polisan Kimya, and Poliport conduct their health, safety and environmental activities in line with their Responsible Care® commitments.

Group Companies support these activities by effectively implementing relevant management systems. Besides, Polisan Kansai Boya holds R&D Center Certification, ISO 17025 Laboratory Accreditation, Authorized Liability Certification, Biocidal Product Certificates, TSE Documentations and CE Documentations; Polisan Kimya holds the R&D Center Certificate, Authorized Liability Certification, Adblue VDA Certification, Ultraline Anti-Freeze TSE Documentation, Urea Formaldehyde Resin TSE Documentation and CE Documentations; Poliport holds International Shipping and Port Security (ISPS) Certification, Responsible Care Commitment Documentation, CDI-t Certification, and Shore Facility Hazardous Material Conformity Certification.



## PROJECTS and DOCUMENTATIONS

### Polisan Holding has been Selected as the Implementation Partner of the Turkish Sustainability Code.

Polisan Holding has been selected as the implementation partner of the Turkish Sustainability Code developed based on the key performance indicators of Global Reporting Initiative (GRI) and various financial indicators, and will report to the Turkish Sustainability Code, which is an ESG reporting system.

### Polisan Holding Published its 2018 Sustainability Report on the GRI Database.

In July 2019, Polisan Holding published its GRI-Approved Sustainability Report prepared using Global Reporting Initiative (GRI) Sustainability "Standards" Reporting Principles, the most widely accepted reporting methodology worldwide, as a guideline. In its Sustainability Report, Polisan Holding presented its environmental, social, economic performance and corporate governance approach to its stakeholders in a transparent manner, for the operating period between January 1, 2018 and December 31, 2018.

The [Polisan Holding 2018 Sustainability Report](#) is available on the Polisan Holding website under the Reports sub-heading of the Sustainability tab.

### Polisan Kansai Boya GEBKİM Facility Received USGBC LEED Gold Certification.

Polisan Kansai Boya GEBKİM Production and Warehouse Facility has been awarded with "LEED Gold" certification, becoming one of Turkey's 23 LEED-certified manufacturing facilities. The Facility, whose environmental impacts are minimized, has been evaluated by the US Green Building Council (USGBC) under the criteria of "Sustainable Lands, Water Efficiency, Energy and Atmosphere, Materials and Resources, Indoor Quality, Innovation in Design, and Regional Priority". At the facility designed and built in accordance with the LEED Standard, an energy saving of 32.7%, in addition to the water saving of 74.8% in the building and 100% in the landscape, is achieved. The facility received the Low Carbon Hero Award at the 6<sup>th</sup> Istanbul Carbon Summit.



An informative presentation on the implementation can be accessed on the Polisan Holding website, at Our Projects heading under the Sustainability tab.

### Polisan Holding has been Included in the Global Sustainability Leaders Impact Analysis Project.

Due to the significant progress achieved in the field of sustainability, Polisan Holding has been included in the "Global Sustainability Leaders Impact Analysis" Project conducted by the Argüden Governance Academy. In the Project, where the existence and depth of sustainability in corporate governance strategy and business models is measured, Polisan Holding's performance has been evaluated over 93 criteria and disclosed as Low Depth.

### Polisan Holding has been Entitled to Listing on the Bourse İstanbul Sustainability Index.

Polisan Holding was entitled to inclusion in the Bourse İstanbul (BIST) Sustainability Index for the third time with its sustainability performance for the period between October 2018 - 2019. Thanks to its studies and supports grounded on sustainability, Polisan Holding maintained its position in the index this year by increasing its performance one level in three criteria. The assessments are conducted by UK- originated, independent supervisory institution, EIRIS (Ethical Investment Research Services) on behalf of Bourse İstanbul, based on international sustainability criteria.

### Golden Award to Poliport From Ecovadis



Poliport's sustainability performance has received the Golden Awareness Level Award, by ranking in the top 5% tranche, based on the result of the second evaluation conducted across 21 criteria under the Environment, Social, Ethical and Sustainable Procurement headings by global rating platform Ecovadis.

In 2018, the Company merited a place at the "Silver Awareness Level" by ranking in the top 30% tranche in the general category, and 10% in its sector.

### **Polisan Kansai Boya Supports the Fourth Term of “Turkey’s Life Small Support Program” Conducted by WWF-Turkey.**



Having supported the “Turkey’s Life Small Support Program” conducted by WWF (World Wildlife Foundation) - Turkey since 2018, Polisan Kansai Boya, one of Polisan Holding’s JVs, continues to support the 4<sup>th</sup> term of the Program this year.

### **Polisan Holding Participated in the Carbon Disclosure Project (CDP) 2019 Climate Change and Water Safety Programs.**

Polisan Holding has been participating since 2017 in the CDP-Carbon Disclosure Project; a reporting system recognized as one of the most prestigious environmental initiatives worldwide. In line with its corporate sustainability strategy, in 2019, Polisan Holding reported on climate and water programs on topics such as Emission Management, Governance and Strategy, Management of Risks and Opportunities, Targets, Procedures, and Water Accounting, with a focus on transparency and accountability.

### **Polisan Kimya had its 2018 Greenhouse Gas Emission Report Verified.**

Polisan Kimya, whose activities are realized within the scope of related regulation, has completed its studies on the greenhouse gas emission calculation, reporting, risk assessment and uncertainty analysis, and delivered its emission report to the Ministry of Environment and Urbanization upon verification by an independent institution.

### **Polisan Kansai Boya on its Way to Becoming a Global Brand with the TURQUALITY® Support Program.**

One of Polisan Holding JV’s; Polisan Kansai Boya has been included, as of June 19, 2014, in the TURQUALITY® Support Program (“TURQUALITY®”) under the “POLISAN” brand name. TURQUALITY® was initiated by the Ministry of Economy for Turkish products to become international trademarks and to strengthen the image of products made in Turkey.

TURQUALITY® is the one and only government-supported “brand-building program” for companies with a product portfolio wherein Turkey has a competitive edge, and with the potential of becoming a solid brand. TURQUALITY® has been formed to ensure that these companies are provided with managerial know-how; that they become institutionalized; and that they improve to become a global player in the international markets with their own brands, whereby their brands strengthen the image of products made in Turkey.

Within the scope of TURQUALITY®, 50% of expenses, which are determined on a sectoral base, are supported for 5 years. At the end of the first-five-year period, the brands within TURQUALITY® have a performance audit. For those brands with performance above a desired level, a further five-year support period is provided.

### **Polisan Holding has been a Signatory to the United Nations Global Compact.**

In September 2018, Polisan Holding became a signatory to the UN Global Compact, a social responsibility initiative proposing universal principles to create a common culture of development in the business world. Polisan Holding, which has already adopted the 10 principles included in the Compact as its guideline, conducts its operational activities with the awareness brought about by these 10 principles.

## SOCIAL RESPONSIBILITY

All processes at Polisan Holding are managed based on the essence of economic, legal, ethical, and voluntary responsibilities. The main social responsibility projects that are realized on a voluntary basis, and are handled as a concept that integrates social and environmental concerns into the activities of Polisan Holding and Group Companies, as well as in interaction with its stakeholders:

### 100,000 Trees on Land of 2,000 Decares in Dilovası

Necmettin Bitlis, who could not remain insensitive to logging around his 50 decares land in Dilovası at the start of the 1990's, contacted the Ministry of Forestry. Within the scope of the "Afforestation Law" of the Ministry of Forestry, Polisan Holding has volunteered to protect 2,000 decares proximate to his land based on a "protect and use" method, and planted 100,000 trees. Having spent approximately TRY20 million since then, and had the forest area surrounded by wire fence and protective walls, Polisan Holding has both prevented logging and safeguarded the trees planted.

### Polisan Schools

Polisan Holding has founded two Polisan Schools; one in Malatya and another in Dilovası. Serving since 1988, the Mehmet Emin Bitlis Secondary School was constructed with an investment of approximately \$500,000 at current prices. Polisan Holding meets the school's need for paint each year on a regular basis. 160 students graduate from Mehmet Emin Bitlis Secondary School each year. The Polisan Secondary School was constructed with an investment of approximately \$3,000,000 at current prices and has 100 graduates each year. Polisan Holding regularly meets Polisan Secondary School's Turkish Folk Dance, paint, and attendee expenses. The folk-dance team formed within the scope of Polisan Secondary School Youth Sports Club marks annual successes in competitions and festivals both in Turkey and abroad. Additionally, to ensure that the students fully benefit from the school beyond the classroom setting, Polisan Holding built a library at school in 2018 in memory of the late Necmettin Bitlis.



### Polisan Education, Culture and Sports Complex



Polisan Holding has built the biggest "Education, Culture and Sports Complex" in Kocaeli with the aim of contributing to the vigilant and healthy growth of young people, the hope of the future. Construction of the Complex was completed in 2017, and it was made ready to enter service under the Provincial Directorate of Youth and Sports. The Complex was opened at an official ceremony on December 21, 2018 with the participation of Kocaeli Governor Hüseyin Aksoy and Kocaeli Metropolitan Municipality Mayor İbrahim Karaosmanoğlu. The Complex is built on a 16-acre plot, which also includes Polisan Secondary School, previously donated to the Kocaeli Provincial Directorate of National Education. A capital expenditure of \$4 million was allocated to the Complex, which is equipped with the latest technology. The Complex, which has become the regional center of attraction, capable of hosting international competitions, has a closed area of 5,130 m<sup>2</sup>. Within this 3-storey Complex, there are volleyball, handball, football and basketball areas, as well as table tennis areas, training fields, and photographic and editing facilities. The Complex also features a referee and trainer rooms, a fitness hall, a female step aerobics hall, a taekwondo and boxing hall, and halls for folk dance and music education, plus a computer education class, a reading - writing course and handicraft and sewing courses.

### Polisan Kansai Boya - Municipality Joint Projects

At the Municipality Joint Projects, Polisan Kansai Boya initially meets the paint demand of the buildings on a sample street whereby the street becomes beautified. Then, Polisan Kansai Boya offers easy payment terms providing discounts on listed prices and credit card installments to the residents of the respective province/city. Polisan Kansai Boya has carried out Joint Painting Projects for approximately 10 years to date. Thus far, Joint Painting Projects have changed the appearance of living spaces in numerous provinces and cities such as Mardin, Malatya, Erzurum, Isparta, Bitlis, Burhaniye, Kütahya, Kadıköy, Pendik, Beyoğlu, Fatih, and Safranbolu, to the delight of residents. Polisan Kansai Boya participated in the protocol that Muratpaşa Municipality signed with four paint companies in 2016. Within the context of the Municipality's Building Facade Improvement and Painting Project, there is a 20% paint grant available to those licensed buildings that have 80% of their exterior walls painted in white.

## “Every Voice One Breath” For Women’s Issues...

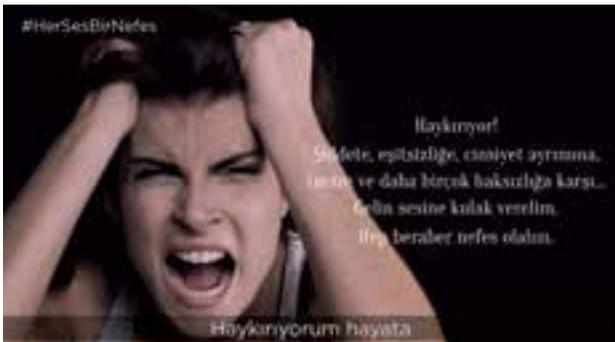


The “Every Voice One Breath” Project that Polisan Kansai Boya has been realizing for 8 years, aims to raise solution-oriented social consciousness of women’s issues across Turkey, to extend awareness among the public that a solution can be reached through collective efforts, rather than individual remedies. To date, the Project has contributed to capacity improvement, and the renewal of the Central Cooperation Office and Women Shelters of Mor Çatı (Purple Roof in English) Women’s Shelter Foundation, as well as the Counseling Center and Young Girl Shelters of the Young Girl’s Shelter Association.

The viral film “Woman With no Voice” made using Facebook and Twitter’s feature that automatically allows the playing of silent videos, has been watched by 2 million people on the internet alone. The viral film has received three Crystal Apple awards, regarded as among the most prestigious awards in the advertising industry, as well as a Gold Mixx and a Bronze Mixx award from the MIXX Awards Europe and MIXX Awards Turkey, the Oscars of the digital arena.

## The Main Theme of 2019 was “Hear My Voice, Be My Breath”.

In 2019, the “Every Voice One Breath” corporate social responsibility project was crowned with impressive music, the lyrics and composition of which were specially commissioned for Polisan Kansai Boya. The New Beginnings Association took part in the Non-Governmental Organizations leg of the campaign, which draws attention to all forms of violence and inequality against women, such as physical and mental violence, murder, and negative discrimination, under the main theme of “Hear My Voice, Be My Breath”.



## Industrial Quantitative Analysis Laboratory Support to Gebkim Vocational and Technical Anatolian High School

In 2019, Polisan Holding undertook the construction of the Industrial Quantitative Analysis Laboratory of GEBKİM Vocational and Technical Anatolian High School located in the Kocaeli Gebze V (Chemical) Specialized Organized Industrial Zone (GEBKİM), in an attempt to support those students keen to carve a future within the chemical industry, which includes many sub-sectors such as pharmaceuticals, cosmetics, cleaning products, plastics, and packaging, and to give them the opportunity to obtain a job-guaranteed profession through qualified education.

## Professional Competence Certification Activity



In 2019, Polisan Kansai Boya continued its certification activities launched in 2018 for the “Vocational Qualification Certificate” in cooperation with the Vocational Qualification Authority (VQA). The goal of this is to secure for the sector qualified paint and thermal insulation craftsmen who are knowledgeable masters of their field. Polisan Kansai Boya believes that this endeavor, in having the quality of competent craftsman certified by an official institution - VQA - will make a great contribution to the Paint and Thermal Insulation Industry by taking implementation, the key component of the work, under guarantee.

## Store Concept Design Workshop and Exhibition with Mimar Sinan Fine Arts University

Polisan Kansai Boya realized the Store Concept Design Workshop Project between March 14-16, 2018 in cooperation with Mimar Sinan Fine Arts University (“MSFAU”) in order to translate the scientific potential of universities into economic value by conveying it to industry. The workshops were attended by 24 successful students from the Faculty of Architecture, Departments of Industrial Products Design and Interior Architecture, and the Faculty of Fine Arts, Departments of Stage Design and Costume. Those students who participated in the workshop devoted their labor and time for 3 days to create beautiful works. Twenty-four valuable works were exhibited at the MSFAU Mimar Sinan Hall and the 24 students who attended the workshops were awarded during a ceremony organized with the participation of the Polisan Kansai Boya Management Team and Vice Rector of MSFAU Prof. Kayhan Ülker, the Dean of the Faculty of Fine Arts Prof. Nihal Kafalı and the Dean of the Faculty of Architecture Prof. Sema Ergönül, as well as Department Presidents.



Awards



# AWARDS

## 2019

### **Polisan Kansai Boya GEBKİM Plant Received the Low Carbon Hero Award at the Istanbul Carbon Summit.**

The Polisan Kansai Boya GEBKİM Plant, which holds American LEED Green Building Certification, was the recipient of the Low Carbon Hero Award at the 6<sup>th</sup> Istanbul Carbon Summit, where those institutions successfully managing their carbon footprint were awarded.

### **Poliport Received the Golden Awareness Level Award from Ecovadis.**

Poliport's sustainability performance has been deemed worthy of the Golden Awareness Level Award, by ranking in the top 5% tranche, based on the results of the second evaluation conducted across 21 criteria under the headings of Environment, Social, Ethical, and Sustainable Procurement by global rating platform Ecovadis.

### **Polisan Hellas Received "Greece Business Champions" Award.**

Polisan Hellas was deemed worthy of an award in the "Companies Recording the Highest Increase of the Year" category in an evaluation taking into account the criteria of percentage increase in 2017 revenues and EBITDA, by Direction Business Network, a qualified organization in business news and publications in Greece.

## 2018

### **Polisan Holding was Deemed Worthy of the 'Low Carbon Hero' Award.**

At the 5<sup>th</sup> Istanbul Carbon Summit, hosted by Istanbul Technical University, Polisan Holding was deemed worthy of an award for its 'Sustainability Journey with Global Standards' project. Of the 69 nominee projects evaluated by the Sustainable Production and Consumption Association, Polisan Holding was one of the 26 companies to receive the award for supporting the fight against climate change by reducing its carbon footprint.

### **Poliport was Named the 'Best in the Sector' at the 11<sup>th</sup> Sectoral Performance Awards.**

Operating in Kocaeli Gulf Region, one of the ten biggest ports of the European Union, Poliport was awarded in the "Large Scale Business in the Transportation and Logistics Services Sector" category at the 11<sup>th</sup> Sectoral Performance Awards.

### **Poliport Received the Silver Awareness Level Award from Ecovadis.**

Poliport's sustainability performance has been evaluated by online rating platform Ecovadis. As a result of the evaluation conducted under the Environment, Social, Ethical and Sustainable Procurement titles, Poliport was entitled to receive the Silver Awareness Level Award by ranking in the top 30% tranche in the general category and 10% in its sector.

### **'Every Voice One Breath' was Named Best Social Responsibility Project of the Year.**

The "Every Voice One Breath" Project, realized with the contribution of Polisan Kansai Boya to draw attention to gender issues, for a world based on love and compassion without violence, has received the "Best Social Responsibility Project of the Year" award at the "magazinci.com 18<sup>th</sup> Anniversary Internet Media Magazine Oscars".

### **The Polisan Holding Sustainability Report Received the Bronze Award from the League of American Communications Professionals (LACP).**

Evaluating sustainability reports, which demonstrate the economic, environmental, social, and governance performance of companies under the titles of first impression, narrative language, creativity, message clarity, and accessibility of information, LACP awarded the Polisan Holding Sustainability Report the Bronze Award with a score of 96 out of 100.

## 2017

### **Polisan Holding Human Resources Received the 'Respect for Human' Award.**

Polisan Holding Human Resources was deemed worthy of the 'Respect for Human' award granted to those companies noted for a 100% response rate to applicants, that create the greatest number of jobs and that receive the highest number of job applications, at the Human Resources Summit held by kariyer.net.

## 2016

### **Poliport Received a Europe-wide Award from Shell Chemicals Europe B.V.**

Poliport received Shell Chemicals Europe B.V.'s "Europe's Best Storage Service Provider in 2015-2016" award, leaving behind world giant peers such as Vopak or Oiltanking in Germany, England, France, Belgium, Holland and Italy.

### **"Woman with No Voice" Viral Film Received the Bronze Mixx Award at MIXX Awards Europe.**

Polisan Kansai Boya has received the Bronze Mixx award in the Digital & Mobile Division, Social Media Category with its viral film "Woman with No Voice", produced in 2015 for the publicity of its social responsibility project "Every Voice One Breath" through Facebook and Twitter. The award was presented at the MIXX (Marketing and Interactive Excellence) Awards Europe organized by the IAB Europe, a branch of the IAB, operating in 43 countries in the field of digital advertising.

### **Polisan Kansai Boya was Deemed Worthy of an Award at the Crescent and Stars of Packaging Contest.**

Polisan Kansai Boya has received the Competence Award in the category of Industrial and Transportation Packages with its 1 lt and 3 lt plastic bottle packages during the Crescent and the Stars of the Packaging Contest. This packaging contest, which has been held for the seventh time by the Packaging Industry Association, is the only one organized in Turkey to be acknowledged in the international arena, being accredited by the World Packaging Organization and Asia Packaging Federation.

### **Polisan Kansai Boya Received an Environmental Award.**

Polisan Kansai Boya was awarded at the Environmental Product Declaration (EPD) Turkey Panel, for being the first company to receive EPD Certification in Turkey, during the Sustainable Built Environment 2016 Istanbul Conference, organized for the first time by the Turkish Construction Material Industry Association.

## **2015**

### **The "Every Voice One Breath" Social Responsibility Project Received 3 Awards in the Crystal Apple Competition.**

The viral film "Woman with No Voice", prepared to publicize the "Every Voice One Breath" Project has received three awards in the digital category at the Crystal Apple Awards; one of the most prestigious awards in the advertising sector.

### **The "Every Voice One Breath" Project Received the Gold Award at International MIXX Awards.**

The "Every Voice One Breath" Project has received the Gold Mixx Award during the MIXX Awards that crown the best digital and mobile campaigns from around Europe, in the context of "Marketing and Interactive Excellence Awards".

## **2014**

### **Polisan Kansai Boya Received the Supply Chain Transformation (SAP SCM) of the Year Award.**

Polisan Kansai Boya was the first paint company deemed worthy of the SCM (Supply Chain Transformation) award organized by SAP, the world leader in corporate software and applications.

## **2013**

### **Polisan Kansai Boya was Deemed Worthy of 2 Awards in the Crescent and Stars of Packaging Competition.**

Polisan Kansai Boya has been deemed worthy of the Gold Plaque for the Wood & Wood Package and the Bronze Plaque for the Elegans Package at the "Crescent and Stars of Packaging Awards".

# Other Information



## OTHER INFORMATION

### RESEARCH and DEVELOPMENT ACTIVITIES

Having pioneered products and practices in the Turkish Chemicals and Paint Industry as global firsts, Polisan Holding's development and its competitive edge over the competition stems from the importance given to R&D. Additionally, the experienced technical staff is composed of knowledgeable individuals with long years of experience within the sector; each specialized in their area of expertise. The R&D Department conducts its studies with an innovative structure and differentiates the product mix day by day by combining modernity with experience. It also embraces new sectors with fresh products developed in line with customer expectations and market foresight. The R&D Department embraces all customer projects with equal seriousness and a professional perspective; identifies customers' needs effectively and offers the most appropriate products to meet their expectations within the shortest period. By solving all of its customers' technical problems, it also provides solution partnership.

#### **Polisan Kansai Boya Received R&D Center Certification in 2014.**

Polisan Kansai Boya received R&D Center Certification and status as of June 4, 2014. As Turkey's 159. R&D Center, the incentives and exemptions utilized by Polisan Kansai Boya amounted to TRY5.6 million out of the TRY17.5 million R&D spending realized in 2019. The R&D Center conducts a TEYDEB 1505 Project with Sabanci University and cooperates with İstanbul University on a project developed for the Ministry of Industry and Technology, through the Nano Technology Cluster in which it is active. While two TEYDEB 1501 projects are successfully ongoing, applications have been submitted for a further three. Within the framework of compliance with National Standards, TSE Certificates were received for a total of 19 products, including new products and those already available on the market, in 2019. In addition, the license for antibacterial paint was received from the Ministry of Health for a newly developed water-based epoxy paint and an interior product. Work on the new R&D Center Building has commenced, with plans for relocation to it in 2020.

#### **Polisan Kansai Boya's R&D Center Received International Accreditation Certification in 2016.**

In October 2016, Polisan Kansai Boya's Main Research Laboratories, which have been conducting chemical tests and quality measurements for 30 years, obtained International Validity Accreditation Certification from TURKAK. TURKAK has a Mutual Recognition Agreement with the International Laboratory Accreditation Association (ILAC). Raising the number of tests accredited each year, the total number of tests that the Main Research Laboratory has accredited in 2019, is 26.

#### **Polisan Kimya Received R&D Center Certification in 2017.**

Polisan Holding's subsidiary Polisan Kimya, has received Turkey's 507<sup>th</sup> R&D Center Certification and status as of June 6, 2017. The Certificate has been granted by the Ministry of Science, Industry and Technology following inspections, which concluded that the R&D Department had met the necessary qualifications, ability and criteria.

Keeping innovation, customer demand and expectations, society's health and environmental sensitivity at the heart of its R&D studies, Polisan Kimya invests in high value-added products, and frames its resource utilization accordingly. Since 2017, Polisan Kimya has successfully completed five TEYDEB-supported R&D projects, two of which are partnered. In 2019, the Company finalized three equity-financed R&D Center projects. In addition, seven new R&D Center projects have been launched, for the use of existing major products in new sectors, and on the development of value added products for exports, special products for customer application, and products for new sectors. In order to increase cooperation with universities and develop value-added products, three university and industry cooperation projects are being carried out. Having realized R&D spending of TRY4.6 million in 2019, the R&D Center has developed 28 new products for the resin product group, 16 for the underground product group, and 50 for the construction chemicals product group. Since 2017, the share of new products developed by the R&D Center in total revenues has been steadily increasing.

The Polisan Kimya R&D Center has developed low-emission resins used in the production of indoor and outdoor building materials, as well as new products within the scope of its projects to enhance its eco-friendly product portfolio. In 2019, 3 resins were custom made to customer specifications, containing the Volatile Organic Component (VOC) ingredient developed by the California Air Resources Board (CARB), and complying with formaldehyde emission limits. Three new products of the low emission class (emissions at and below E1) product group have been developed in wood-based boards. In the resin product group, products destined for export with a long shelf life, high performance and low emission level were developed. In the resin product group, apart from existing sectors, products are developed for projects intended for the abrasive, laminate and mining sectors.

In addition to existing synthesis, instrumental analysis, concrete, cement and wood-based panel performance laboratories, an Underground Chemicals Performance Laboratory was established in 2018 to conduct the studies of the Underground Chemicals product group. In 2018, Polisan Kimya R&D Center developed a new product group for chemicals used in tunnel boring machines ("TBM") in the field of underground chemicals. Specific products tailored for customers' ground conditions can be developed thanks to the TBM foam generator, which is available exclusively at Polisan Kimya's R&D underground chemicals laboratory. With the R&D studies carried out in the field of construction chemicals in recent years, Polisan Kimya offers environmentally friendly solutions that contribute to a reduction of the operational natural resource consumption of its stakeholders in the value chain. As for concrete chemicals, specific to customer need, it develops highly water reducing super plasticizer additives, which increase all type of resistance by decreasing the mixing water of the concrete and greatly improving the processability time of fresh concrete. In addition, in the field of cement chemicals, it develops grinding catalyzer chemicals that reduce the energy costs of cement plants.

## INCENTIVES

Incentive certificates received for ongoing renovation work within Polisan Holding are as follows:

Company	Subject of Incentive	Incentive No	Incentive Amount (TRY)	Incentive Expensed (as of 31.12.2019 - TRY)	Incentive Certificate Date (Including replacements)
Poliport*	Crane	B/104761	15,092,285	15,092,285	03/29/2013
Poliport*	Tank	D/112076	148,770,416	148,770,416	08/17/2018
Poliport	Tank	B/137652	130,000,000	99,623,000	06/20/2018
Polisan Kansai Boya**	Gebkim Facility Construction	D/122296	218,678,372	174,296,790	12/06/2017
Polisan Kimya	Adana Facility	A/127763	3,100,000	2,516,127	02/03/2017
Polisan Kimya	Samsun Facility	A/131376	2,140,000	2,030,178	07/21/2017
Polisan Kimya*	Oxide Facility	D/112337	16,259,209	16,259,209	07/21/2016

\*Completed investments.

\*\*The incentive amount has been revised and an application submitted to close.

### EMPLOYEE AND WORKER FLOW

Polisan Holding and its Group Companies' total number of employees is 1,447 as of December 31, 2019. (December 31, 2018: 1,477). The Holding pays a 12-month salary, private health insurance, personal accident insurance, a shuttle service, and lunch to permanent staff and subcontractor personnel. Additionally, in line with the regulations, the personnel of certain titles (General Manager, Director, and Manager) are allocated vehicles with gas and maintenance expenses paid for.

### DONATIONS MADE DURING THE PERIOD

Polisan Holding realized TRY782,631 in donations and aid in total as of December 31, 2019 (December 31, 2018: TRY618,944). The aforementioned amount is mainly composed of the donations made to educational institutions and institutions carrying out educational support activities.

### BENEFITS PROVIDED TO THE SENIOR MANAGEMENT

The total amount of salaries and side benefits paid to Senior Management is TRY5,903,632 as of December 31, 2019 (December 31, 2018: TRY4,985,656). Of this, TRY5,002,732 is salary and TRY900,900 is bonuses. The Holding defines Board Members, General Managers and Deputy General Managers as Senior Management.

## DECLARATION OF SUBSIDIARIES

### 01.01.2019 - 31.12.2019 Fiscal Year

As per the notification required to be made pursuant to Article 199 of the Turkish Commercial Code regarding the relationship between the parent company and subsidiaries; the parent company of Polisan Holding A.Ş. is the Bitlis Family, and there is no commercial activity between the Bitlis Family and Polisan Holding.

## MATERIAL DISCLOSURE ON SUBSEQUENT EVENTS

### 3 JANUARY 2020 - CHANGE IN SENIOR MANAGEMENT

Mr. Ahmet Türkselçi has decided to voluntarily resign his position as Polisan Holding A.Ş. Human Resources Director and Aylin Veliöğlü Çelik has been appointed to his post as of January 2, 2020.

Aylin Veliöğlü Çelik has for 7 years held various posts within the Human Resources department of Ereğli Demir ve Çelik Fabrikaları (Erdemir Iron and Steel Factories), where she started her professional life. She served as the Human Resources Director at İçdaş Demir ve Çelik A.Ş. in 2001 and Evyap Sabun, Yağ, Gliserin Sanayi A.Ş. in 2004. Most recently, she worked as the Deputy General Manager responsible for Human Resources at Ereğli Demir ve Çelik Fabrikası T.A.Ş.

## INFORMATION ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

### STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Acting upon the belief that good corporate governance is fundamental to the sustainability of companies, Polisan Holding offered its shares to the public on May 2012 as an important step to become a corporate company. Parallel to that, Polisan Holding has adopted transparency, fairness, responsibility, and accountability principles of corporate governance. In 2019, Polisan Holding continued its studies, which were initiated along with its IPO, into the compliance of Corporate Governance Principles in line with Capital Markets Board ("CMB") regulations. Polisan Holding complies in general terms with the principles, which appear in the CMB's Corporate Governance Communiqué II-17.1 ("Communiqué") dated January 3, 2014, and are mandatory.

Polisan Holding was classified in the category of the second group of companies in accordance with Article 5 of the Communiqué during the operating period ending as of December 31, 2019. In this context, it was announced that Mrs. Esra Yazıcı has been appointed as an independent board member on April 16, 2019, in accordance with the principle regarding the number of independent members on the board of directors as per Article 4.3.4 of the Capital Markets Board, Corporate Governance Principles of the Communiqué.

The committees of Polisan Holding have been established within the framework of the obligations in Article 4.5.3 of the Capital Markets Board Corporate Governance Principles of the Communiqué. In accordance with Article 4.5.1 of the Communiqué, obligations regarding to the "Candidate Nomination Committee" and "Compensation Committee" are being carried out by the "Corporate Governance Committee".

Pursuant to Article 4.6.5 of the Capital Markets Board Corporate Governance Principles of the Communiqué, wages given to members of the board of directors and to those managers with administrative responsibilities, as well as all other benefits provided are disclosed to the public through the annual report. However, the announced figure is not per capita, but rather the total amount.

Polisan Holding monitors regulatory developments so as to comply with Corporate Governance Principles, and continues its studies into the necessary improvements in practice.

Necessary explanations on matters where compliance is achieved, as well as those not yet complied with in regards to Corporate Governance Principles in the annexes of the CMB's Communiqué are provided for the operating period ended on December 31, 2019, in the Corporate Governance Compliance Report ("CGCR") and Corporate Governance Information Form ("CGIF") effective as per the CMB decision dated 10.01.2019 and numbered 2/49.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
<b>11. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
11.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>12. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
12.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>13. GENERAL ASSEMBLY</b>						
13.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
13.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There has been no such incidence.
13.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
13.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				The total amount of donations is disclosed as a separate item.
13.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
<b>14. VOTING RIGHTS</b>						
14.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
14.2 - The company does not have shares that carry privileged voting rights.	X					
14.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Polisan Holding has no cross-ownership with any company.
<b>15. MINORITY RIGHTS</b>						
15.1 - The company pays maximum diligence to the exercise of minority rights.	X					
15.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The minority rights will be exercised as specified in the relevant provisions of the Turkish Commercial Code and Capital Markets Law.
<b>16. DIVIDEND RIGHT</b>						
16.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
16.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
16.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.			X			The dividends have been regularly paid out.
16.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>17. TRANSFER OF SHARES</b>						
17.1 - There are no restrictions preventing shares from being transferred.	X					
<b>21. CORPORATE WEBSITE</b>						
21.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.		X				Investor questions or complaints are responded to by phone and e-mail. However, this information is not available on the website.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					Pursuant to the Communiqué on Material Events Disclosure, updates carried out by the Central Securities Depository of Turkey are reflected on the website.
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				On the Investor Relations English website, financial reports are available as of 2015, and there are no English translations of the documents of the IPO of 2012.
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.		X				The evaluation of the Board of Directors regarding the effectiveness of the committees is not included in the report.
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			Their participation is supported, but no systematic study is conducted.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.			X			Stakeholders' opinions are received at various meetings and platforms, but methods such as questionnaires / consultations are not applied.
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.			X			Among those discussed, only those issues to have been resolved are recorded in writing.
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.		X				The board of directors makes public the material information that will affect investor decisions.
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Polisan Holding's capital is TRY758,500,000 and it has a total director liability insurance of US\$10,000,000.
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There is no policy regarding the representation of female members on the Board of Directors with a ratio of 25%. However, there are two female members on the board of directors, consisting of nine members.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.			X			There is no such incidence.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.		X				The Board of Directors discusses agenda items, among which those that have been resolved, as well as situations that the public needs to be informed of, are disseminated through the Public Disclosure Platform (KAP). However, no separate meeting minutes are recorded.
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			The duties and responsibilities of members of the Board of Directors beyond Polisan Holding, if any, are disclosed to the public.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			Since there are three independent members, one person serves on more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.			X			No consultancy service has been used.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No performance evaluation has been conducted for the Board of Directors.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The amount is disclosed in total, for all.

## CORPORATE GOVERNANCE INFORMATION FORM

<b>1. SHAREHOLDERS</b>	
<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In 2019, 3 meetings were held at Polisan Holding headquarters. Questions and comments enquired to Investor Relations were responded via phone and email.
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	Not available
The number of special audit requests that were accepted at the General Shareholders' Meeting	Not available
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/751048">https://www.kap.org.tr/tr/Bildirim/751048</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Partially
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	Not available
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-171)	<a href="https://www.kap.org.tr/tr/Bildirim/758330">https://www.kap.org.tr/tr/Bildirim/758330</a>
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-171)	Not available
The name of the section on the corporate website that demonstrates the donation policy of the company	The maximum donation amount and the purposes of the donation to be made, are decided at the General Assembly Meeting every year.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/758330">https://www.kap.org.tr/tr/Bildirim/758330</a>
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 20
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Members of the Polisan Holding BoD - Auditor of Polisan Holding - Senior Management of Polisan Holding - Officers in charge of the General Assembly preparations - Shareholders
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	Not available
The percentage of ownership of the largest shareholder	23.32%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	Not available
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations - Corporate Governance - Dividend Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	Not available - The dividend has been distributed.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	Not available

## CORPORATE GOVERNANCE INFORMATION FORM

General Assembly Meetings									
General Assembly Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
April 25.2019	0	68.39%	63.65%	4.74%	Corporate Governance - General Assembly	No questions were addressed.	Article 12	0	<a href="https://www.kap.org.tr/tr/Bildirim/751048">https://www.kap.org.tr/tr/Bildirim/751048</a>
<b>2. DISCLOSURE AND TRANSPARENCY</b>									
<b>2.1. Corporate Website</b>									
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.					Initial Public Offering - Corporate Governance - Financial Reports - Presentations - Material Disclosures - Trade Registry Information - Stock Information - Frequently Asked Questions - Contact Information - Information Society Services subheadings under the Investor Relations Section				
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.					Stock Information				
List of languages for which the website is available					Turkish - English				
<b>2.2. Annual Report</b>									
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.									
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members					Other Information and Corporate Governance Information Form				
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure					Structure and Independence of Board Committees				
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings					Structure and Composition of the Polisan Holding BoD and Corporate Governance Information Form				
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation					Sections, in which developments regarding Group Companies are provided.				
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof					In case a matter in dispute at a magnitude to affect the investment decisions of the investors occurs, necessary information will be provided in the Auditor Reports.				
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest					Not available				
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%					Not available				
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results					Human Resources and Sustainability Sections				
<b>3. STAKEHOLDERS</b>									
<b>3.1. Corporation's Policy on Stakeholders</b>									
The name of the section on the corporate website that demonstrates the employee remedy or severance policy					Not available				
The number of definitive convictions the company was subject to in relation to breach of employee rights					Not available				

## CORPORATE GOVERNANCE INFORMATION FORM

The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Polisan Holding Senior Management
The contact detail of the company alert mechanism	polisan_icra_kurulu@polisan.com.tr
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation's Management</b>	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Not available. The participation is supported yet there is no systematic study.
Corporate bodies where employees are actually represented	Human Resources and Syndicate
<b>3.3. Human Resources Policy</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Necessary studies for strengthening the talent pool are carried out in the presence of the BoD.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy	Employees who are suitable for Polisan Holding competencies and have potential for development are selected.
Whether the company provides an employee stock ownership programme	There is no employee stock option plan.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Polisan Holding treats all its employees equally without making any ethnicity, language, religion, race, gender discrimination, in education and development, performance management, career management, remuneration and other human resources processes.
The number of definitive convictions the company is subject to in relation to health and safety measures	Not available
<b>3.5. Ethical Rules and Social Responsibility</b>	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations - Corporate Governance - Ethical Rules
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues	Sustainability - Corporate Social Responsibility
Any measures combating any kind of corruption including embezzlement and bribery	Human Resources - Ethical Rules - Anti-Bribery and Anti-Corruption Policy - Procedure - Program
<b>4. BOARD OF DIRECTORS-I</b>	
<b>4.2. Activity of the Board of Directors</b>	
Date of the last board evaluation conducted	Not available
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	There is no executive member on the Board of Directors and all board members have signature authorization.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	3
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Polisan Holding Internal Control System and Internal Audit Activities
Name of the Chairman / Name of the CEO	Mehmet Emin Bitis / Murat Yildiran
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are not the same people.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	Not available
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Not available
The number and ratio of female directors within the Board of Directors	There are two female members and the ratio is 2/9.

## CORPORATE GOVERNANCE INFORMATION FORM

Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independence Declaration*	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Mehmet Emin Bitlis	Non-executive	Not Independent	05.15.2018			No	No
Ahmet Ertuğrul Bitlis	Non-executive	Not Independent	05.15.2018			No	No
Ahmet Faik Bitlis	Non-executive	Not Independent	05.15.2018			No	No
Fatma Nilgün Kasrat	Non-executive	Not Independent	05.15.2018			No	No
Murat Yıldırım	Executive	Not Independent	09.25.2019			No	Yes
Zafer Kurtul	Non-executive	Not Independent	05.15.2018			No	Yes
Esra Yazıcı	Non-executive	Independent	04.16.2019	<a href="https://www.polisanholding.com/en/annual-interim-reports.html">https://www.polisanholding.com/en/annual-interim-reports.html</a>	Considered	No	Yes
Şeref Taşkın	Non-executive	Independent	06.08.2018	<a href="https://www.polisanholding.com/en/annual-interim-reports.html">https://www.polisanholding.com/en/annual-interim-reports.html</a>	Considered	No	Yes
Arif Başer	Non-executive	Independent	06.08.2018	<a href="https://www.polisanholding.com/en/annual-interim-reports.html">https://www.polisanholding.com/en/annual-interim-reports.html</a>	Considered	No	Yes

\* Declaration of Independence of the independent members are included in the 2018 and 2019 Annual Reports.

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	34
Director average attendance rate at board meetings	95%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	It is provided in a reasonable time.
The name of the section on the corporate website that demonstrates information about the board charter	Investor Relations - Corporate Governance
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Not available
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Structure and Independence of the Board Committees
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/794700">https://www.kap.org.tr/tr/Bildirim/794700</a>

Composition of Board Committees-I				
Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	Audit Committee	Şeref Taşkın	Yes	Independent Board Member
Audit Committee	Audit Committee	Arif Başer	No	Independent Board Member
Audit Committee	Audit Committee	Zafer Kurtul	No	Board Member
Corporate Governance Committee	Corporate Governance Committee	Arif Başer	Yes	Independent Board Member
Corporate Governance Committee	Corporate Governance Committee	Mehmet Emin Bitlis	No	Board Chairman
Corporate Governance Committee	Corporate Governance Committee	Varol Ürel	No	Not Board Member
Committee of Early Detection of Risk	Committee of Early Detection of Risk	Şeref Taşkın	Yes	Independent Board Member
Committee of Early Detection of Risk	Committee of Early Detection of Risk	Esra Yazıcı	No	Independent Board Member
Committee of Early Detection of Risk	Committee of Early Detection of Risk	Ahmet Çağışan Yılmaz	No	Not Board Member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Annual Report - Structure and Independence of the Board Committees
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Structure and Independence of the Board Committees
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/ website)	Annual Report - Structure and Independence of the Board Committees

## CORPORATE GOVERNANCE INFORMATION FORM

Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Structure and Independence of the Board Committees				
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report - Structure and Independence of the Board Committees				
<b>4.6. Financial Rights</b>					
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	2019 evaluation				
Specify the section of website where remuneration policy for executive and non-executive directors are presented	Investor Relations - Corporate Governance - Remuneration Policy				
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Other Information - Benefits Provided to Senior Management				
<b>Composition of Board Committees-II</b>					
<b>Names Of The Board Committees</b>	<b>Name of committees defined as "Other" in the first column</b>	<b>The Percentage of Non- executive Directors</b>	<b>The Percentage of Independent Directors in the Committee</b>	<b>The Number of Meetings Held in Person</b>	<b>The Number of Reports on its Activities Submitted to the Board</b>
Audit Committee	Audit Committee	100%	67%	6	3
Corporate Governance Committee	Corporate Governance Committee	67%	33%	2	2
Committee of Early Detection of Risk	Committee of Early Detection of Risk	67%	67%	6	6
<b>Board Member Name-Surname</b>	<b>Duties Within the Group</b>	<b>Duties Outside the Group</b>			
Mehmet Emin Bitlis	Chairman of Polisan Holding BoD Chairman of Polisan Yapı BoD Chairman of Rohm and Haas BoD Member of Polisan Tarım BoD	Member of Turkish Industry and Business Association (TÜSİAD) Member of Turkish Chemical Manufacturers Association (TKSD) Member of Kocaeli Chamber of Industry Member of Gebze Chamber of Commerce Member of Dilovası Organized Industrial Zone Member of Istanbul Rotary Club Member of Malatya Education Fund			
Ahmet Ertuğrul Bitlis	Vice Chairman of Polisan Holding BoD Chairman of Polisan Tarım BoD				
Ahmet Faik Bitlis	Member of Polisan Holding BoD Member of Polisan Tarım BoD	Member of Istanbul Chemicals and Chemical Products Exporters' Association (İKMİB) Member of Malatya Education Fund Member of Deutsche High School Culture and Education Fund			
Fatma Nilgün Kasrat	Chairman of Şark Mensucat BoD Member of Polisan Holding BoD Member of Polisan Tarım BoD				
Murat Yıldırım	Polisan Holding CEO Member of Polisan Holding BoD Chairman of Polisan Hellas BoD Vice Chairman of Polipoort BoD Vice Chairman of Polisan Kimya BoD Vice Chairman of Polisan Maroc BoD Vice Chairman of Polisan Tarım BoD Vice Chairman of Polisan Yapı BoD Vice Chairman of Şark Mensucat BoD Member of Polisan Kansai Boya BoD Member of Rohm and Haas BoD				
Zafer Kurtul	Member of Polisan Holding BoD Member of Şark Mensucat BoD	Member of Alternatifbank BoD Member of Mersin International Port BoD			
Esra Yazıcı	Independent Member of Polisan Holding BoD Member of Polipoort BoD Member of Polisan Kimya BoD Member of Polisan Yapı BoD Member of Şark Mensucat BoD Member of Polisan Kansai Boya BoD	Bahçeşehir University Consultancy Services			
Şeref Taşkın	Independent Member of Polisan Holding BoD	Consultancy Services			
Arif Başer	Independent Member of Polisan Holding BoD	Certified Public Accountant			

## INVESTOR RELATIONS

Polisan Holding facilitates the exercising of shareholder rights and ensures communication between the BoD and shareholders; provides necessary information to establish a communication bridge between existing and potential shareholders based on mutual trust; realizes all activities to raise Polisan Holding's recognition; and improves relations with 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 Polisan Holding management, related people or departments within the Holding to clearly and directly reply to shareholders' information requests, face to face or through communication channels, in line with the Disclosure Policy,
- Ensuring that 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 to have the fastest, most correct and complete access to information in line with CMB regulations and Polisan Holding's Disclosure Policy.

As per the CMB's Communiqué, Polisan Holding's Investor Relations Manager is the Accounting Manager Varol Ürel, who directly reports to the CFO and is also a member of the Corporate Governance Committee. The other officer in charge of Investor Relations is Burhan Kurt. Varol Ürel holds Corporate Governance Rating Licenses.

The contact information of Polisan Holding Investor Relations is as follows:

### **Varol Ürel**

#### **Accounting Manager/ Investor Relations Manager**

Phone: 00 90.216 578 56 11

Fax: 00 90.216 573 77 92

E-mail: yatirimciiliskileri@polisanholding.com.tr  
investorrelations@polisanholding.com.tr

### **Burhan Kurt**

#### **Investor Relations Officer**

Phone: 00 90.216 578 56 19

Fax: 00 90.216 573 77 92

E-mail: yatirimciiliskileri@polisanholding.com.tr  
investorrelations@polisanholding.com.tr

In 2019, compliance studies continued as per the Communiqué in order to regulate relations between the shareholders and Polisan Holding, in line with Capital Markets Law, CMB regulations, and Polisan Holding's Articles of Association. The 2018 year-end and 3 quarterly financial reports were announced to the public within the set deadline. Polisan Holding realized its 2018 Ordinary General Assembly Meeting, actively using the Electronic General Assembly System, and in compliance with CMB regulations. Polisan Holding complied with public disclosure requirements by announcing General Assembly documents, and 17 material disclosures in regard to developments that may impact investor decisions.

In addition, the website was also updated subsequent to the announcements. As part of improving the investor relations pages of the website to meet the requirements of foreign investors, the English translation of disclosures made has also been available since 2015.

The website is systematically organized and updated in line with Investor Relations Practices.

In 2019, Polisan Holding held meetings and teleconferences at its headquarters, and responded to the requests of the CMB, Central Registry Agency, and Bourse Istanbul A.Ş. ("BIST").

Polisan Holding, which was entitled to inclusion in the BIST Sustainability Index for the first time as of November 1, 2017, has also been listed among the 56 companies included in the index as of November 1, 2019 for the November 2019 - October 2020 period, as a result of the evaluation made for 2019.

The 2019 Investor Relations Annual Activity Report was prepared to inform Polisan Holding BoD and was presented to the BoD on January 29, 2020.

### **2018 General Assembly Meeting**

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

Polisan Holding's 2018 Ordinary General Assembly Meeting was held at Polisan Holding Headquarters, addressed at Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7, Dilovası-Kocaeli on April 25, 2019, at 14:00. The meeting invitation, containing the date and agenda as stipulated in law and the Articles of Association, was published on the Turkish Trade Registry Gazette dated April 3, 2019, No: 9801 and in Kocaeli Gazette dated April 3, 2019. Polisan Holding sent the invitation 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. Additionally, the invitation was disclosed on the KAP, Polisan Holding's website at [www.polisanholding.com.tr](http://www.polisanholding.com.tr), as well as on the e-General Assembly (Electronic General Assembly System) of the Central Registry Agency.

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

The General Assembly was attended by members of the BoD, as well as the auditor, CEO, Senior Management of Polisan Holding, and by those officers in charge of General Assembly preparations. There was no participation by the media and stakeholders other than shareholders.

Of the 758,500,000,00 shares representing Polisan Holding's TRY758,500,000.00 total capital; the total number of shares represented at the meeting was 518,752,520.10; of which 482,787,144.70 were present in person, 6,031,842 through deposited representatives, and 29,933,533.40 through other representatives. The Ordinary Assembly was held with a participation ratio of 68.39%.

The main agenda items discussed with shareholders and approved during the meeting concerned: the appointment and authorization of the Chairman of the meeting; approval of the 2018 Annual Report, Independent Audit Report and the Financial Tables; the release of the members of the Board of Directors and Independent Auditor; the dividend Policy, and use of 2018 profit; approval of the Independent Audit Company; the appointment of members of the Board of Directors and Independent Board Members and determination of the duration of their duties; the remuneration policy and determination of wages for members of the Board of Directors and senior management; Related Party Transactions realized in 2018; donations and aid provided in 2018, and determining an upper limit for the donations to be provided in 2019; the granting of permission to the Chairman and the Members of the Board for the fulfillment of written transactions pursuant to Articles 395 and 396 of the Turkish Commercial Code; as well as pledges, collaterals, and mortgages granted in favor of third Parties.

During the General Assembly, shareholders participated in the meeting in the electronic environment and did not execute their right to ask questions. Additionally, no suggestions were submitted aside from the set agenda items.

During the General Assembly, the shareholders were informed that Polisan Holding had provided donations in-kind and in cash totaling TRY618,944 in 2018 to those organizations, foundations, and educational institutions considered to be beneficial to the public. The upper limit for donations to be provided in 2019 was unanimously decided at TRY5,000,000.

Dividend Policy and the dividend distribution proposal is presented to the shareholders at the General Assembly and disclosed to the public on the Polisan Holding website. In 2019, Polisan Holding paid out 3.29597% (TRY0.0329597) per share and TRY25,000,000 gross cash dividend in total, and 2.80157% (TRY0.0280157) per share and TRY21,250,000 net cash dividends in total out of 2018 profit.

According to CMB regulations, in 2018, there is no transaction, for which the majority of the independent board members' positive vote is sought, although the decision has been left to the General Assembly, since these members cast negative votes. The minutes of the General Assembly were made available for shareholder review at Polisan Holding Headquarters, and disclosed to the public through Public Disclosure Platform (KAP) and the Electronic General Assembly System (EGKS). Additionally, all types of invitations, letters and documents relating to the General Assembly were presented to the shareholders and all beneficiaries on the Polisan Holding's website.

The General Assembly meeting was held, at the least cost for the shareholders and in the most convenient manner possible, so as not to cause any inequalities among the shareholders.

## STRUCTURE AND ACTIVITY OF THE POLISAN HOLDING BOARD OF DIRECTORS

### Structure and Composition of the Board of Directors:

As stated in Polisan Holding's Articles of Association, the number of members of the BoD shall be determined so as to enable the members 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. The BoD consists of both executive and non-executive members; however, the majority of the members of the BoD are non-executive members. Among non-executive members, there are independent members who are qualified to perform their duties without prejudice.

Polisan Holding's business and administration is conducted by the BoD consisting of nine members who are elected by the General Assembly. There are three independent members assigned to the BoD as per the CMB's Corporate Governance Principles and Regulations.

At its General Assembly Meeting dated April 25, 2019, Polisan Holding elected those members of the board of directors to serve for 1 year, so as to be re-elected at the next General Assembly. During the meeting, it was decided to approve Esra Yazıcı as independent board member, assigned in place of Ali Firat Yemenciler after his resignation from the post of board member on April 16, 2019. As of October 1, 2019, Murat Yıldırım has been appointed CEO and Board Member of Polisan Holding in place of Erol Mizrahi. Murat Yıldırım is the only board member to be an executive.

### Polisan Holding Board of Directors:

The duties of the board members within and beyond of Polisan Holding, as well as their Curricula Vitae are available on the Polisan Holding website and in the related section of the Annual Report.

There is no limitation on the board members being assigned to other duties beyond Polisan Holding. Independent Board Members have Independence Declarations. There is no matter that eliminates their independence as of the relevant operational period.

### Principles of Activity of the Board of Directors:

Matters such as Polisan Holding's organization, duties, authority, and meeting structure are covered in Polisan Holding's Articles of Association.

The BoD meets upon the invitation of the Chairman and the Vice Chairman, with a frequency that enables it to effectively carry out its duties. The Chairman of the BoD determines the meeting agenda in discussion with other Board members and the CEO.

The members pay attention to attend all meetings and express their opinion. Each Board member can request the Chairman to convene the meeting with a written request. BoD meetings are organized at Polisan Holding Headquarters. However, the meetings can convene elsewhere upon BoD decision.

The BoD convenes with the participation of the majority of the total number of its members. The resolutions are made with the majority of the votes of attending members. The minimum meeting quorum specified by Polisan Holding's Articles of Association based on the number of members, 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 obtaining written approval from at least the majority of all members.

The Chairman of the BoD is responsible for conducting the BoD meeting announcements and discussions in a proper manner, and for having 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, a decision upon the proposal by a member can also be made, by obtaining the written approval of other Board members.

At the BoD, 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 Polisan Holding.

The members of the BoD are not entitled to have weighted voting rights and/or negative veto rights. Those members who do not attend the meeting cannot cast a vote in writing, by appointing a proxy, or in any other manner.

It is essential for the Board members to attend the meetings in person. It is also possible for the members to attend meetings by any means of technological methods, providing remote access to the meetings. The opinions of those members who cannot attend the meeting, but who present them in writing, are submitted for the information of other members.

In 2019, the BoD held 34 meetings of physical participation. There was no dissenting opinion in 2019. The shareholders were informed regarding the related party transactions realized in 2018, during the General Assembly Meeting held in 2019. In the operational period, there was no material or related party transaction, which was not approved by the independent members. Hence, there was no transaction submitted for the approval of General Assembly.

## POLISAN HOLDING INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

### Polisan Holding Audit Directorate

Reporting to the Polisan Holding Board of Directors, the Audit Directorate was established in 2019 to hold responsibility for the audit of Polisan Holding and the entire Group of Companies. The Audit Directorate carries out the audit activities of Polisan Holding and Group Companies regarding strategic, operational, financial, information systems and compliance processes within the framework of International Internal Audit Standards.

Audits are performed within the framework of the risk-based audit plan determined by the annual risk assessment and approved by the Audit Committee. Reports including observations, findings and recommendations regarding audit results are regularly shared with the Board Chairman and the Audit Committee. Through these audits, the Audit Directorate assesses the effectiveness of the company's risk management, control and governance processes, gives assurance to the Board of Directors and the Audit Committee on the processes examined, and helps the company achieve its goals.

### Consolidation Process and Selection of Independent Auditor

Polisan Holding and all Group Companies included in the consolidation process are within the audit scope of the Audit Directorate.

The selection of the independent audit firm takes place upon the Audit Committee's recommendation to the Board of Directors of the independent audit firm deemed appropriate, by taking into account the requirements of competence and independence. At the Ordinary General Assembly Meeting of Polisan Holding commenced on April 25, 2019, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was appointed as the auditor of the 2019 financial statements, in accordance with the Turkish Commercial Code.

### Risk Management and Internal Control Mechanism

The functioning of Polisan Holding Internal Control System is the duty of Polisan Holding Financial Affairs Director ("CFO"), primarily under the supervision of the CEO and ultimately the Audit Committee.

The Audit Report prepared by the Audit Directorate is considered to be among the key data sources during the Audit Committee's evaluation of the effectiveness of the internal control system, and of the results of internal control activities. In the audit studies, processes and systems of Polisan Holding and Group Companies are controlled so as to identify and eliminate risks.

The current and potential risks of Polisan Holding are classified as follows:

- **Operational Risks:** Risk factors as determined in line with the goals of Polisan Holding and Group Companies that can impact the effectiveness, efficiency, profitability, reputation and business continuity of the operations, and which can be managed through the control environment created by the management.
- **Strategic Risks:** Risk factors arising from the country, geography and competitive environment, in which Polisan Holding and Group Companies operate, and that may affect the continuation and sustainable growth of the relevant company.
- **Compliance Risks:** Legal sanctions that may be encountered in the event that applicable laws, standards, legal regulations, ethical rules and defined rules such as related intra-company policy and regulations are not followed; as well as risk factors related to reputation and material losses.
- **Disasters and Hazards:** Risk factors, for which emergency action plans are created and tested, such as fire, earthquake, and flood that can negatively affect the occupational health, safety and business continuity of Group Companies.

### The Number, Structure and Independence of Committees Established Within the Board

At Polisan Holding, committees are established in order for the duties and responsibilities of the Board of Directors to best be fulfilled, and for their activities to be carried out within the framework of specified regulations or procedures. The decisions taken as a result of the work carried out independently by the committees are presented to the Board of Directors as a proposal, with the final decision being taken by the Board of Directors. Members who serve on more than one committee provide communication between committees working on related topics, thereby increasing the opportunities for cooperation. The Board of Directors is of the opinion that the benefit expected from committee studies is being provided.

- **Financial Risks:** Asset-Liability risk, credibility, capital/indebtedness balance, exchange rate risk and other risk factors that may directly affect the financial status of Polisan Holding and Group Companies.

## Audit Committee

On October 25, 2019, Polisan Holding BoD determined members of the Audit Committee, which was established as per its decision dated May 4, 2012, as follows:

Name - Surname	Duty	Essence of the Board Membership
Şeref Taşkın	Audit Committee Chairman	Independent Board Member
Arif Başer	Audit Committee Member	Independent Board Member
Zafer Kurtul	Audit Committee Member	Board Member

The principles of the Audit Committee studies are stated below. In 2019, the Audit Committee; mainly reviewed the presentations of the Audit Directorate and evaluated the audit studies on information security and monitoring of third party risk. In addition, the Audit Committee submitted its opinions to the Board of Directors in writing via 3 reports regarding the selection of the independent auditor, and on the fairness and accuracy of the annual and interim financial statements to be disclosed to the public, as well as their compliance with the accounting principles applied by Polisan Holding.

The Audit Committee is responsible for:

- Approving the risk-focused audit plan, monitoring whether the warnings and suggestions included in the audit reports have been implemented and informing the Board of Directors on all these issues;
- Taking the opinions of the responsible managers and independent auditors of Polisan Holding and Group Companies, and submitting them to the Board of Directors in writing with their own evaluations regarding the fairness and accuracy of the annual and interim financial statements to be disclosed to the public, as well as their compliance with the accounting principles applied by Polisan Holding.
- Determining the independent audit services to be received, selecting the institution to provide the service and submitting this process for the approval of the Board of Directors.
- Submitting its opinions and suggestions to the Board of Directors regarding the internal control system, including information technologies security and controls, by evaluating the reports prepared by the management of Polisan Holding and Group Companies, the independent audit firm and Polisan Holding Audit Directorate.
- Reviewing management's monitoring of the compliance of Polisan Holding and Group Companies to business conduct and ethical rules, as well as issuing abuse risk assessments, and delivering abuse and rules of business conduct and code of ethics training.
- Preventing any conflict of interest that may arise among the members of the BoD, managers, and other employees of Polisan Holding and Group Companies; and supporting regulations to prevent abuse of trade secrets.

In 2019, the Audit Committee held 6 meetings.

## Corporate Governance Committee

On October 25, 2019, Polisan Holding BoD determined members of the Corporate Governance Committee, which was established as per its decision dated May 4, 2012, as follows:

Name - Surname	Duty	Essence of the Board Membership
Arif Başer	Corporate Governance Committee Chairman	Independent Board Member
Mehmet Emin Bitlis	Corporate Governance Committee Member	Chairman of Polisan Holding BoD
Varol Ürel	Corporate Governance Committee Member	Accounting Manager/Investor Relations Manager

The Corporate Governance Committee identifies whether or not Corporate Governance Principles are applied within Polisan Holding; determines conflict of interests that stem from not fully complying with these principles; and gives remedial advice to the BoD on corporate governance practices. Furthermore, it helps the BoD to manage the relations between Polisan Holding and its shareholders, and for that matter monitors Investor Relations activities. As per the Corporate Governance Principles, both of the members of the Audit Committee and the Chairman of the Corporate Governance Committee shall be the independent member. Due to the fact that there are three independent members at Polisan Holding's BoD, the same member is assigned to more than one committee on the BoD.

In 2019, the Corporate Governance Committee held 2 meetings.

## Candidate Nomination Committee and Compensation Committee

On October 25, 2019; Polisan Holding reiterated its decision dated June 24, 2014, not to establish a Candidate Nomination Committee and Compensation Committee; and to carry out the duties of the aforementioned committees through the Corporate Governance Committee in compliance with the Corporate Governance Principles.

## The Early Detection of Risk Committee

On October 25, 2019, Polisan Holding BoD determined members of the Early Detection of Risk Committee, which was established as per its decision dated May 4, 2012, as follows:

Name - Surname	Duty	Essence of the Board Membership
Şeref Taşkın	Early Detection of Risks Committee Chairman	Independent Board Member
Esra Yazıcı	Early Detection of Risks Committee Member	Independent Board Member
Ahmet Çağışan Yılmaz	Early Detection of Risks Committee Member	Polisan Holding CFO

The Early Detection of Risk Committee detects, evaluates, and measures the impact and possibilities of strategic, operational, financial, legal, and all other risks, which may jeopardize the existence, development, and continuity of Polisan Holding; it takes these risks into consideration in Polisan Holding's decision making mechanism and manages them in compliance with the corporate risk handling profile; establishes necessary internal audit systems related to such risks; takes actions for the implementation and reporting of measures, and submits proposals to, and supports the BoD for effective management.

The Early Detection of Risk Committee is responsible for ensuring the integration of the risk management and internal control systems with Polisan Holding's corporate structure; monitoring whether the risk management implementation of the relevant departments is compliant with the committee decisions; fulfilling other duties given/to be given to the committee by CMB legislation and the Turkish Commercial Code, and acknowledging the final decision maker BoD in writing or verbally regarding its evaluation and advice.

In 2019, the Early Detection of Risk Committee held 6 meetings.

Within the scope of risk management; Polisan Holding monitors all financial, operational, strategic, and legal developments, in addition to business continuity and reputational risk, across all of its various operational areas.

Within this context, Polisan Holding monitors the issues in regards to

- The financial risks related to the use of imported raw materials and f/x rate fluctuations;
- Risk regarding to the use of chemical materials at its production facilities;
- The effect of the use of external sources for investments on the financial structure of the related Company;
- The competition and tax regulations in its operational areas;
- Development in environmental regulations;
- Cyber security risks;
- Risk related to receivables and payables;
- Liquidity based risks;
- Its portfolio of real estates, which is composed of illiquid investments;

and takes measures to minimize the potential effect of risks.

## STATEMENT OF INDEPENDENCE

I hereby declare that I comply with the below criteria stated in Capital Markets Board ("CMB") Article 4.3.6 of Annex 1 of the Communiqué on Corporate Governance Numbered II-17.1, and that I am a candidate for independent board membership in this regard, and that I meet the following stipulations;

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods.

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

ç) Not to be a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.

d) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

f) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.

g) Not to have conducted membership of board of directors more than a term of six years in the last ten years.

ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange.

h) Not to be registered and announced as a board member representing a legal entity.

Arif Başer

## STATEMENT OF INDEPENDENCE

I hereby declare that I comply with the below criteria stated in Capital Markets Board ("CMB") Article 4.3.6 of Annex 1 of the Communiqué on Corporate Governance Numbered II-171, and that I am a candidate for independent board membership in this regard, and that I meet the following stipulations;

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods.

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

ç) Not to be a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.

d) To be residing in Turkey in accordance with the Income Tax Law (I.T.L.) dated 31 December 1960 and numbered 193.

e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

f) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.

g) Not to have conducted membership of board of directors more than a term of six years in the last ten years.

ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange.

h) Not to be registered and announced as a board member representing a legal entity.

Şeref Taşkın

## STATEMENT OF INDEPENDENCE

I hereby declare that I comply with the below criteria stated in Capital Markets Board ("CMB") Article 4.3.6 of Annex 1 of the Communiqué on Corporate Governance Numbered II-171, and that I am a candidate for independent board membership in this regard, and that I meet the following stipulations;

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods.

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

ç) Not to be a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation.

d) To be residing in Turkey in accordance with the Income Tax Law (I.T.L.) dated 31 December 1960 and numbered 193.

e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

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ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange.

h) Not to be registered and announced as a board member representing a legal entity.

Esra Yazıcı

## CORPORATE PROFILE

<b>Company Name:</b>	Polisan Holding A.Ş.
<b>Address of Headquarters:</b>	Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Caddesi No: 7 Dilovası – KOCAELİ
<b>Address of Main Branch:</b>	Hilltown Ofis, Aydınevler Mah. Siteler Yolu Cad. 28 No: 1/A 34854 Küçükyalı, MALTEPE / İSTANBUL
<b>Trade Registry:</b>	Gebze Ticaret Odası – 5769 / İstanbul Ticaret Odası – 615757
<b>Subjected Legal Regulations:</b>	Laws of Republic of Turkey
<b>Telephone Number</b>	00 90 216 578 56 00
<b>Fax Number:</b>	00 90 216 573 77 97
<b>Internet Address:</b>	www.polisanholding.com.tr
<b>Capital:</b>	TRY 758,500,000
<b>Registered Capital:</b>	TRY 1,000,000,000
<b>The Bourse where shares are traded:</b>	Bourse İstanbul – Primary Market Group 1*
<b>Date of Quotation on the Bourse:</b>	24-May-12
<b>Ticker Symbol:</b>	POLHO
<b>Independent Auditor:</b>	Güney Bağımsız Denetim ve SMMM A.Ş.
<b>Independent Auditor's Address:</b>	Eski Büyükdere Cad. Orjin Maslak No: 27 34398 Maslak - Sarıyer / İSTANBUL

\* POLHO shares were traded on the Star Market prior to the equity market structural change of November 4, 2019 in accordance with the regulation enacted by Board decision.

### Disclaimer

This Annual Report (“Report”) is prepared solely to provide information to the shareholders, and is not intended to form the basis of any investment decisions. The realization of forward-looking opinions and estimated figures in this Report may differ depending on the variables and assumptions on which the relevant estimates are based. Accordingly, Polisan Holding, and its Board members, advisors, or employees shall not be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or omission from, this Report, or on any other information or communications in connection with the Report.

All information contained in this Report was believed to be accurate at the time of publication. Polisan Holding accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation.



A large, solid red shape that starts as a vertical line on the left and curves smoothly towards the right, ending in a rounded top-right corner. It occupies the left and bottom portions of the page.

2019 Consolidated  
Financial Tables and  
Independent Audit Report



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

# **Polisan Holding A.Ş.**

**Consolidated financial statements  
for the year ended December 31, 2019  
together with independent auditors' report**

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

## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Polisan Holding A.Ş.

### A) Report on the Audit of the Consolidated Financial Statements

#### 1) Opinion

We have audited the consolidated financial statements of Polisan Holding A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter	Audit procedures in relation to key audit matter
<b><i>Valuation of investment properties</i></b>	
<p>In accordance with the related provision of TAS 40 "Investment Property" in the consolidated financial statements, the Group carries its investment properties with their fair values.</p> <p>As stated at note 13, the valuation of the investment properties is significant to our audit since they are highly dependent on a range of estimates involved in forecasting and discounting future cash flows with many of the key underlying assumptions, and therefore it is considered as a key audit matter.</p>	<p>We have assessed measured according to the revaluation model in the valuation reports, the suitability of the methods used by the appraisers about its investment properties over their fair values.</p> <p>We have assessed key assumptions such comparison of market data, cash flow forecasts, discount rate assumptions used by the management and in the external appraisers' reports, by involving valuation experts of another firm in our audit network.</p> <p>We have considered the objectivity, independence and expertise of the external appraisers.</p> <p>We have validated the mathematical accuracy of studies.</p> <p>In addition, the compliance of the information included in the financial statements and explanatory footnotes in accordance with TAS 40 within the scope of the aforementioned qualifying materializations have been questioned by us.</p>

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

<b>Trade receivables- Impairment</b>	
<p>Trade receivables are considered as a significant balance sheet item since they represent 11% of total assets in the consolidated statement of financial position. Furthermore, the collectability of trade receivables is a significant item of the Group's credit risk and working capital management and includes significant judgments and estimates of management.</p> <p>As of December 31, 2019, there is impairment amounting to TL 43.207.742 in total on the trade receivables amounting to TL 246.665.241 in the consolidated statement of financial position.</p> <p>Determining the collection risk for trade receivables and the provision to be set aside or determining whether a particular trade receivable is collectible requires significant management judgment. In this respect, the Group management evaluates the aging of trade receivables, the risks of ongoing lawsuits by obtaining letters from the company lawyers, the collaterals received within the scope of credit risk management and qualifications of such collaterals, the collection performance in the current period and subsequent period as well as all other information.</p> <p>The Group has adopted TFRS 9 "Financial Instruments" standard as of January 1, 2018 and as of this date, expected credit losses for financial assets are recognized in the consolidated financial statements in accordance with the related standard.</p> <p>Due to the size of the amounts and the reasoning required in the assessment of collectability of trade receivables and TFRS 9's applications are complex and comprehensive, the existence and collectability of trade receivables are considered as the key audit matter.</p>	<p>The following procedures have been applied to audit the amount of provision for trade receivables:</p> <p>Evaluation of the Group's trade receivable related to collection monitoring of trade receivables,</p> <p>Analytical analysis of the receivable aging tables and comparison of the trade receivable collection ratio with the previous year,</p> <p>Testing of trade receivable balances by sending confirmation letters via sample,</p> <p>Testing of subsequent collections made in the following period by sampling method,</p> <p>Testing of the collaterals received for the receivables through sampling and evaluating of the convertible ability of cash,</p> <p>The assessment of the reasonableness and appropriateness of the methods and data sources used in the calculation of the impairment by the key judgments and estimations used by the management, within the scope of TFRS 9 Financial Instruments standard,</p> <p>Investigation of disputes and lawsuits related to receivables for the purpose of checking the appropriateness of specific provisions for trade receivables, and obtaining confirmation letter regarding the proceedings from legal counsel,</p> <p>Evaluation of the adequacy of disclosures on impairment of trade receivables and trade receivables to TFRS.</p>

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<p><b><i>Deferred tax assets recognized under investment incentives</i></b></p>	
<p>The Group has received investment incentive certificates amounting to TL 315.361.910 within the scope of "Council of Ministers Decision on State Aid in Investments". As of December 31, 2019, TL 284.291.216 of investment expenditure was incurred within the scope of these investment incentives.</p> <p>As of 31 December 2019, deferred tax asset amounting to TL 48.926.719 in which TL 14.997.929 in the current period has been capitalized. As of 31 December 2019, the management of the Company recognized the deferred tax asset on the assumption that all of the expenses incurred within the scope of the investment incentive certificate will be accepted in the closing visa of the related investment incentives.</p> <p>Since, the extent to which such assets will be accounted for depends on the Company's significant estimate and assumptions, deferred tax assets recognized related with investment incentive are considered as a key audit matters.</p> <p>Explanations on deferred tax assets are disclosed in Note 28.</p>	<p>During the audit of deferred tax assets recognised related with investment incentive, the tax experts of another firm in our audit network were involved. The measurement of the related deferred tax assets was made for the review and evaluation by those tax experts.</p> <p>The taxable profit estimates based on the next 5 years business plans approved by the management have been questioned for the recoverability of the related deferred tax asset.</p> <p>Within the scope of our audit, the key assumptions used by the Company management in the business plans related to the subject have been examined and its reasonableness has been evaluated.</p> <p>The amounts of investment expenditures within the current period that constitute the basis of deferred tax asset calculations are verified by accounting records.</p> <p>In addition, the disclosures in the notes to the financial statements are evaluated in accordance with TAS 12.</p>
<p><b><i>Recoverability of Polisan Kansai Boya Sanayi ve Ticaret A.Ş. ("Polisan Kansai")</i></b></p>	
<p>As of 31 December 2019, as stated in Note 12 to the consolidated financial statements; the investment accounted for using equity method, Polisan Kansai, which is owned by the Group by 50%, is presented in the consolidated financial statements with the carrying value of TL 423.382.973 (19% of total assets). Polisan Kansai has profit in the years 2019 and has losses in the years 2018. The Group Management's assessment of the recoverable amount of Polisan Kansai requires the use of significant estimates and assumptions. Changes in these assumptions may affect the recoverable value of Polisan Kansai, leading to impairment.</p>	<p>During our audit work, the methods and assumptions used in the valuation studies prepared by the management were reviewed, together with the experts of another company within the same audit network we are affiliated with. The business plans approved by management were questioned in light of macroeconomic data and sector explanations. Reasonableness of cash flow estimations were tested through comparison with previous year. tested whether the discount rates used were reasonable and also tested the mathematical accuracy of the valuation studies was tested. In addition, we reviewed the accuracy of the information in the footnotes related to the financial statements.</p>



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**4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

## 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**B) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 2 March 2020.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Ferzan Ülgen, SMMM  
Partner

2 March 2020  
Istanbul, Turkey



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

**Polisan Holding A.Ş.**

**Consolidated statement of financial position as  
of December 31, 2019**

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

	Notes	Reclassified (Note 2.6)	
		Current period	Prior period
		Audited	Audited
Assets		December 31, 2019	December 31, 2018
<b>Current assets</b>		<b>616.853.795</b>	<b>680.043.054</b>
Cash and cash equivalents	4	179.026.662	153.828.929
Financial investments	5	-	100.000
Trade receivables	7	246.665.241	279.959.310
- Trade receivables from related parties	30	5.779.078	11.798.830
- Trade receivables from third parties		240.886.163	268.160.480
Other receivables	8	20.652.153	77.747.308
- Other receivables from related parties	30	15.870	78.892
- Other receivables from third parties		20.636.283	77.668.416
Inventories	9	136.690.124	148.642.367
Prepaid expenses	10	4.964.152	11.690.051
Current income tax assets	11,28	684.596	5.013.151
Other current assets	20	12.546.742	3.061.938
<b>Subtotal</b>		<b>601.229.670</b>	<b>680.043.054</b>
Assets held for sale	17	15.624.125	-
<b>Non-current assets</b>		<b>1.666.526.640</b>	<b>1.538.921.246</b>
Other receivables	8	449.980	411.969
- Other receivables from third parties		449.980	411.969
Investments accounted using the equity method	12	434.022.908	420.478.092
Investment properties	13	288.800.733	262.425.908
Tangible assets	15	832.465.998	794.684.400
Right of use assets	14	48.481.824	-
Intangible assets	16	2.134.303	3.135.076
Prepaid expenses	10	41.022.877	40.845.845
Deferred tax assets	28	17.454.525	16.276.504
Other non current assets		1.693.492	663.452
<b>Total assets</b>		<b>2.283.380.435</b>	<b>2.218.964.300</b>

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

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

**Polisan Holding A.Ş.**

**Consolidated statement of financial position as  
of December 31, 2019  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)**

		<i>Reclassified (Note 2.6)</i>	
		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
<b>Liabilities</b>	<b>Notes</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Current liabilities</b>		<b>467.234.531</b>	<b>570.386.838</b>
Short term borrowings	6	67.689.569	114.316.676
Short term portion of long term borrowings	6	165.562.876	209.830.191
Trade payables	7	206.009.724	214.714.877
- Trade payables to related parties	30	1.631.067	389.856
- Trade payables to third parties		204.378.657	214.325.021
Employee benefit obligations	19	6.464.997	5.099.642
Other payables	8	2.451.423	2.205.206
- Other payables to related parties	30	-	230.314
- Other payables to third parties		2.451.423	1.974.892
Deferred income	10	3.077.209	2.455.115
Current income tax liabilities	28	1.539.610	-
Short term provisions	18	6.915.086	16.826.308
- Short term provisions for employee benefits		1.604.864	-
- Other short term provisions		5.310.222	16.826.308
Other current liabilities	20	7.524.037	4.938.823
<b>Non-current liabilities</b>		<b>378.796.256</b>	<b>155.355.044</b>
Long term borrowings	6	291.856.027	60.730.085
Long term provisions	19	13.714.571	12.054.512
- Provisions for employee termination benefits		13.714.571	12.054.512
Deferred tax liabilities	28	73.225.658	82.570.447
<b>Equity</b>		<b>1.437.349.648</b>	<b>1.493.222.418</b>
<b>Equity holders of the parent</b>		<b>1.437.349.648</b>	<b>1.464.117.336</b>
Paid-in share capital	21	758.500.000	370.000.000
Adjustment to share capital	21	1.467.266	1.467.266
Share premium/discounts		23.130.220	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss	21	306.274.457	310.362.796
- Revaluation and measurement gain / loss		306.274.457	310.362.796
Defined benefit plans re-measurement gain / (loss)		(15.695.076)	(11.959.605)
Tangible assets revaluation		321.969.533	322.322.401
Other comprehensive income or expense to be reclassified to profit/(loss)		(27.880.309)	(24.296.329)
- Currency translation differences		(27.880.309)	(24.296.329)
Restricted reserves		47.455.147	42.221.733
Other reserves	21	(208.727.832)	(208.727.832)
Retained earnings		471.801.876	922.130.032
Profit for the period		65.328.823	27.829.450
<b>Non-controlling interests</b>	21	-	<b>29.105.082</b>
<b>Total liabilities and equity</b>		<b>2.283.380.435</b>	<b>2.218.964.300</b>

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

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

**Polisan Holding A.Ş.**

**Consolidated statement of profit or loss  
for the period between January 1 - December 31, 2019  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

		<i>Audited</i>	<i>Reclassified (Note 2.6) Audited</i>
	<b>Notes</b>	<b>January 1- December 31, 2019</b>	<b>January 1- December 31, 2018</b>
<b>Profit and loss</b>			
Revenue	22	1.013.089.850	1.163.336.570
Cost of sales (-)	22	(848.864.762)	(972.650.085)
<b>Gross profit from commercial activities</b>		<b>164.225.088</b>	<b>190.686.485</b>
Research and development expenses (-)	23	(5.347.460)	(2.401.299)
Marketing expenses (-)	23	(13.417.721)	(13.636.213)
General administrative expenses (-)	23	(76.739.759)	(45.199.602)
Other operating income	25	12.312.519	15.814.814
Other operating expenses (-)	25	(24.268.728)	(39.020.372)
Profit/Loss from investments accounted using the equity method	12	2.716.150	(30.135.429)
<b>Operating profit</b>		<b>59.480.089</b>	<b>76.108.384</b>
Income from investment activities	26	44.821.708	12.645.597
Expense from investment activities (-)	26	(3.406.345)	(6.782.390)
<b>Operating profit before financial income/expense</b>		<b>100.895.452</b>	<b>81.971.591</b>
Financial income	27	25.671.498	75.082.256
Financial expenses (-)	27	(62.972.487)	(110.390.121)
<b>Profit before tax from continuing operations</b>		<b>63.594.463</b>	<b>46.663.726</b>
<b>Continuing operations tax income/expense</b>			
- Current tax expense	28	(9.348.735)	(28.791.243)
- Deferred tax income/expense	28	9.002.341	12.429.717
<b>Profit for the period from continuing operations</b>		<b>63.248.069</b>	<b>30.302.200</b>
<b>Profit for the period attributable to:</b>			
Non-controlling interests		(2.080.754)	2.472.750
Equity holders of the parent		65.328.823	27.829.450
<b>Earnings per share</b>			
-Earnings per share from continuing operations	29	<b>0,086</b>	<b>0,037</b>
-Earnings per share from discontinuing operations		0,086	0,037
		-	-

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

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

**Polisan Holding A.Ş.**

**Consolidated statement of other comprehensive income  
for the period between January 1 - December 31, 2019  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

		<i>Reclassified (Note 2.6)</i>
	<i>Audited</i>	<i>Audited</i>
	January 1- December 31, 2019	January 1- December 31, 2018
	Notes	
<b>Profit for the period</b>	<b>63.248.069</b>	<b>30.302.200</b>
<b>Other comprehensive income:</b>		
<b>Items not to be reclassified to profit or loss</b>	<b>(3.701.248)</b>	<b>7.978.756</b>
- Defined benefit plans re-measurement gain/(loss)	19 (4.002.594)	(1.309.022)
- <i>Defined benefit plans re-measurement gain/(loss), tax effect</i>	28 800.519	261.804
- Tangible assets revaluation gain	15 262.441	-
- <i>Tangible assets revaluation gain, tax effect</i>	28 (62.986)	-
- Defined benefit plans re-measurement gain/(loss) of investments accounted by equity method	12 (873.285)	(710.033)
- Tangible assets revaluation gain of investments accounted by equity method	12 -	10.660.000
- Shares not to be classified in profit or loss from other comprehensive income of investments accounted by equity method, tax effect	12 174.657	(923.993)
- <i>Defined benefit plans re-measurement gain(loss) of investments accounted by equity method, tax effect</i>	174.657	142.007
- <i>Tangible assets revaluation gain of investments accounted by equity method, tax effect</i>	-	(1.066.000)
<b>Items to be reclassified to profit or loss</b>	<b>(3.487.420)</b>	<b>(8.484.476)</b>
- Currency translation differences gain / (loss)	(3.467.735)	(11.051.383)
- Currency translation differences gain/(loss) of investments accounted using equity method	12 (19.685)	2.566.907
<b>Other comprehensive income</b>	<b>(7.188.668)</b>	<b>(505.720)</b>
<b>Total comprehensive income</b>	<b>56.059.401</b>	<b>29.796.480</b>
<b>Attributable to:</b>		
Non-controlling interest	(2.203.223)	2.492.533
Equity holders of the parent	58.262.624	27.303.947

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

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

**Polisan Holding A.Ş.**

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

	Notes	Paid in share capital	Adjustment to share capital	Share premium	Other accumulated comprehensive income/expense not to be classified to profit or loss	Revaluation and measurement gain / loss
					Defined benefit plans re-measurement gain / (loss)	Tangible assets revaluation increase
<b>Balance at January 1, 2019</b>		<b>370.000.000</b>	<b>1.467.266</b>	<b>23.130.220</b>	<b>(11.959.605)</b>	<b>322.322.401</b>
Restatement effect (Note 2.5)		-	-	-	-	-
<b>Balance at January 1, 2019 (restated)</b>		<b>370.000.000</b>	<b>1.467.266</b>	<b>23.130.220</b>	<b>(11.959.605)</b>	<b>322.322.401</b>
Dividends	21	-	-	-	-	-
Transfers to reserves and retained earnings		388.500.000	-	-	-	-
Transactions with non-controlling interest parties*		-	-	-	-	-
Total comprehensive income		-	-	-	(3.735.471)	(352.868)
- Profit for the period		-	-	-	-	-
- Other comprehensive income/expense		-	-	-	(3.735.471)	(352.868)
<b>Balance at December 31, 2019</b>		<b>758.500.000</b>	<b>1.467.266</b>	<b>23.130.220</b>	<b>(15.695.076)</b>	<b>321.969.533</b>
<b>Balance at January 1, 2018</b>		<b>370.000.000</b>	<b>1.467.266</b>	<b>23.130.220</b>	<b>(10.270.784)</b>	<b>312.900.151</b>
Dividends	21	-	-	-	-	-
Transfers to reserves and retained earnings		-	-	-	-	(171.751)
Total comprehensive income		-	-	-	(1.688.821)	9.594.001
Profit for the period		-	-	-	-	-
- Other comprehensive income/expense		-	-	-	(1.688.821)	9.594.001
<b>Balance at December 31, 2018</b>		<b>370.000.000</b>	<b>1.467.266</b>	<b>23.130.220</b>	<b>(11.959.605)</b>	<b>322.322.401</b>

(\*) In 2019, Polisan Kimya, a subsidiary of the Group, increased its Maroc S.A share by 19.93% from 80% for a consideration of TL 1.043.847 to 99.96%. TL 1.592.400 which is paid above the carrying value for the minority share of 19.93% is accounted under "Retained earnings" under shareholders' equity.

(\*) Poliport, a subsidiary of the Group, increased its total ownership to 100% by increasing its Poliport share, which was 93.35% in 2019, to a price of TL 83.538.103, by 6.65%. TL 56.033.894, which is paid above the carrying value for the minority share of 6.65% in this purchase, has been accounted under the "Retained earnings" account under equity.

he accompanying notes are an integral part of these financial statement

Other  
accumulated  
comprehensive  
income/expens  
e to be  
classified to  
profit or loss

Accumulated profit

Currency translation differences	Restricted reserves	Other reserves	Retained earnings	Net profit	Equity holders of the parent	Non-controlling interests	Total equity
<b>(24.296.329)</b>	<b>42.221.733</b>	<b>(208.727.832)</b>	<b>922.130.032</b>	<b>27.829.450</b>	<b>1.464.117.336</b>	<b>29.105.082</b>	<b>1.493.222.418</b>
-	-	-	(2.350.221)	-	(2.350.221)	-	(2.350.221)
<b>(24.296.329)</b>	<b>42.221.733</b>	<b>(208.727.832)</b>	<b>919.779.811</b>	<b>27.829.450</b>	<b>1.461.767.115</b>	<b>29.105.082</b>	<b>1.490.872.197</b>
-	-	-	(25.000.000)	-	(25.000.000)	-	<b>(25.000.000)</b>
-	5.233.414	-	(365.903.964)	(27.829.450)	-	-	-
(53.798)	-	-	(57.626.294)	-	(57.680.092)	(26.901.858)	<b>(84.581.950)</b>
(3.530.182)	-	-	552.323	65.328.823	58.262.625	(2.203.224)	<b>56.059.401</b>
-	-	-	-	65.328.823	65.328.823	(2.080.754)	<b>63.248.069</b>
(3.530.182)	-	-	552.323	-	(7.066.198)	(122.470)	<b>(7.188.668)</b>
<b>(27.880.309)</b>	<b>47.455.147</b>	<b>(208.727.832)</b>	<b>471.801.876</b>	<b>65.328.823</b>	<b>1.437.349.648</b>	<b>-</b>	<b>1.437.349.648</b>
<b>(15.865.646)</b>	<b>40.062.818</b>	<b>(208.727.832)</b>	<b>846.985.924</b>	<b>98.631.272</b>	<b>1.458.313.389</b>	<b>26.612.549</b>	<b>1.484.925.938</b>
-	-	-	(21.500.000)	-	(21.500.000)	-	<b>(21.500.000)</b>
-	2.158.915	-	96.644.108	(98.631.272)	-	-	-
(8.430.683)	-	-	-	27.829.450	27.303.947	2.492.533	<b>29.796.480</b>
-	-	-	-	27.829.450	27.829.450	2.472.750	<b>30.302.200</b>
(8.430.683)	-	-	-	-	(525.503)	19.783	<b>(505.720)</b>
<b>(24.296.329)</b>	<b>42.221.733</b>	<b>(208.727.832)</b>	<b>922.130.032</b>	<b>27.829.450</b>	<b>1.464.117.336</b>	<b>29.105.082</b>	<b>1.493.222.418</b>

he accompanying notes are an integral part of these financial statement

## Polisan Holding A.Ş.

**Consolidated statement of cash flows**  
**for the period between January 1- December 31, 2019**  
**(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

		Reclassified (Note 2.6)
	Audited	Audited
	January 1 - December 31, 2019	January 1 - December 31, 2018
	Notes	
<b>A. Cash flows from operating activities:</b>		<b>169.375.907</b>
<b>Profit/loss for the period</b>		<b>63.248.069</b>
- Profit for the period from continuing operations		63.248.069
<b>Adjustment for reconciliation of profit/loss for the period</b>		<b>88.825.744</b>
Adjustments for depreciation and amortization expenses	15,16	50.777.774
Adjustments related to provisions		9.261.110
- <i>Adjustments related to provisions (cancellations) for benefits provided to employees</i>	18,19	4.508.950
- <i>Adjustments to lawsuits and/or penalty provisions (cancellations)</i>	18	4.752.160
Adjustments for profit/loss on sale of tangible assets	26	(2.546.005)
Adjustments for profit/loss related to sale of investment property	26	255.546
Adjustments related to impairment ( <i>cancellations</i> )		11.022.324
- <i>Adjustments related to impairment of trade receivables (cancellations)</i>	7	11.763.312
- <i>Adjustments related to impairment of inventories (cancellations)</i>	9	(740.988)
Adjustments related to undistributed profit/losses of investments accounted using the equity method	12	(2.716.150)
Adjustments to tax expense/income	28	346.394
Adjustments for interest income and expense		15.796.955
- <i>Adjustments related to interest income</i>	26	(13.913.727)
- <i>Adjustments related to interest expenses</i>	27	29.852.685
- <i>Deferred financial income from deferred payment sale</i>	25	(142.003)
Adjustments related for increase in fair value		(25.211.177)
- <i>Adjustments related to fair value loss/(gain) of investment property</i>	26	(25.211.177)
- <i>Adjustments related to fair value loss/(gain) of derivative financial instruments</i>		-
Adjustment related to unrealized foreign currency translation differences		31.838.973
<b>Changes in working capital</b>		<b>78.754.529</b>
Adjustments for increase/decrease in trade receivables		21.530.757
Adjustments for increase/decrease in financial investments		100.000
Adjustments for increase/decrease in inventories		12.693.231
Adjustments for increase in other operational receivables		57.057.144
Adjustments for increase/decrease in prepaid expenses		1.632.511
Adjustments for increase/decrease in other assets related to operations		(10.514.842)
Adjustments for increase/decrease in trade payables		(8.563.150)
Adjustments for increase in other operational payables		246.217
Adjustments for increase/decrease in employee benefit obligations		1.365.355
Adjustments for increase/decrease in deferred income		622.094
Adjustments for increase/decrease in other operational liabilities		2.585.212
<b>Cash flows from operating activities</b>		<b>230.828.342</b>
Employee termination benefits paid	19	(5.246.621)
Tax payments/refunds		(3.480.570)
Other cash outflows	18	(16.268.246)
<b>B. Cash flows from investing activities</b>		<b>(174.960.372)</b>
Purchase of tangible/intangible assets	14,15,16	(95.912.130)
Proceeds from sale of tangible/intangible assets		6.936.375
Purchase of investment properties	13	(2.492.648)
Proceeds from sale of investment properties		1.073.454
Interest received		13.913.727
Cash outflows from subsidiaries and / or joint ventures share purchase or capital increase	12	(13.897.200)
Cash outflows related to additional share purchases in subsidiaries		(84.581.950)
<b>C. Cash flows from financing activities</b>		<b>(5.674.800)</b>
Dividends paid	21	(25.000.000)
Cash inflows from borrowings obtained	6	739.964.862
Cash outflows related to loan repayment	6	(694.962.773)
Interest paid		(20.065.090)
Cash outflows from lease agreements		(5.611.799)
<b>Net increase/decrease in cash and cash equivalents</b>		<b>25.197.733</b>
Cash and cash equivalents at the beginning of the period	4	153.828.929
Cash and cash equivalents at the end of the period	4	179.026.662

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

## Polisan Holding A.Ş.

### Notes to the consolidated financial statements for the period between January 1 - December 31, 2019 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

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

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

Istanbul branch of the Company is located in Hilltown AVM, Aydınevler Mah. Siteler Yolu Cad. 28 No:1/A Maltepe/İstanbul.

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

- *Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (Former title: Polisan Boya Sanayi ve Ticaret. A.Ş.)*
- *Tintomix Pigment Pasta Sanayi A.Ş.*
- *Polisan Kimya Sanayii A.Ş.*
- *Poliport Kimya Sanayi ve Ticaret A.Ş.*
- *Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş. (Former title: Polikem Kimya San. ve Tic. A.Ş.)*
- *Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.*
- *Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Tic. A.Ş.*
- *Polisan Hellas S.A.*
- *Polisan Rus Ltd.*
- *Polisan Maroc S.A.*

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

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

#### **Subsidiaries:**

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

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

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

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

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

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

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

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

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

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

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

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

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

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

**Polisan Rus Ltd. ("Polisan Rus"):**

Polisan Rus is dormant and has no financial statements.

**Polisan Maroc S.A. ("Maroc"):**

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

The average number of employees of the Company, it's subsidiaries and joint ventures for the year ended December 31, 2019 is 1.447 (December 31, 2018 – 1.477). In calculating the average numbers, the number of employees of Polisan Kansai Boya was taken as an integer, not weighted by the group's feelings.

**Joint ventures and Associates:**

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

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

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

Following the sale of 50% shares of Polisan Boya to Kansai Paint Co. Ltd. on December 21, 2016; the title has been changed as Polisan Kansai Boya Sanayi ve Ticaret A.Ş. (Note 3).

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

**Tintomix Pigment Pasta Sanayi A.Ş. ("Tintomix"):**

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

Tintomix was established in 2018 and company's registered office is located in Maden Mahallesi, Kasap Çayırı Mevkii Medya kent A9 No:2 Sarıyer/İstanbul.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

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

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

Rohm and Haas was established in 2004, and company's registered office is located in İçerenköy Mah. Umut Sok. No: 10/12 Kat: 3 Ataşehir/Istanbul. As of December 31, 2019 the average number of personnel employed by Rohm and Haas is 58 (December 31, 2018: 64).

**Approval of the financial statements**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 2, 2020. The General Assembly has the authority to amend the consolidated financial statements.

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

**2.1 Basis of presentation**

**2.1.1 Applicable financial reporting standards**

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

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

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

**2.1.2 Functional and presentation currency**

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

The functional currency of Rohm and Haas, associate of the Group is USD.

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

The functional currency of Polisan Maroc S.A. operating in Morocco is Moroccan Dirham.

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.1 Basis of presentation (continued)**

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

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

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

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

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

**IFRS 16 Leases**

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

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

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

**Transition to IFRS 16:**

The Group adopted IFRS 16 using the modified retrospective approach.

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.2 The new standards, amendments and interpretations (continued)**

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

	<b>January 1, 2019</b>
<b>Assets</b>	
Right of use assets	43.734.402
Prepaid expenses	(4.916.356)
<b>Total</b>	<b>38.818.046</b>
<b>Liabilities</b>	
Lease liabilities	38.818.046
<b>Total</b>	<b>38.818.046</b>

The standard is applied for annual periods beginning on or after 1 January 2019.

- Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)
- TFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The amendments are applied for the annual accounting periods starting on or after January 1, 2019. These amendments did not have a significant impact on the financial position or performance of the Group.

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

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The New Standard for insurance contracts
- Definition of a Business (Amendments to TFRS 3)
- Definition of Material (Amendments to TAS 1 and TAS 8)
- Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

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

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

- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies**

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

**Group accounting**

(a) The consolidated financial statements include the accounts of the parent company Polisan Holding, its Subsidiaries, Joint Ventures and Associates on the basis set out in sections (b) to (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "TAS/TFRS" and the application of uniform accounting policies and presentation.

(b) Subsidiaries are companies on which the Company has rights or exposed to variable returns from its involvement with the investee and at the same time it has the power to affect these returns through its power over the investee by constituting the power to control the activities of the these companies. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and the statement of profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the subsidiaries held by the Company is eliminated against the related equity of the Subsidiaries. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by the Company in its Subsidiaries and the associated dividends are eliminated from equity and income for the period, respectively.

As of December 31, 2019 and 2018 the Group's proportion of ownership interests of subsidiaries has been shown in the following table:

Title of the subsidiary	Shares owned by the Group (%)		Effective ownership rate (%)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Polisan Kimya	100,00	100,00	100,00	100,00
Poliport	100,00	93,35	93,35	93,35
Polisan Yapı	100,00	100,00	100,00	100,00
Polisan Tarım	100,00	100,00	100,00	100,00
Polisan Hellas	100,00	100,00	100,00	100,00
Polisan Rus Ltd. (*)	90,00	90,00	90,00	90,00
Polisan Maroc	99,96	80,00	99,96	80,00

(\*) The subsidiary is inactive.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

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

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

The table below sets out ownership interests of the Group in its joint ventures and associates included as of December 31, 2019 and 2018:

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

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

**Segment Reporting**

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Board of Directors is considered as the chief operating decision-maker.

**Related parties**

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity,
  - (ii) has significant influence over the reporting entity,
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

- b) An entity is related to a reporting entity if any of the following conditions applies
- (i) The entity and the reporting entity are members of the same group,
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
  - (iii) Both entities are joint ventures of the same third party,
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity),
  - (vi) The entity is controlled or jointly controlled by a person identified in (a),
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board of Directors members, in each case together with their families and companies controlled by/or affiliated with them, subsidiaries and associates are considered and referred to as related parties. During the ordinary course of business, the Group may enter into transactions with some related parties.

**Financial instruments**

***Classification***

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

Financial assets are not reclassified after initial recognition, except where the business model that the Group uses in the management of financial assets has changed; In case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

**Accounting and Measurement**

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income

**(a) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held in banks with maturities of 3 months or less and other short-term liquid investments. Cash and cash equivalents used in consolidated statement of cash flows includes cash and cash equivalents with maturities of less than 3 months less accrued interest income.

**(b) Trade receivables**

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 1 year). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the provision is credited to other operating income.

If the amount of the impairment subsequently decreases due to partial/full collection, the release of the provision is credited to operating income in the current period.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Financial liabilities**

The Company's financial liabilities and equity instruments are classified according to the definition basis of the financial liability and the equity instrument or contractual arrangements. The contracts that represent the rights of net assets which are free of the Company's entire liabilities are financial liabilities based on equity.

Financial liabilities are recognized at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within the expected life of the asset or in a shorter period.

**(a) Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the consolidated statement of profit or loss over the period. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(b) Trade Payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Recognition and de-recognition of financial instruments**

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

The asset is recognized in the consolidated financial statements to the extent that the Group has transferred its rights to receive cash flows from on asset where all the risks on rewards and control of the asset is not transferred relating to the relation of the Group with the asset.

The financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Inventories**

Costs incurred in bringing each product to its present location and condition, are accounted as cost of inventories. The cost of inventories is determined with the weighted average method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

**Property, plant and equipment**

Property, plant and equipment (except land, land improvements, buildings and port facility) are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of Property, plant and equipment generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost of property, plant and equipment except land and the construction in progress is amortised by using prorated depreciation for the straight-line and diminishing balance depreciation methods over their estimated useful lives. The depreciation method is determined by considering the expected consumption pattern determined by the Group in accordance with the expected future economic benefits of the asset. Expected useful lives, residual values and the depreciation method are reviewed annually in order to reflect the changes in estimations and if appropriate, such changes are accounted in the following periods. The estimated useful lives of the assets are as follows:

	<b>Useful lives</b>
Buildings	10 - 50
Land improvements	10 - 20
Machinery and equipment	5 - 20
Port facility	The remaining rental period
Motor vehicles	5 - 10
Furniture and fixtures	5 - 15
Other tangible assets	5 - 15
Leasehold improvements	5 - 10

Subsequent costs, such as repairs and maintenance or part replacement of property, plant and equipment, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. All other costs are charged to the statements of profit or loss during the financial year in which they are incurred. Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

The Group recognizes land, land improvements, buildings and port facility with revaluation method. For this purpose, these assets are revalued according to independent appraisal reports by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş., a CMB licensed real estate appraisal company.

The frequency of revaluation depends on fluctuations in the fair value of the property, plant and equipment, 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.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

Increases in the value of the tangible assets as a result of the revaluation are recognized in "Revaluation and measurement gain/loss" under equity. However, an increase in revaluation would be transferred to the income statement to the extent of impairment in revaluation of the same property, plant and equipment which has been previously recognized as an expense. If the net book value of property, plant and equipment is decreased after revaluation, this decrease is recognized in income statement as an expense.

However, if a revaluation and classification gain has been previously recognized for the asset, the decrease is at first deducted from this account and in case the impairment charge is higher than the balance of this account, the excess amount is recognized in the statement of profit or loss.

Depreciation of the revalued assets is recognized in the statement of profit or loss. The revaluation residue stemming from the sale or retirement of the revalued asset is directly transferred to the undistributed profits. Unless the asset is disposed, the revaluation fund cannot be transferred to the undistributed profits.

Port facility

In accordance with the agreements signed between the Company and Treasury of Finance and Turkish State Railways (Türkiye Cumhuriyeti Devlet Demiryolları "TCDD"), the Group has right to use the property located in Dilovası as a dock, port side, bulkhead line and constructing the storage tank area which has an area of 154.672,68 m2, 142.564,68 m2 of which is registered to Treasury of Finance and 12.108 m2 of which is registered to TCDD. Investments made for the purpose of operating this property as port facility are recognized as a separate group of asset as Port facility in property, plant and equipment. The Group accounts this group of asset with revaluation method and identified the highest and best use of the asset as a basis in measuring the fair value of the asset. As the use of port facility investments as a group of assets creates the highest value and the allocation of the estimated fair value was not applicable to the sub asset groups of the Port facility and use of a unique useful life is not expected to create a material impact, identified fair value is recognized as Port facility.

**Intangible assets**

Intangible assets mainly comprised of rights and software's and they are initially recognised at cost. Intangible assets are recognized when it is probable that future economic benefits will flow to the company and it is reliably estimated. After initial recognition, intangible assets measured at cost less accumulated amortization and any accumulated impairment losses (if exists). Intangible assets are amortised on a straight-line basis over their estimated useful lives specified below;

	<b>Useful lives</b>
Rights	3-15
Other intangible assets	3-15

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are accounted in the statement of comprehensive income in the period they occur.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Investment property**

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property".

Investment properties are measured at fair value and changes in fair value are recognized under statement of profit or loss. Fair value of an investment property is the price at which the property could be exchanged between or a payment of a debt between knowledgeable and willing parties in a market condition.

**Assets held for sale**

Non-current assets are classified as "assets held for sale" if their carrying amount will be recovered through a sale transaction rather using them and these assets are not depreciated. Assets held for sale are measured at the lower of carrying values and their fair values less costs to sell.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

**Impairment of non- financial assets**

The carrying amounts of assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). At each reporting date, non-financial assets are reviewed for any possible impairment.

**Financial leases**

**(a) The Group as the lessee**

*Finance leases*

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of profit or loss. Lease payments are deducted from finance lease liabilities.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

*Operational leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases offer the incentives obtained from the lesser are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

**(b) The Group as the lessor**

*Operational leases*

Assets leased out under operating leases are classified under investment properties in the consolidated statement of financial position and rental income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term.

**Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. If the financial lease payables are revalued, this figure is corrected.

The cost of the right-of-use asset includes:

- (a) initial direct costs incurred,
- (b) lease payments made at or before the commencement date less any lease incentives received, and
- (c) all initial direct costs incurred by the Group.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- (a) Fixed payments,
- (b) Variable lease payments that depend on an index or a rate,
- (c) Amounts expected to be paid under residual value guarantees
- (d) The exercise price of a purchase option reasonably certain to be exercised by the Group and
- (e) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Lease liabilities (continued)**

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, the Group determines the alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:

- (a) Increase the carrying amount to reflect the interest on the lease obligation, and
- (b) Decreases book value to reflect rental payments.

In addition, in the situation of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

**Short-term leases and leases of low-value assets**

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

**Revenue**

*TFRS 15 "Revenue from Contracts with Customers", which was effective as of 1 January 2018, has started to use the following five-stage model in recognizing revenue.*

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determination of the transaction amount in contracts
- Distribution of transaction fee to performance obligations
- Accounting for Revenue

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time.

If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

Revenue is recognized when customers are in control of goods or services related to performance obligations, such as goods or services transfer commitments.

- a) Ownership of the Company's right to collect goods or services,
- b) Ownership of the legal property of the customer by goods or services,
- c) Transfer of goods or services ownership,
- d) Ownership of significant risks and rewards arising from the ownership of the goods or services,
- e) Considering to conditions of the customer accept goods or services.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

The Company does not adjust for the effect of an important financing component at the contracted price if the customer foresees at the beginning of the contract that the period between the date of the transfer of the goods or services to which the customer commits to the customer or the date when the customer pays the price of such goods or services will be one year or less. Otherwise, if there is an important financing element within the proceeds, the revenue value is determined by discounting the future collections with the interest rate within the financing element. The difference is recognized as other income from operating activities on an accrual basis.

*Service Revenues*

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. A service revenue is accounted when the cost of service is incurred and reliably estimated and consideration for the service is reliably measured and it is probable that the economic benefit of the consideration of the service will flow to the entity. In case of the service activity affects more than one accounting period, in addition to the above criteria, when the realized cost of services and the cost of services to be realized in following periods and percentage of completion are reliably measured, the service revenue is recognised by "percentage of completion method". The port services given by Poliport is not related to more than one accounting period.

*Dividend Income and Interest Income*

Interest income is recognized using the effective interest method where the effective interest refers to the interest rate that equalizes the estimated cash inflows to the carrying amount of the financial asset. Interest income is recognised in the income statement on an accrual basis.

Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Dividend income from marketable securities is recognized as income when the shareholders have the right to receive dividend.

**Foreign currency transactions**

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under consolidated statements of profit or loss.

The exchange rates which have been used end of the period as below:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
USD	5,9402	5,2609
EURO	6,6506	6,0280
GBP	7,7765	6,6528

**Share purchase - sale transactions with non-controlling shareholders**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For the share purchases from non-controlling interests, the difference between the consideration paid and the net asset share of the respective non-controlling interest is accounted under equity. In case of sale of shares to the non-controlling interest, differences between any proceeds received and the net asset share of the respective shares are also recorded under equity.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Subsequent events**

Subsequent events comprise all events occurred between the balance sheet date and the authorization date for issuance of the balance sheet even if any announcement related with the profit or other selected financial information occurred after their announcement to the public.

The Company updates its consolidated financial statements and respective disclosures that relate to conditions that existed at the end of the reporting period to regarding any new information that they receive after the reporting period which require amendment.

**Provisions, contingent assets and liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimation of the amount can be made.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate is determined by taking into consideration the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Contingent assets and liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

**Taxes on income**

Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date.

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

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences (including unused incentive amounts and carried forward tax losses of prior years) are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

The parent company Polisan Holding recognizes deferred tax asset for all deductible temporary differences arising from investments in Subsidiaries, only to the extent below conditions are met and when those are probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The parent company Polisan Holding recognizes deferred tax liability for all taxable temporary differences associated with investments in Subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Taxes on income (continued)**

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity. When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority with the condition of being same taxpayer entity and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

**Provisions for employee benefits**

**(a) Provision for employee termination benefits**

The provision for employee termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees.

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gain/losses.

In accordance with TAS 19 "Employee Benefits" effective before 1 January 2013, the actuarial gain/losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under other comprehensive income.

**(b) Defined contribution plans**

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognised as an employee benefit expense when they are accrued.

**(c) Vacation pay liability**

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

**Statement of cash flow**

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.3 Summary of significant accounting policies (continued)**

**Government grants**

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard.

**Earnings per share**

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in the statement of profit or loss in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date are as follows:

- a) The calculation of provision for employee termination benefits involves making assumptions on discount rates, inflation rates, future salary increases and turnover rate. Effects of the changes in these assumptions in the current period are recognized in the current year consolidated comprehensive income. Details of the assumptions related to employee benefits are disclosed in Note 19.
- b) In determination of provision for litigations, the management considers the probability of legal cases to be resulted against the Company and in case it is resulted against the Company considers its consequences based on the assessments of legal advisors. The Company management makes its best estimates using the available data for providing required.
- c) The Group management has made significant assumptions especially for determination of useful lives of the buildings, machinery equipment and port facilities based on experiences of technical team.
- d) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. The Company management also considers the expectations of lawyers about the litigious receivables. During the evaluation of impairment of receivables, past performances, credit worthiness and subsequent performances of debtors (except the related parties and key customers) between balance sheet date to approval date of financial statements and renegotiated balances are considered. Also, except outstanding collaterals, collaterals that are acquired in the subsequent period until the approval date of the financial statements are also taken into consideration.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**2.4 Summary of significant accounting policies (continued)**

- e) Regarding inventory impairment provision, inventories are inspected physically and their usability is determined upon the opinion of the technical personnel and provision is booked for items which are estimated to be left unused. In the determination of net realizable value of inventories, data regarding the sale price list is used and estimations are made regarding the possible sales expenses. An impairment provision is accounted for the inventories if their net realizable value is lower than their costs.
- f) Fair value of investment properties land, buildings, land improvements and port facilities of the Group are obtained based on the valuation which is performed by a CMB licensed, non-related and real estate appraisal company. The valuation is done in accordance with International Valuation Standards by reference to the market prices for the similar real estate's where discounted cash flow and re-building valuation methods are also applied. In these valuations, a variety of estimations and assumptions (discount rates, sales comparison etc.) are used. Changes in these estimations and assumptions in subsequent periods may create a significant impact on the consolidated financial statements of the Group.
- g) Deferred tax assets and liabilities are recognised for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements by using currently enacted tax rates. It is considered that a portion or total of the deferred tax assets are probable to be converted or not converted into cash in accordance with the current evidences. The main factors taken into consideration are the potential of future periods' income, accumulated prior year's losses, tax planning strategies assumptions that all expenses incurred by the group within the scope of investment incentive certificates will be accepted in the closing visa to be applied when necessary and the nature of revenue that will be used to convert the deferred tax asset into cash.
- h) The Group considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as joint venture, affiliated at the rate of 50% and whose carrying value in the statement of financial position is TL 423.382.973 (December 31, 2018: TL 419.016.014) as of December 31, 2019 for possible impairment in every reporting period. The impairment analysis includes significant assumption of company's cash flow projections (Note 12).

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

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

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

The Group made the following change in the consolidated statement of financial position and shareholders' equity for the period ended December 31, 2018;

	Note	1 January- 31 December 2018 (restated)	1 January- 31 December 2018 (previously reported)	Difference
Investments accounted using the equity method	A	418.127.871	420.478.092	(2.350.221)
Retained earnings	A	919.779.811	922.130.032	2.350.221

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

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

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

- Deferred tax asset amounting to TL 39.046.669, which is shown as Deferred Tax Asset in the consolidated financial statements prepared as of 31 December 2018, is classified from the Deferred Tax Asset account to the Deferred Tax Liability account.
- In the consolidated financial statements prepared as of 31 December 2018, interest income amounting to TL 8.916.952 has been classified from financial income account to income from investment activities.
- In the consolidated financial statements prepared as of 31 December 2018, interest income amounting to TL 4.501.735, shown under cash flows from financing activities, has been presented by classifying from cash flows from financing activities to investing activities.

**2.7. Convenience Translation into English of Consolidated Financial Statements**

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**3. Segment reporting**

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

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

<b>Assets</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Chemical products	900.737.665	969.959.899
Port	633.345.996	501.350.695
Services	1.013.582.714	932.887.247
Real estate	282.976.628	256.983.024
<b>Combined</b>	<b>2.830.643.003</b>	<b>2.661.180.865</b>
Add: Carrying values of Joint Ventures (Note 12)	434.022.908	420.478.092
Less: Eliminations	(981.285.476)	(862.694.657)
<b>Consolidated</b>	<b>2.283.380.435</b>	<b>2.218.964.300</b>
<b>Liabilities</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

Chemical products	550.080.163	716.512.157
Port	219.748.885	54.141.508
Services	111.157.364	20.078.738
Real estate	69.212.322	59.518.800
<b>Combined</b>	<b>950.198.734</b>	<b>850.251.203</b>
Less: Eliminations	(104.167.948)	(124.509.321)
<b>Consolidated</b>	<b>846.030.787</b>	<b>725.741.882</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**3. Segment reporting (continued)**

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

	<b>Chemical products</b>	<b>Port</b>	<b>Services</b>	<b>Real estate</b>
Revenue	848.395.366	174.761.380	99.551.625	213.415
- Intra segment revenue	822.644.370	171.131.929	19.100.136	213.415
- Inter segment revenue	25.750.996	3.629.451	80.451.489	--
Cost of sales (-)	(784.085.715)	(98.334.108)	(91.729.208)	--
<b>Gross profit</b>	<b>64.309.651</b>	<b>76.427.272</b>	<b>7.822.417</b>	<b>213.415</b>
Operational expenses/income, net	(45.101.745)	(20.328.241)	(16.796.481)	(1.889.484)
Loss from investments accounted using the equity method	(4.699.658)	--	--	--
<b>Operating profit</b>	<b>14.508.248</b>	<b>56.099.031</b>	<b>(8.974.064)</b>	<b>(1.676.069)</b>
Income from investment activities	3.221.603	3.325.945	7.510.145	23.945.453
<b>Operating profit before financial income/expense</b>	<b>17.729.851</b>	<b>59.424.976</b>	<b>(1.463.919)</b>	<b>22.269.384</b>
Financial expenses	(43.814.099)	(10.907.648)	20.723.403	(3.302.645)
<b>Profit before tax from continuing operations</b>	<b>(26.084.248)</b>	<b>48.517.328</b>	<b>19.259.484</b>	<b>18.966.739</b>
<b>Tax income/(expense)</b>	<b>2.692.860</b>	<b>3.250.358</b>	<b>(4.519.086)</b>	<b>(2.666.656)</b>
<b>Profit for the period from continuing operations</b>	<b>(23.391.388)</b>	<b>51.767.686</b>	<b>14.740.398</b>	<b>16.300.083</b>
Depreciation and amortization	17.732.787	32.263.347	2.349.626	--
Investment expenditures	11.042.080	38.776.588	51.861.655	2.492.648
Finance income	1.236.088	1.936.448	14.206.633	--
Finance expense	20.536.522	8.726.175	4.182.917	3.301.608

Combined	Plus: Joint venture sharing profits and loses	Consolidation adjustments	Consolidated
1.122.921.786	--	(109.831.936)	1.013.089.850
1.013.089.850	--	--	1.013.089.850
109.831.936	--	(109.831.936)	--
(974.149.031)	--	125.284.269	(848.864.762)
148.772.755	--	15.452.333	164.225.088
(84.115.951)	--	(23.345.198)	(107.461.149)
(4.699.658)	7.415.808	--	2.716.150
59.957.146	7.415.808	(7.892.865)	59.480.089
38.003.146	--	3.412.217	41.415.363
97.960.292	7.415.808	(4.480.648)	100.895.452
(37.300.989)	--	--	(37.300.989)
60.659.303	7.415.808	(4.480.648)	63.594.463
(1.242.524)	--	896.130	(346.394)
59.416.779	7.415.808	(3.584.518)	63.248.069
52.345.760	--	(1.567.986)	50.777.774
104.172.971	--	(5.768.193)	98.404.778
17.379.169	--	(3.465.442)	13.913.727
36.747.222	--	(6.894.537)	29.852.685

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**3. Segment reporting (continued)**

Statement of profit or loss reporting for the period between January 1 - December 31 2018:

	<b>Chemical products</b>	<b>Port</b>	<b>Services</b>	<b>Real estate</b>
Revenue	945.655.719	159.717.972	127.144.012	2.308.506
- Intra segment revenue	911.286.774	156.345.060	93.396.230	2.308.506
- Inter segment revenue	34.368.945	3.372.912	33.747.782	-
Cost of sales (-)	(826.577.966)	(96.141.430)	(112.743.855)	(1.865.000)
<b>Gross profit</b>	<b>119.077.753</b>	<b>63.576.542</b>	<b>14.400.157</b>	<b>443.506</b>
Operational expenses/income, net	(53.021.050)	(21.856.098)	7.746.560	(1.811.900)
Loss from investments accounted using the equity method	(8.593.335)	-	-	-
<b>Operating profit</b>	<b>57.463.368</b>	<b>41.720.444</b>	<b>22.146.717</b>	<b>(1.368.394)</b>
Income from investment activities	1.506.475	2.471.059	8.101.379	(6.215.706)
<b>Operating profit before financial income/expense</b>	<b>58.969.843</b>	<b>44.191.503</b>	<b>30.248.096</b>	<b>(7.584.100)</b>
Financial expenses	(121.643.149)	(1.044.886)	74.815.328	(3.042.869)
<b>Profit before tax from continuing operations</b>	<b>(62.673.306)</b>	<b>43.146.617</b>	<b>105.063.424</b>	<b>(10.626.969)</b>
<b>Tax income/(expense)</b>	<b>634.878</b>	<b>2.767.452</b>	<b>(22.643.525)</b>	<b>1.538.881</b>
<b>Profit for the period from continuing operations</b>	<b>(62.038.428)</b>	<b>45.914.069</b>	<b>82.419.899</b>	<b>(9.088.088)</b>
Depreciation and amortization	15.746.724	28.729.828	2.179.481	-
Investment expenditures	17.157.892	60.690.786	1.118.590	-
Finance income	1.060.110	512.179	7.344.663	-
Finance expense	29.389.530	24.181	25.816	3.041.477

Combined	Plus: Joint venture sharing profits and loses	Consolidation adjustments	Consolidated
1.234.826.209	-	(71.489.639)	1.163.336.570
1.163.336.570	-	-	1.163.336.570
71.489.639	-	(71.489.639)	-
(1.037.328.251)	-	64.678.166	(972.650.085)
197.497.958	-	(6.811.473)	190.686.485
(68.942.488)	-	(15.500.184)	(84.442.672)
(8.593.335)	(21.542.094)	-	(30.135.429)
119.962.135	(21.542.094)	(22.311.657)	76.108.384
5.863.207	-	-	5.863.207
125.825.342	-21.542.094	(22.311.657)	81.971.591
(50.915.576)	-	15.607.711	(35.307.865)
74.909.766	(21.542.094)	(6.703.946)	46.663.726
(17.702.314)	-	1.340.788	(16.361.526)
57.207.452	(21.542.094)	(5.363.158)	30.302.200
46.656.033	-	(1.148.080)	45.507.953
78.967.268	-	(8.784.032)	70.183.236
8.916.952	-	-	8.916.952
32.481.004	-	(15.607.710)	16.873.294

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**4. Cash and cash equivalents**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash in hand	68.939	118.538
Banks	178.957.723	153.710.391
- Demand deposits	27.014.206	19.910.288
- Time deposits	151.943.517	133.800.103
<b>Total</b>	<b>179.026.662</b>	<b>153.828.929</b>

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

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

<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Foreign currency amount</b>	<b>TL equivalent</b>
USD	%1,60	2 days	1.037.000	6.159.987
Euro	%0,40	2-32 days	11.398.000	75.803.539
TL	%10,90, %11,20	2-28 days	69.979.991	69.979.991
<b>Total</b>				<b>151.943.517</b>

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

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

**5. Financial investments**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial investments-time deposits	-	100.000
<b>Total</b>	<b>-</b>	<b>100.000</b>

As of December 31, 2018 details of financial investments are as follows:

<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Foreign currency amount</b>	<b>TL equivalent</b>
TL	24,93%	189 days	100.000	100.000
<b>Total</b>				<b>100.000</b>

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

Polisan Holding A.Ş.

Notes to the consolidated financial statements (continued)

for the period between January 1 - December 31, 2019

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

## 6. Financial borrowings

	Interest rate	December 31, 2019	Interest rate	December 31, 2018
<b>Short-term borrowings</b>				
<b>Bank borrowings</b>				
- Euro	%2,25 - %3,95	66.506.000	3,00%	99.100.276
- TL	%15,50 - %15,80	1.183.569	15,4% - 39,5%	15.216.400
<b>Total</b>		<b>67.689.569</b>		<b>114.316.676</b>

	Interest rate	December 31, 2019	Interest rate	December 31, 2018
<b>Short term portion of long term borrowings</b>				
Bank borrowings				
- Euro	%2,25 - %3,95	148.831.976	2,25% - 2,40%	150.402.327
- USD	%4,90 - %4,93	9.246.685	4,9% - 4,93%	46.146.437
- TL	%15,50 - %15,80	3.170.454	15,5% - 15,8%	13.281.427
Financial leaseings				
-Euro	%3,00	233.436	-	-
-TL	%22,50	3.669.701	-	-
-MAD	%2,20	410.624	-	-
<b>Total</b>		<b>165.562.876</b>		<b>209.830.191</b>

	Interest rate	December 31, 2019	Interest rate	December 31, 2018
<b>Long-term borrowings</b>				
Bank borrowings				
- Euro	%2,25 - %3,95	251.179.548	2,25% - 2,40%	50.339.939
- USD	%4,90 - %4,93	-	4,9% - 4,93%	7.785.801
- TL	%15,50 - %15,80	-	15,5% - 15,8%	2.604.345
Financial leasing obligations				
-Euro	%3,00	326.615	-	-
-TL	%22,50	40.025.666	-	-
-MAD	%2,20	324.198	-	-
<b>Total</b>		<b>291.856.027</b>		<b>60.730.085</b>

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

Maturity	December 31, 2019	December 31, 2018
0 - 3 months	67.313.620	77.274.845
Between 3 - 6 months	44.440.431	72.796.222
Between 6 - 12 months	117.184.633	174.075.800
Between 1 - 2 years	111.326.940	60.730.085
More than 2 years	139.852.608	-
<b>Total</b>	<b>480.118.232</b>	<b>384.876.952</b>

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**6. Financial borrowings (continued)**

<b>Maturity- financial leasing obligations</b>	<b>December 31, 2019</b>
0 - 3 months	907.826
Between 3 - 6 months	958.827
Between 6 - 12 months	2.447.107
Between 1 - 2 years	3.304.729
More than 2 years	37.371.750
<b>Total</b>	<b>44.990.240</b>

Mortgages, guarantees and etc. given for financial borrowings are as follows:

Type of guarantee	December 31, 2019			Total
	TL	USD (TL equivalent)	Euro (TL equivalent)	
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayii A.Ş.	746.701.405	755.890.450	272.674.600	1.775.266.455
-Polisan Hellas	115.550.000	388.192.070	784.438.270	1.288.180.340
-Polipoort Kimya San. A.Ş.	264.459.489	495.412.680	186.590.896	946.463.065
-Polisan Holding A.Ş.	253.210.000	222.757.500	-	475.967.500
-Polisan Yapı İnşaat	17.000.000	58.659.475	-	75.659.475
-Polisan Tarım	-	2.376.080	-	2.376.080
<b>Total</b>	<b>1.396.920.894</b>	<b>1.923.288.255</b>	<b>1.243.703.766</b>	<b>4.563.912.915</b>

Type of guarantee	December 31, 2018			Total
	TL	USD (TL equivalent)	Euro (TL equivalent)	
Guarantees given by the related companies to other related companies				
- Polisan Kimya Sanayii A.Ş.	514.701.405	643.145.025	96.448.000	1.254.294.430
- Polisan Hellas	34.300.000	297.766.940	232.078.000	564.144.940
- Polipoort Kimya San. A.Ş.	177.379.489	420.345.910	11.641.575	609.366.974
- Polisan Holding A.Ş.	28.120.000	144.674.750	-	172.884.750
- Polisan Yapı İnşaat	9.500.000	51.951.388	75.350.000	136.801.388
- Polisan Tarım	-	2.104.360	-	2.104.360
<b>Total</b>	<b>764.090.894</b>	<b>1.559.988.373</b>	<b>415.517.575</b>	<b>2.739.596.842</b>

**Total financial liabilities as of January 1, 2019** **384.876.952**

Cash inflows from borrowing	739.964.862
Cash outflow from borrowing	(694.962.773)
Interest accrual	9.787.595
Foreign exchange and currency translation differences	40.451.596

**Total financial liabilities as of December 31, 2019** **480.118.232**

**Total financial leasing as of 1 January 2019** **38.818.046**

Additions	5.061.886
Payments	(7.890.096)
Interest expenses	8.191.198
Changes in rental agreements	809.206

**Total financial leasing as of 31 December 2019** **44.990.240**

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**7. Trade receivable and payables**

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

<b>Trade receivables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trade receivables	203.376.968	197.634.133
Receivables from related parties (Note 30)	5.779.078	11.798.830
Notes and cheques receivables	80.716.937	102.052.661
	<b>289.872.983</b>	<b>311.485.624</b>
Allowance for doubtful receivables (-)	(43.207.742)	(31.526.314)
<b>Total</b>	<b>246.665.241</b>	<b>279.959.310</b>

The nature and amount of guarantees obtained for receivables are stated in Note 18.3.

Risks and the levels of risks of the trade receivables of the Group are explained in Note 31.

Foreign currency balances of trade receivables are explained in Note 31.

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

	<b>2019</b>	<b>2018</b>
<b>January 1</b>	<b>31.526.314</b>	<b>18.118.156</b>
Provisions for doubtful receivables (Note 25)	14.192.668	13.987.228
Written offs	(81.884)	(162.772)
Provisions no longer required	(2.429.356)	(416.298)
<b>December 31</b>	<b>43.207.742</b>	<b>31.526.314</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

As of December 31, 2019 and December 31, 2018 the aging of trade receivables are as follows:

<b>Maturity</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Past due	33.211.670	46.711.132
0-3 months	183.247.462	179.759.478
3-6 months	29.356.359	52.628.804
6-9 months	653.362	619.896
9-12 months	196.389	240.000
<b>Total</b>	<b>246.665.241</b>	<b>279.959.310</b>

As of December 31, 2019 letter of guarantees amounting to TL 12.259.875 (December 31, 2018: TL 5.105.875) has been received for the past due but not impaired trade receivables amounting to TL 33.211.670 (December 31, 2018: TL 46.711.132). Doubtful receivables are not included into the maturity details.

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
1-30 days past due	22.705.650	30.287.565
1-3 months past due	6.958.916	14.165.285
3-12 months past due	2.716.555	2.166.654
1-5 years past due	830.550	91.628
<b>Total</b>	<b>33.211.670</b>	<b>46.711.132</b>

<b>Trade payables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trade payables	197.896.479	202.821.419
Notes and cheques payables	6.624.181	11.825.311
Payables to related parties (Note 30)	1.631.067	389.856
Deferred financial income (-)	(142.003)	(321.709)
<b>Total</b>	<b>206.009.724</b>	<b>214.714.877</b>

**8. Other receivable and payables**

<b>Short term other receivables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
VAT and SCT receivables	20.121.533	77.128.550
Deposits and guarantees given	490.527	506.805
Other receivables from related parties (Note 30)	24.223	30.459
Receivables from employees	15.870	78.892
Work advances given to personnel	-	2.602
<b>Total</b>	<b>20.652.153</b>	<b>77.747.308</b>

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**8. Other receivable and payables (continued)**

<b>Long term other receivables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Deposits and guarantees given	449.980	411.969
<b>Total</b>	<b>449.980</b>	<b>411.969</b>
<b>Short term other payables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Taxes and funds payable	2.451.423	1.590.570
Due to related parties (Note 30)	-	230.314
Deposits and guarantees taken	-	2.041
Other	-	382.281
<b>Total</b>	<b>2.451.423</b>	<b>2.205.206</b>

**9. Inventories**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Raw materials and supplies	45.196.523	59.547.837
Work in process	5.009.003	6.481.596
Finished goods	46.202.838	25.838.244
Merchandise	632.466	457.071
Goods in transit	37.221.643	54.823.690
Other inventories	3.614.843	3.422.109
<b>Total</b>	<b>137.877.316</b>	<b>150.570.547</b>
Provision for impairment of inventories (-)	(1.187.192)	(1.928.180)
<b>Total</b>	<b>136.690.124</b>	<b>148.642.367</b>

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

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>1.928.180</b>	<b>1.152.298</b>
Provisions booked during the period (Note 24)	94.724	878.886
Provisions no longer required (-)	(835.712)	(103.004)
<b>December 31</b>	<b>1.187.192</b>	<b>1.928.180</b>

As of December 31, 2019, the Group has no pledged inventory against its liabilities (31 December 2018: None).

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**10. Prepaid expenses and deferred income**

**Prepaid expenses:**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b><u>Short term prepaid expenses</u></b>		
Prepaid expense for the following months	3.722.502	9.358.733
Advances given for inventories	1.241.650	2.331.318
<b>Total</b>	<b>4.964.152</b>	<b>11.690.051</b>

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b><u>Long term prepaid expenses</u></b>		
Advances given for tangible and intangible assets	40.835.033	40.835.033
Prepaid expense for the following years	187.844	10.812
<b>Total</b>	<b>41.022.877</b>	<b>40.845.845</b>

(\*) It is 9.000.000 EURO with the transfer/sale price determined by the parties for the immovable property of 31.810,00 m<sup>2</sup> area registered in the Kocaeli province, Dilovası district, Muallim village, 50LIA-B section, 185 island, 15 parcel number and the price is Polisan Kimya Sanayii A.Ş. paid by the sales promotion contract. Polisan Kimya Sanayii A.Ş. is not liable for the precautionary decision on immovable property. On behalf of the transfer was not possible yet. On the other hand, there is a letter of guarantee corresponding to the claim amount given by the other side of the contract to the Polisan Kimya Sanayii A.Ş, and related immovable is used in this frame.

**Deferred income:**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b><u>Short term deferred income</u></b>		
Short term deferred income	2.229.234	1.310.158
Advances taken	847.975	1.144.957
<b>Total</b>	<b>3.077.209</b>	<b>2.455.115</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**11. Current income tax assets**

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b><u>Current income tax assets</u></b>		
Prepaid taxes	684.596	5.013.151
<b>Total</b>	<b>684.596</b>	<b>5.013.151</b>

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

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

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>%</b>	<b>TL</b>	<b>%</b>	<b>TL</b>
<b>Joint venture</b>				
Polisan Kansai Boya	50	423.382.973	50	419.016.014
<b>Associate</b>				
Rohm And Haas	40	10.639.935	40	1.462.078
<b>Total</b>		<b>434.022.908</b>		<b>420.478.092</b>

Polisan Holding transferred its 50% shares in Polisan Kansai Boya to Kansai on December 21, 2016. In accordance with share sales agreement, management of Polisan Kansai Boya are jointly performed by Polisan Holding and Kansai and the decisions related with company shall require the affirmative votes of the parties. Therefore, this transaction was considered as sales of shares of subsidiaries which causes loss of control and remaining interest of the Company in Polisan Kansai Boya was recognized with their fair values.

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

	<b>2019</b>	<b>2018</b>
<b>January 1</b>	<b>420.478.092</b>	<b>439.020.640</b>
Effect of restatement (Note 2.5)	(2.350.221)	-
<b>Restated</b>	<b>418.127.871</b>	<b>439.020.640</b>
Profit/(loss) from investments accounted using the equity method	2.716.150	(30.135.429)
Participating capital increase of participations, subsidiaries and joint activities.	13.897.200	-
Other comprehensive income	(718.313)	11.592.881
<b>December 31</b>	<b>434.022.908</b>	<b>420.478.092</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

The summary financial statements of the Group's investments accounted using the equity method as of December 31, 2019 and 2018 prepared in accordance with TFRS are as follows:

December 31, 2019 - Condensed balance sheet information	Polisan Kansai	
	Boya	Rohm and Haas
Current assets	644.781.746	71.590.702
<i>Cash and cash equivalents</i>	52.130.770	165.755
Non-current assets	799.916.081	63.100.701
<b>Total assets</b>	<b>1.444.697.827</b>	<b>134.691.403</b>
Short term liabilities	452.643.397	107.159.458
<i>Financial borrowings</i>	328.025.689	77.057.892
Long term liabilities	351.765.483	932.109
<i>Financial borrowings</i>	250.267.610	-
<b>Total liabilities</b>	<b>804.408.880</b>	<b>108.091.567</b>
<b>Net assets</b>	<b>640.288.946</b>	<b>26.599.836</b>
<b>Reconciliation of carrying value:</b>		
Ownership of the Group	50%	40%
Net asset share of the Group	320.144.473	10.639.934
Goodwill carried at Group level	103.238.500	-
<b>Carrying value</b>	<b>423.382.973</b>	<b>10.639.934</b>
December 31, 2018 - Condensed balance sheet information	Polisan Kansai	
	Boya	Rohm and Haas
Current assets	628.777.515	93.249.479
<i>Cash and cash equivalents</i>	35.784.324	678.874
Non-current assets	810.775.848	59.743.988
<b>Total assets</b>	<b>1.439.553.363</b>	<b>152.993.467</b>
Short term liabilities	421.761.376	147.998.817
<i>Financial borrowings</i>	323.132.777	112.350.800
Long term liabilities	386.236.959	1.339.456
<i>Financial borrowings</i>	295.277.804	-
<b>Total liabilities</b>	<b>807.998.335</b>	<b>149.338.273</b>
<b>Net assets</b>	<b>631.555.028</b>	<b>3.655.194</b>
<b>Reconciliation of carrying value:</b>		
Ownership of the Group	50%	40%
Net asset share of the Group	315.777.514	1.462.078
Goodwill carried at Group level	103.238.500	-
<b>Carrying value</b>	<b>419.016.014</b>	<b>1.462.078</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

<b>December 31, 2019 - Condensed income statement information</b>	<b>Polisan Kansai Boya</b>	<b>Rohm and Haas</b>
Revenue	888.265.742	250.547.060
Depreciation and amortization	(72.488.046)	(6.684.392)
Interest income	3.399.595	-
Interest expense	(71.266.416)	(19.632.112)
Net profit/loss for the period	14.831.617	(11.749.146)
Ownership of the Group	50%	40%
<b>Net profit share of the Group</b>	<b>7.415.808</b>	<b>(4.699.658)</b>

<b>December 31, 2018 - Condensed income statement information</b>	<b>Polisan Kansai Boya</b>	<b>Rohm and Haas</b>
Revenue	699.570.991	232.295.593
Depreciation and amortisation	11.453.074	4.893.618
Interest income	1.002.899	-
Interest expense	(89.713.495)	(17.099.670)
Net profit/loss for the period	(43.084.189)	(21.483.339)
Ownership of the Group	50%	40%
<b>Net profit share of the Group</b>	<b>(21.542.094)</b>	<b>(8.593.335)</b>

**Impairment test and sensitivity analysis**

The Company considers the carrying value of its investment in Polisan Kansai Boya, which is accounted as joint venture, affiliated at the rate of 50% and whose carrying value in the statement of financial position is TL 423.382.973 as of December 31, 2019 (December 31, 2018 TL 419.016.014) for possible impairment in every reporting period. The impairment analysis cannot be performed by considering market data since related financial asset has not active market and the Company management has to make significant estimations.

The impairment test was performed on a 5-year TL projection between January 1, 2020 and December 31, 2024. In order to predict (infinite) cash flows that will occur in the future, 8%, which is the expectation of long-term inflation rate, has been used as a constant growth rate. In order to calculate the recoverable value of the unit, the weighted capital cost ratio of 15.2% was used as the after-tax discount rate. The expectation of the Company's working capital to net sales was 49% for the period 2020-2021, 45% for the period 2022-2024 and 38% for the average gross profitability rate.

The sensitivity table for valuation assumptions is as follows:

<b>Weighted average cost of capital</b>				
		<b>(%1)</b>	<b>%0</b>	<b>%1</b>
<b>Ongoing Growth Rate</b>	<b>Base-1%</b>	16,36%	2,25%	(9,56%)
	<b>Base</b>	25,65%	9,47%	(3,86%)
	<b>Base+1%</b>	37,12%	18,21%	2,94%

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

for the period between January 1 - December 31, 2019

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

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

Weighted average cost of capital				
		(%1)	%0	%1
Net Working Capital	Base-1%	27,44%	11,17%	(2,24%)
	Base	25,65%	9,47%	(3,86%)
	Base+1%	23,85%	7,77%	(5,47%)

Weighted average cost of capital				
		(%1)	%0	%1
Gross Profit	Base-1%	15,59%	0,36%	(12,19%)
	Base	25,65%	9,47%	(3,86%)
	Base+1%	35,70%	18,58%	4,48%

**13. Investment properties**

	January 1, 2019	Additions	Disposals	Transfers	Fair value increase	December 31, 2019
<b>Cost</b>						
Land	207.952.908	-	(525.000)	-	26.164.825	233.592.733
Buildings	54.473.000	2.492.648	(804.000)	-	(953.648)	55.208.000
<b>Total</b>	<b>262.425.908</b>	<b>2.492.648</b>	<b>(1.329.000)</b>	<b>-</b>	<b>25.211.177</b>	<b>288.800.733</b>

	January 1, 2018	Additions	Disposals	Transfers	Fair value increase	December 31, 2018
<b>Cost</b>						
Land	214.602,274	-	(5.460.000)	-	(1.189.366)	207.952.908
Buildings	56.247.000	-	(2.460.000)	-	686.000	54.473.000
<b>Total</b>	<b>270.849.274</b>	<b>-</b>	<b>(7.920.000)</b>	<b>-</b>	<b>(503.366)</b>	<b>262.425.908</b>

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

	Method used	Level	December 31, 2019	December 31, 2018
Pendik plant	Sales price comparison	2	230.812.513	206.055.214
Kağıthane Z Office Building	Sales price comparison	2	55.088.000	53.569.000
Other	Sales price comparison	2	2.900.220	2.801.694
			<b>288.800.733</b>	<b>262.425.908</b>

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

The Group's investment properties of Pendik Land, Kağıthane Z-Office Building and other are appraised by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is a CMB licensed real estate appraisal company in the 2019. Sales price comparison method is applied during determination of fair value of

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**12. Investments properties (continued)**

investment properties (Level 2). Sales price comparison method is the determination of fair value of a property by applying necessary adjustments on the prices of similar properties sold recently. This comparison method contains the market price of the similar properties value them with a comparison approach. Generally, revaluated property is compared with the sale prices of its' similarly in an open market. Asked and bid prices can also be taken into consideration.

**14. Right of use asset**

	1 January 2019	Additions	Changes in rental agreements	Currency translation differences	31 December 2019
<b><u>Cost</u></b>					
Storage	3.526.257	-	-	-	3.526.257
Site rent	35.650.406	-	6.422.728	-	42.073.134
Buildings	959.819	4.463.381	-	43.145	5.466.345
Vehicles	3.597.920	897.884	-	-	4.495.804
<b>Total</b>	<b>43.734.402</b>	<b>5.361.265</b>	<b>6.422.728</b>	<b>43.145</b>	<b>55.561.540</b>
<b><u>Accumulated Depreciation</u></b>					
Storage	-	996.419	-	-	996.419
Site rent	-	3.044.635	-	-	3.044.635
Buildings	-	1.479.724	-	16.698	1.496.421
Vehicles	-	1.542.240	-	-	1.542.240
<b>Total</b>	<b>-</b>	<b>7.063.018</b>	<b>-</b>	<b>16.698</b>	<b>7.079.715</b>
<b>Net Value</b>	<b>43.734.402</b>				<b>48.481.824</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**15. Property, plant and equipment**

The movement of property, plant, equipment and related accumulated depreciations for the periods ended December 31, 2019 and December 31, 2018 are as follows:

	January 1, 2019	Addition	Disposal
<b>Cost</b>			
Land	95.839.930	308.289	(1.708.770)
Land improvements	4.918.731	6.406	(414.917)
Buildings	174.873.201	93.380	(47.891)
Machinery, equipment and moulds	101.699.898	4.705.578	(1.539.196)
Port facility (*)	419.315.370	1.149.994	-
Motor vehicles	6.211.430	1.043.356	(1.623.520)
Furniture and fixtures	12.901.351	1.106.493	(103.568)
Other tangible assets	2.287.177	-	-
Leasehold improvements	3.741.049	535.819	-
Construction in progress	75.896.739	86.580.053	-
<b>Total</b>	<b>897.684.876</b>	<b>95.529.368</b>	<b>(5.437.862)</b>
<b>Accumulated depreciation</b>			
Land improvements	319.425	227.267	(106.709)
Buildings	5.618.921	4.885.348	(8.842)
Machinery, equipment and moulds	53.485.194	9.140.561	(525.341)
Port facility (*)	25.572.716	26.609.269	-
Motor vehicles	3.708.819	469.456	(803.828)
Furniture and fixtures	9.880.766	973.554	(82.236)
Other tangible non-current assets	2.017.040	50.620	-
Leasehold improvements	2.397.595	454.610	-
<b>Total</b>	<b>103.000.476</b>	<b>42.810.685</b>	<b>(1.526.956)</b>
<b>Net value</b>	<b>794.684.400</b>		

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

(\*) It is planned to sell the lands of Aydın-Karacasu, Balıkesir-Savaştepe, Balıkesir-İvrindi of Polisan Kimya, a subsidiary of the Group. Therefore, the cost carried in financial statements for these lands is classified from fixed assets held for sale.

(\*\*) It is planned to sell the lands of Aydın-Karacasu, Balıkesir-Savaştepe, Balıkesir-İvrindi of Polisan Kimya, a subsidiary of the Group. Therefore, the cost carried in these financial statements for these lands is classified from tangible fixed assets to fixed assets classified as held for sale (Note 17).

Foreign currency translation differences	Transfers(**)	Revaluation effect	December 31, 2019
2.062.639	(15.624.125)	262.441	81.140.404
-	244.568	-	4.754.788
-	157.567	-	175.076.257
2.570.917	3.295.136	-	110.732.333
-	-	-	420.465.364
22.977	-	-	5.654.243
218.401	15.550	-	14.138.227
-	-	-	2.287.177
-	-	-	4.276.868
-	(3.712.821)	-	158.763.971
<b>4.874.934</b>	<b>(15.624.125)</b>	<b>262.441</b>	<b>977.289.623</b>
-	-	-	439.983
-	-	-	10.495.427
422.765	-	-	62.523.179
-	-	-	52.181.985
17.255	-	-	3.391.702
99.409	-	-	10.871.493
-	-	-	2.067.660
-	-	-	2.852.205
<b>539.429</b>		<b>-</b>	<b>144.823.634</b>
			<b>832.465.998</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**15. Property, plant and equipment (continued)**

	<b>January 1, 2018</b>	<b>Addition</b>
<b><u>Cost</u></b>		
Land	91.912.941	2.663.236
Land improvements	4.521.773	165.780
Buildings	170.419.830	143.326
Machinery, equipment and moulds	86.651.305	5.117.734
Port facility (*)	418.000.000	1.483.537
Motor vehicles	5.351.307	978.278
Furniture and fixtures	11.019.561	1.637.129
Other tangible assets	2.030.398	248.975
Leasehold improvements	3.681.799	59.250
Construction in progress	25.942.557	56.939.120
<b>Total</b>	<b>819.531.471</b>	<b>69.436.365</b>
<b><u>Accumulated depreciation</u></b>		
Land improvements	199.825	119.600
Buildings	481.065	5.056.469
Machinery, equipment and moulds	43.484.031	8.767.661
Port facility (*)	-	27.488.910
Motor vehicles	2.436.302	1.412.273
Furniture and fixtures	8.813.738	992.773
Other tangible non-current assets	1.933.716	92.686
Leasehold improvements	2.202.620	432.461
<b>Total</b>	<b>59.551.297</b>	<b>44.362.833</b>
<b>Net value</b>	<b>759.980.174</b>	

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

(\*) As the use of port facility investments as a group of assets creates the highest value and the allocation of the estimated fair value was not applicable to the sub asset groups of the Port facility, the assets belonging to Port facility is classified as a separate asset group.

<b>Disposal</b>	<b>Foreign currency translation differences</b>	<b>Transfers</b>	<b>December 31, 2018</b>
(442.347)	1.706.100	-	95.839.930
-	-	231.178	4.918.731
-	4.243.207	66.838	174.873.201
(472.180)	5.707.501	4.695.538	101.699.898
(1.879.851)	-	1.711.684	419.315.370
(175.222)	57.067	-	6.211.430
(118.786)	217.612	145.835	12.901.351
-	1.067	6.737	2.287.177
-	-	-	3.741.049
-	354.681	(7.339.619)	75.896.739
<b>(3.088.386)</b>	<b>12.287.235</b>	<b>(481.809)</b>	<b>897.684.876</b>
-	-	-	319.425
(85.007)	166.394	-	5.618.921
(100.712)	1.334.214	-	53.485.194
(1.916.194)	-	-	25.572.716
(172.939)	33.183	-	3.708.819
(94.893)	169.148	-	9.880.766
(9.536)	174	-	2.017.040
(237.486)	-	-	2.397.595
<b>(2.616.767)</b>	<b>1.703.113</b>		<b>103.000.476</b>
			<b>794.684.400</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**15. Property, plant and equipment (continued)**

Fair value determination of Port facility

The highest and best use of Port facility is the basis of measurement of the fair value of this asset. The fair value determination of this asset was performed as of December 31, 2018 by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is CMB licensed Real Estate Appraisal Company by using discounted cash flow method. Under the discounted cash flow method, the fair value of the asset is estimated using the USD based future revenues and expenses (expenditures) over the rental period of the asset (Level 3). Discounting is related with the revenue (net revenue) which converts the amount of the revenue transformed into the fair value estimation. The present value of future after- tax cash flows in accordance with the market risk and reward rates presents the fair value of the facility. The significant assumptions used in the valuation are as follows:

- The discount rate used to discount the cash flows is 11%.
- It is assumed that there will not be any residual value as the rented properties will be delivered to the Treasury with all of the constructions and facilities on it at the end of the rental period or when the agreement is dissolved without making any payment or any compensation.
- The future occupancy rates and capacity utilization rates of the facility are calculated considering the last 5 years' rates.

		<b>If increases</b>	<b>If decreases</b>
	<b>Sensitivity</b>	<b>Equity effect on fair</b>	<b>Equity effect on fair</b>
	<b>analysis</b>	<b>value</b>	<b>value</b>
		<b>(TL)</b>	<b>(TL)</b>
Discount rate	0,25%	(14.589.883)	13.690.127

**Valuation of land and buildings**

As of December 31, 2017, the fair value of the related land and buildings has been realized by Asal Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is a CMB licensed real estate appraisal company, with comparative approach and/or direct income capitalization methods. Generally, the reduction rate is 11% and the capitalization rate is 7%.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**16. Intangible assets**

The movement of intangible assets and related amortizations for the periods ended December 31, 2019 and December 31, 2018 is as follows:

	January 1, 2019	Addition	Transfers	Disposals	December 31, 2019
<b>Cost</b>					
Rights	1.413.383	-	-	-	1.413.383
Other intangible assets (*)	6.192.327	382.762	-	(481.809)	6.093.280
<b>Total</b>	<b>7.605.710</b>	<b>382.762</b>	<b>-</b>	<b>(481.809)</b>	<b>7.506.663</b>
<b>Accumulated amortization</b>					
Rights	376.800	94.187	-	-	470.987
Other intangible assets (*)	4.093.834	809.884	-	(2.345)	4.901.373
<b>Total</b>	<b>4.470.634</b>	<b>904.071</b>	<b>-</b>	<b>(2.345)</b>	<b>5.372.360</b>
<b>Net Value</b>	<b>3.135.076</b>				<b>2.134.303</b>

	January 1, 2018	Addition	Transfers	Disposals	December 31, 2018
<b>Cost</b>					
Rights	1.413.383	-	-	-	1.413.383
Other intangible assets (*)	4.963.647	746.871	481.809	-	6.192.327
<b>Total</b>	<b>6.377.030</b>	<b>746.871</b>	<b>481.809</b>	<b>-</b>	<b>7.605.710</b>
<b>Accumulated amortization</b>					
Rights	281.846	94.954	-	-	376.800
Other intangible assets (*)	3.043.668	1.050.166	-	-	4.093.834
<b>Total</b>	<b>3.325.514</b>	<b>1.145.120</b>	<b>-</b>	<b>-</b>	<b>4.470.634</b>
<b>Net Value</b>	<b>3.051.516</b>				<b>3.135.076</b>

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

**17. Assets held for sale**

31 Aralık 2019 tarihi itibarıyla, satış amaçlı sınıflandırılan duran varlıkların detayı aşağıdaki gibidir:

	December 31, 2019
Land (*)	15.624.125
<b>Total</b>	<b>15.624.125</b>

\* It is planned to sell the lands of Aydın-Karacasu, Balıkesir-Savaştepe, Balıkesir-İvrindi of Polisan Kimya, a subsidiary of the Group. Therefore, the cost carried in financial statements for these lands is classified from fixed assets held for sale (Note15).

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**18. Provisions for employee benefits, contingent assets and liabilities**

**18.1 Short-term provisions and short-term provisions for employee benefits**

	<b>31 Aralık 2019</b>	<b>31 Aralık 2018</b>
Lawsuit provisions (*)	5.310.222	16.826.308
Bonus provisions	1.604.864	-
<b>Toplam</b>	<b>6.915.086</b>	<b>16.826.308</b>

As of 31 December 2019 and 31 December 2018, the movement of provision for litigation is as follows:

	<b>2019</b>	<b>2018</b>
<b>January 1</b>	<b>16.826.308</b>	<b>558.062</b>
Current period provision expenses (Not 25)	4.752.160	16.268.246
Payments	(16.268.246)	-
<b>December 31</b>	<b>5.310.222</b>	<b>16.826.308</b>

As of 31 December 2019 and 31 December 2018, the movement of provision for bonus is as follows:

	<b>2019</b>
<b>January 1</b>	<b>-</b>
Current period provision expenses	1.604.864
<b>December 31</b>	<b>1.604.864</b>

**18.2 Lawsuits and disputes**

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

As of December 31, 2019 total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 71.633.074 (December 31, 2018: TL 111.805.606). The Group has booked an allowance amounting to TL 43.207.742 (December 31, 2018: TL 31.526.314) for the receivables regarding to the ongoing lawsuits and execution proceedings in progress.

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

As of December 31, 2019, total amount of the ongoing lawsuits filed against the Group is TL 2.505.021 (December 31, 2018: TL 1.049.930).

**(\*) Ongoing major cases:**

On January 12, 2017, a fuel oil transfer operation between the tanks at the port facility was detected by Poliport, where some fuel poured into the water and reached the sea. Emergency Procedures have been put into practice at the time of detection, the location reached by the fuel is blinded on the sea and the Group contacted simultaneously with the company providing mooring and guidance services to the Kocaeli Gulf Region. The company in question was included in the intervention operation immediately because it was mobilized on the Poliport ground and served the area from the ground. Emergency Response Squadrons initiated an intervention operation by laying a fence barrier over the sea to contain the pollution. Mare Deniz Temiz Hizmetleri A.Ş., which is contracted in line with the Coastal Facilities Emergency Response Plan, invited to the site at the time of the incident, and they reached the facility within 30 minutes to complete the barrier process and started cleaning operations.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**18.2 Lawsuits and disputes (continued)**

Necessary notices had been submitted to Kocaeli Port Authority, Kocaeli Environmental Protection and Control Department and Kocaeli Environment and Urbanisation Department regarding the accident in oral and written form, and records were prepared with respect to findings. On January 13, 2017, Poliport was associated with the occurrence of sea pollution at a point 20 miles east of the Poliport plant. An administrative penalty amounting to TL 2.100.000 was charged to Poliport for causing environmental pollution and TL 301.100 due to the damage to marine life on 18 January 2017. The Group management has been paid this administrative penalty.

The result of high fuel oil spillage to the sea on January 12, 2017, the pollution has occurred around marine across the Kocaeli Gulf Region. It has been notified in an official letter that the responsible side of the incident is determined to be Poliport and a penalty amounting to USD 9.540.295 including VAT was charged to the Poliport by the Damage Assessment Commission established in the Kocaeli Governor's Office in order to determine the responsibility for the pollution. The Company's management believes that it is the unfair decision and filed a lawsuit for the cancellation. On 29 January 2019, the opening proceedings were waived. As of December 31, 2019 conciliation protocols signed with parties for USD 8.604.075 of USD 9.540.295 for penalty determined and USD 5.609.613 has been fully paid for USD 8.604.075. For the remaining balance, provision amounting to USD 800.000 (TRY 4.752.160) has been made in the consolidated financial statements.

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

**1) CPMB's given**

<b>Collaterals, pledges, mortgages, bills given by the Company (TL)</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
A. Total amount of CPMB's given in the name of its own legal personality	4.563.912.915	2.739.596.841
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	143.594.306	179.025.262
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given in accordance with the 12/2 article of Corporate Governance Announcement	-	-
i. Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii. Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii. Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-
	-	-
	<b>4.707.507.221</b>	<b>2.918.622.103</b>

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

(1) Consists guarantees given for bank loan agreements.

**Polisan Holding A.Ş.****Notes to the consolidated financial statements (continued)**

for the period between January 1 - December 31, 2019

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

**18. Provisions, contingent assets and liabilities (continued)****18.3 Pledges and guarantees given/received: (continued)**

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

<b>December 31, 2019</b>					
	Foreign currency	Foreign currency Euro	Foreign currency		Total
	USD Amount	Amount	TL equivalent	TL amount	TL
Bill of guarantees	323.775.000	187.006.250	3.166.992.021	1.396.920.894	4.563.912.915
Letter of guarantee	10.000.000	4.631.500	90.204.254	53.390.052	143.594.306
<b>Total</b>	<b>333.775.000</b>	<b>191.637.750</b>	<b>3.257.196.275</b>	<b>1.450.310.946</b>	<b>4.707.507.221</b>

<b>December 31, 2018</b>					
	Foreign currency	Foreign currency Euro	Foreign currency		Total
	USD Amount	Amount	TL equivalent	TL amount	TL
Bill of guarantees	296.525.000	68.931.250	1.975.505.947	764.090.894	2.739.596.841
Letter of guarantee	10.232.228	2.631.500	69.693.410	109.211.852	178.905.262
Guarantee notes	-	-	-	120.000	120.000
<b>Total</b>	<b>306.757.228</b>	<b>71.562.750</b>	<b>2.045.199.357</b>	<b>873.422.746</b>	<b>2.918.622.103</b>

**2) CPMBs received**

<b>December 31, 2019</b>					
	Foreign currency	Foreign currency	Foreign currency		Total
	USD Amount	Euro Amount	TL equivalent	TL amount	TL
Letter of guarantee	-	9.059.600	60.251.776	4.203.000	64.454.776
Mortgages	-	-	-	10.362.555	10.362.555
Guarantee notes	100.000	27.300	775.581	2.200.000	2.975.581
<b>Total</b>	<b>100.000</b>	<b>9.086.900</b>	<b>61.027.357</b>	<b>16.765.555</b>	<b>77.792.912</b>

<b>December 31, 2018</b>					
	Foreign currency	Foreign currency	Foreign currency		Total
	USD Amount	Euro Amount	TL equivalent	TL amount	TL
Letter of guarantee	-	9.185.875	55.372.454	3.411.471	58.783.925
Mortgages	-	-	-	9.427.555	9.427.555
Guarantee notes	-	27.300	164.564	5.700.000	5.864.564
<b>Total</b>	<b>-</b>	<b>9.213.175</b>	<b>55.537.018</b>	<b>18.539.026</b>	<b>74.076.044</b>

The Group has no right to sell or revalue its CPMBs as a guarantee, pledge or mortgage unless the owner of the guarantee fails to meet its financial obligations. (31 December 2018: None).

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

Polisan Holding A.Ş.

Notes to the consolidated financial statements (continued)

for the period between January 1 - December 31, 2019

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

## 19. Employee benefits

### Short term employee benefits obligations

	December 31, 2019	December 31, 2018
<b>Employee benefit obligations</b>		
Social security premiums payable	2.629.948	2.006.713
Payables to personnel	2.434.429	2.652.624
Taxes and duties payable	1.400.620	440.305
<b>Total</b>	<b>6.464.997</b>	<b>5.099.642</b>

### Long term provisions for employee benefits

Long term employee benefits	December 31, 2019	December 31, 2018
Provisions for employee termination benefits	11.937.437	10.440.253
Provisions for unused vacation pay	1.777.134	1.614.259
<b>Total</b>	<b>13.714.571</b>	<b>12.054.512</b>

The movements of provision for unused vacation pay are as follows:

	2019	2018
<b>January 1</b>	<b>1.614.259</b>	<b>2.025.651</b>
Provision expense/income for the current period, net	162.875	(411.392)
<b>December 31</b>	<b>1.777.134</b>	<b>1.614.259</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**19. Employee benefits (continued)**

Provision for employee termination benefits

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no. 506 on Social Insurance Law's 60th clause which is still effective. The severance payment for each year of service is one month salary and this amount is limited to a maximum of TL 6.379,86 as of December 31, 2019 (December 31, 2018: TL 5.434,42).

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As of December 31, 2019, provision for employee termination benefits stated in the accompanying consolidated financial statements, has been calculated by estimating the present value of the future probable obligation of the retirement of employees. As of December 31, 2019, the provision has been calculated by taking into consideration a real discount rate of 3,89% (December 31, 2018: 4,91% real discount rate) based on the assumption of an annual 8% inflation rate and 12,2% discount rate.

The estimated severance payment amount, which is not paid due to the voluntary resignations and that the estimated rate of severance pay amount which is not paid because of arbitrary leaving and will remain to the company is also considered. The turnover rate to estimate the probability of retirement for the Group is calculated as 93,91% (December 31, 2018: 93,59 %) and discounted employee termination benefit is calculated based on this rate.

Provision of Polisan Hellas S.A. has been calculated based on assumptions of an annual inflation rate of 1.50% and a discount rate of 0,7%.

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

	<b>2019</b>	<b>2018</b>
<b>January 1</b>	<b>10.440.253</b>	<b>8.178.078</b>
Payments	(5.246.621)	(1.201.938)
Interest cost	1.499.021	928.953
Current year service cost	1.242.190	1.226.138
Actuarial loss	4.002.594	1.309.022
<b>December 31</b>	<b>11.937.437</b>	<b>10.440.253</b>

Sensitivity analysis of significant assumptions used in the calculation of provision for employee termination benefits as of 31 December 2019 is as follows:

	<b>Interest rate</b>	
	<b>1% increase</b>	<b>1% decrease</b>
Changes in provisions for employee termination benefits	865.181	(1.008.046)
	<b>Inflation rate</b>	
	<b>1% increase</b>	<b>1% decrease</b>
Changes in provisions for employee termination benefits	(1.040.093)	904.035

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

for the period between January 1 - December 31, 2019

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**20. Other assets and liabilities**

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

	December 31, 2019	December 31, 2018
<b>Other current assets</b>		
Deferred VAT	12.191.870	2.132.541
Other	354.872	929.397
<b>Total</b>	<b>12.546.742</b>	<b>3.061.938</b>

	December 31, 2019	December 31, 2018
<b>Short term other liabilities</b>		
Accrued expenses	5.072.613	4.538.945
Taxes payable	2.451.423	399.878
<b>Total</b>	<b>7.524.036</b>	<b>4.938.823</b>

**21. Capital, reserves and other equity items**

The share capital of the Company is TL 758.500.000 and composed of 758.500.000 shares each with a nominal value of TL 1, which all have only one voting right and are registered in owner's name. As of December 31, 2019 and December 31, 2018 the Group's partnership structure is as follows:

	December 31, 2019		December 31, 2018	
	Share (%)	Amount	Share (%)	Amount
Mehmet Emin Bitlis	23,32	176.854.218	23,32	86.270.350
Ahmet Ertuğrul Bitlis	23,18	175.788.215	23,45	85.750.349
Ahmet Faik Bitlis	9,80	74.326.270	9,80	36.256.717
Fatma Nilgün Kasrat	9,80	74.326.270	9,80	36.256.717
A.Melike Bitlis (Bush)	8,56	64.916.770	10,20	37.756.717
Melis Bitlis	1,71	12.974.553	1,71	6.329.050
Güldal Akşit	1,26	9.581.085	1,42	5.263.700
Serdar Demirel	1,23	9.339.324	1,39	5.135.768
Burcu Bitlis	0,91	6.894.284	0,28	1.050.750
Banu Bitlis	0,91	6.894.284	0,28	1.050.750
Alaattin Bitlis	0,82	6.187.618	1,14	4.203.350
Melda Bitlis	0,70	5.314.204	0,28	1.050.750
Selahaddin Bitlis	-	-	1,99	7.351.175
Erol Mizrahi	-	-	1,76	6.505.000
Ali Firat Yemeniciler	-	-	0,88	3.252.500
Public Shares (*)	17,81	135.102.905	12,30	46.516.357
	<b>100</b>	<b>758.500.000</b>	<b>100</b>	<b>370.000.000</b>
Adjustment to share capital		1.467.266		1.467.266
<b>Total</b>		<b>759.967.266</b>		<b>371.467.266</b>

(\*) As of December 31, 2019, the shareholding rate of Şark Mensucat Fabrikaları AŞ, a related party the Group, in the listed shares of the Company is 8,22%. The shareholding rate of the Şark Mensucat Fabrikaları A.Ş., a related party of the Group, in the listed shares of the Company was 1,24%.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

The company within TL 1.000.000.000 registered capital ceiling, increased its capital to TL 758.500.000 from TL 370.000.000 through internal sources with the amount of TL 388.500.000 on January 9, 2019.

**Restricted Reserves**

Restricted reserves comprise of legal reserves. The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

**Share Premium/discounts**

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

**Dividend distribution**

The companies quoted on the Stock Exchange distribute dividends as per the CMB's Communique Serial II, Number: 19.1 regarding to the dividends, which is effective as of February 1, 2017.

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

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

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

According to the Board Decision dated 25 April 2019; it's been decided to make dividend payment amounting to 25.000.000, based on the net distributable profit after deduction of TL 5.233.414 legal reserves calculated over legal records and addition of TL 837.919 donations and contributions into the consolidated profit calculated based on CMB Communique Serial: II, No 14.1. (2018 - TL 21.500.000).

**Dividends**

In 2019, The Company has distributed dividends amounting to TL 25.000.000 from the distributable profit for the year 2018 to the shareholders. The amount of dividend per share is TL 0,032 (31 December 2018-0,058 TL).

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

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

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

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

	December 31, 2019	December 31, 2018
Tangible asset revaluation fund	402.461.916	402.903.001
- tax effect	(80.492.383)	(80.580.600)
Employment termination benefits actuarial gain/(loss) fund	(19.618.845)	(14.949.506)
- tax effect	3.923.769	2.989.901
<b>Share of equity holders of the parent</b>	<b>306.274.457</b>	<b>310.362.796</b>
<b>Non-controlling interest</b>		
Employment termination benefits actuarial gain/(loss) fund	(153.087)	91.970
- tax effect	30.617	(18.394)
	<b>(122.470)</b>	<b>73.576</b>
<b>Total</b>	<b>306.151.987</b>	<b>310.436.372</b>

**Actuarial gains and losses employee benefits provisions**

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

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

**Non-controlling interests**

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

The movement of non-controlling interests is as follows;

<b>Non-Controlling Interest</b>	<b>2019</b>	<b>2018</b>
<b>January 1</b>	<b>29.105.082</b>	<b>26.612.549</b>
Shares from total comprehensive income	(2.203.224)	2.492.533
Non-controlling share acquisition	(26.901.858)	-
<b>December 31</b>	<b>-</b>	<b>29.105.082</b>

**Other reserves:**

The Company acquired shares of Poliport (2012) and Polisan YapıKim (2017) at a ratio of 22,23% and 49% respectively from non-controlling shareholders. Difference between the acquisition cost and carrying amount of net assets at a ratio of acquired share amounting to TL 208.011.543 and TL 716.289 respectively are recognized under "Other Reserves" account in consolidated statement of changes in equity.

The subsidiary of the Group, Poliport, increased its total ownership rate to 100% by increasing its Poliport share, which was 93.35% in 2019, by 6.65% for a price of 83.538.103 TL, and the related transaction was accounted for in the "Retained earnings" account.

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

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**22. Revenue and cost of sales**

Details regarding to sales and cost of sales for the periods ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b>Domestic sales</b>	<b>775.873.805</b>	<b>860.359.684</b>
- Chemical products	643.685.682	677.411.563
- Port	106.270.659	93.863.902
- Services	25.704.049	86.775.713
- Real Estate	213.415	2.308.506
<b>Foreign sales</b>	<b>246.019.545</b>	<b>306.890.364</b>
- Chemical products	180.912.086	244.183.892
- Port	65.107.459	62.706.472
<b>Gross sales</b>	<b>1.021.893.350</b>	<b>1.167.250.048</b>
Sales returns	(8.307.393)	(2.588.005)
Sales discounts	(7.771)	(657.374)
Other discounts	(488.336)	(668.099)
<b>Sales deductions (-)</b>	<b>(8.803.500)</b>	<b>(3.913.478)</b>
<b>Net sales</b>	<b>1.013.089.850</b>	<b>1.163.336.570</b>

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b>Cost of sales</b>		
Direct raw material and supply expenses	642.410.802	671.264.886
Direct labour expenses	13.371.647	13.094.063
Production overheads	77.757.613	59.283.991
Depreciation and amortization	12.638.305	10.662.930
Changes in work in process inventory		
- Opening inventories	6.481.596	3.009.206
- Closing inventories	(5.009.003)	(6.481.596)
Changes in finished goods inventory		
- Opening inventories	25.838.244	15.677.433
- Closing inventories	(46.202.837)	(25.838.243)
<b>Cost of goods sold</b>	<b>727.286.367</b>	<b>740.672.670</b>
- Inventories at the beginning of the period	457.071	397.969
- Purchases during the period	14.578.658	24.317.278
- Inventories at the end of the period	(632.466)	(457.071)
<b>Cost of merchandise sold</b>	<b>14.403.263</b>	<b>24.258.176</b>
Personnel expenses	26.592.794	26.283.773
Other service expenses	43.612.802	147.926.842
Depreciation and amortization	32.696.688	29.187.469
<b>Cost of services rendered</b>	<b>102.902.284</b>	<b>203.398.084</b>
<b>Cost of other sales</b>	<b>4.272.848</b>	<b>4.321.155</b>
<b>Total cost of sales</b>	<b>848.864.762</b>	<b>972.650.085</b>

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

Polisan Holding A.Ş.

Notes to the consolidated financial statements (continued)

for the period between January 1 - December 31, 2019

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

### 23. General administrative, marketing, research and development expenses

The Group's operating expenses for the periods ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b>Research and development expenses</b>		
Personnel expenses	3.892.091	1.632.280
Business development, project expenses	481.809	-
Depreciation expenses	397.230	707.014
Travel expenses	41.164	36.072
Other	535.166	25.933
<b>Total</b>	<b>5.347.460</b>	<b>2.401.299</b>
	January 1 - December 31, 2019	January 1 - December 31, 2018
<b>Marketing expenses</b>		
Personnel expenses	4.942.882	3.641.561
Depreciation expenses	1.734.226	1.351.364
Shipping and freight costs	1.376.879	1.732.156
Comission expenses	1.352.876	863.078
Consultation expenses	943.895	1.857.240
Travel expenses	677.549	304.438
Vehicle expenses	601.346	747.876
Repair and maintenance costs	442.180	301.243
Advertising, fairs, organizations, stands and promotion expenses	261.151	319.281
Hospitality expenses	109.675	128.872
Insurance expenses	108.861	1.290.680
Taxes, duties and charges	89.829	161.394
Communication expenses	50.511	26.539
Office expenses	10.965	11.389
Rent expenses	-	38.488
Other	714.895	860.614
<b>Total</b>	<b>13.417.721</b>	<b>13.636.213</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

**23. General administrative, marketing, research and development expenses (continued)**

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b><u>General administrative expenses</u></b>		
Personnel expenses	46.527.511	24.132.910
Consulting and legal expenses	7.670.642	4.321.505
Insurance expenses	3.651.705	2.988.651
Depreciation expenses	3.311.325	3.599.176
Rent expenses	2.495.962	1.579.826
Data processing and communication expenses	2.828.614	1.656.424
Taxes, duties and charges	1.989.478	3.267.702
Repair and maintenance costs	1.274.869	287.417
Subscriber fees and expenses	999.126	877.323
Vehicle expenses	908.629	685.418
Contributions and donations	782.631	618.944
Office expenses	744.522	334.303
Hospitality expenses	367.428	438.893
Travel expenses	307.920	349.791
Other	2.879.397	61.319
<b>Total</b>	<b>76.739.759</b>	<b>45.199.602</b>

**24. Expenses by nature**

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b><u>Depreciation and amortization</u></b>		
Cost of goods and services rendered	32.696.688	29.187.469
Cost of products sold	12.638.305	10.662.930
General administrative expenses	3.311.325	3.599.176
Marketing expenses	1.734.226	1.351.364
Research and development expenses	397.230	707.014
<b>Total</b>	<b>50.777.774</b>	<b>45.507.953</b>

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b><u>Personnel expenses</u></b>		
General administrative expenses	46.527.511	24.132.910
Cost of goods sold and services rendered	26.592.794	26.283.773
Cost of products sold	13.371.646	13.094.063
Marketing expenses	4.942.882	3.641.561
Research and development expenses	3.892.091	1.632.280
<b>Total</b>	<b>95.326.924</b>	<b>68.784.587</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

The Group's other income / expenses from operations for the periods ended December 31, 2019 and 2018 are as follows:

	<b>January 1 - December 31, 2019</b>	<b>January 1 - December 31, 2018</b>
<b><u>Other operating income</u></b>		
Provisions no longer required	2.429.356	519.302
Insurance indemnity income	2.118.923	1.052.713
Foreign exchange gains	1.952.195	7.927.055
Rent income	1.496.011	968.421
Scrap sales income	1.320.736	2.407.883
Incentive income	693.916	438.024
Deferred financial income	142.003	501.471
Other	2.159.379	1.999.945
<b>Total</b>	<b>12.312.519</b>	<b>15.814.814</b>

	<b>January 1 - December 31, 2019</b>	<b>January 1 - December 31, 2018</b>
<b><u>Other operating expenses</u></b>		
Allowance for doubtful receivables (Note 7)	14.192.668	13.987.228
Litigation provisions (Note 17)	4.752.160	16.268.246
Foreign exchange losses	3.852.626	6.404.854
Provision for inventory impairment (Note 9)	94.724	878.886
Other	1.376.550	1.481.158
<b>Total</b>	<b>24.268.728</b>	<b>39.020.372</b>

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

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

	<b>January 1 - December 31, 2019</b>	<b>January 1 - December 31, 2018</b>
<b><u>Income from investment activities</u></b>		
Gain on revaluation of investment properties (Note 13)	26.164.825	686.000
Interest income	13.913.727	8.916.952
Gain on sale of fixed assets	4.568.156	2.936.645
Gain on sale of investment properties	175.000	106.000
<b>Total</b>	<b>44.821.708</b>	<b>12.645.597</b>

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Polisan Holding A.Ş.

Notes to the consolidated financial statements (continued)

for the period between January 1 - December 31, 2019

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

## 26. Income and expenses from investment activities (continued)

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b><u>Expenses from investment activities</u></b>		
Loss on sale of fixed assets	2.022.151	378.786
Loss on revaluation of investment property (Note 13)	953.648	1.189.366
Loss on sale of investment properties	430.546	5.214.238
<b>Total</b>	<b>3.406.345</b>	<b>6.782.390</b>

## 27. Financial income and expenses

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

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b><u>Financial income</u></b>		
Foreign exchange gains	25.671.498	75.082.256
<b>Total</b>	<b>25.671.498</b>	<b>75.082.256</b>

	January 1 - December 31, 2019	January 1 - December 31, 2018
<b><u>Financial expenses</u></b>		
Interest expenses	29.852.685	16.873.294
Foreign exchange losses	28.921.191	90.257.549
Letters of guarantee commission expenses	2.817.792	2.183.111
Bank charges and pos expenses	1.380.819	1.076.167
<b>Total</b>	<b>62.972.487</b>	<b>110.390.121</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**Corporate tax**

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

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. The tax rate for the subsidiaries of the Group in Greece is 24% and in Morocco is 31% (2018: 29% -31%). Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

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

Corporate income tax liability accounted in statement of the financial position as of December 31, 2019 and December 31, 2018 is as below:

<b>Current income tax liability</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Provision for corporate taxes	9.348.735	28.791.243
Prepaid taxes and funds	(8.493.721)	(33.804.394)
<b>Corporate tax payable</b>	<b>855.014</b>	<b>(5.013.151)</b>

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

**Current and deferred income tax**

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

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

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

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements (continued)**

**for the period between January 1 - December 31, 2019**

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

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

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements  
for the period between January 1 - December 31, 2019 (continued)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

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

**Deferred Tax**

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

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Property, plant and equipment and intangible assets  
Right of use assets and financial leasing obligations  
Deferred finance expense  
Provision for employee termination benefits  
Unused vacation pay liability  
Allowance for doubtful receivables  
Adjustment for inventories  
Available financial losses  
Investment incentive income (\*)  
Litigation provision  
Other

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**Deferred tax liability, net**

Deferred tax asset  
Deferred tax liability

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**Deferred tax liability, net**

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

December 31, 2019		December 31, 2018	
Cumulative differences	Asset/ (liability)	Cumulative differences	Asset/ (liability)
613.163.735	(118.922.503)	647.001.009	(125.754.152)
3.491.584	(698.317)	-	-
142.003	(28.401)	321.709	(70.776)
(11.937.437)	2.387.487	(10.440.253)	2.127.942
(1.777.134)	355.427	(1.614.259)	322.852
(12.389.709)	2.532.632	(11.950.829)	2.438.744
(1.160.945)	282.752	(1.691.301)	481.515
(28.124.218)	6.749.812	(28.088.823)	7.728.563
(195.614.639)	48.926.719	(181.420.202)	39.046.669
(5.310.222)	1.163.276	(16.826.308)	3.696.815
(7.399.912)	1.479.982	(15.995.047)	3.687.885
<b>353.083.106</b>	<b>(55.771.133)</b>	<b>379.295.696</b>	<b>(66.293.943)</b>
	17.454.525		16.276.504
	(73.225.658)		(82.570.447)
	<b>(55.771.133)</b>		<b>(66.293.943)</b>

**Polisan Holding A.Ş.**

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

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

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

	<b>2019</b>	<b>2018</b>
<b>January 1</b>	<b>(66.293.943)</b>	<b>(82.218.867)</b>
Tax expense of continuing operations	9.002.341	12.429.717
Deferred tax effect of actuarial gain/loss	737.533	261.804
Currency translation differences	782.936	3.233.403
<b>December 31</b>	<b>(55.771.133)</b>	<b>(66.293.943)</b>

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

<b>Tax expense/(income)</b>	<b>January 1 - December 31, 2019</b>	<b>January 1 - December 31, 2018</b>
Tax expense for the period	(9.348.735)	(28.791.243)
Deferred tax income/(expense)	9.002.341	12.429.717
<b>Total</b>	<b>(346.394)</b>	<b>(16.361.526)</b>

The tax reconciliation of the Group as of December 31, 2019 and 2018 is as below;

	<b>January 1 - December 31, 2019</b>	<b>January 1 - December 31, 2018</b>
Profit before tax	63.594.463	46.663.726
Tax expense calculated using local tax rate (22%)	(13.990.782)	(10.266.020)
Tax effect:		
- Effect of non-tax deductible expenses	(83.517)	(766.909)
Effect of revenue to be deducted	644.454	250.038
Effect of investments accounted using the equity method	597.553	(6.629.794)
Investment incentive income	14.997.929	13.275.392
Current period tax income for which deferred tax asset is not recognized	(4.314.954)	(13.351.028)
Tax losses carry forwards and R&D incentive impact	1.805.207	-
Tax rate change and other	(2.284)	1.126.796
<b>Tax expense</b>	<b>(346.394)</b>	<b>(16.361.526)</b>

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements  
for the period between January 1 - December 31, 2019 (continued)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

Earnings per share is determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned. As of December 31, 2019 and 2018, earnings per share of the Group are as follows:

	<b>January 1 - December 31, 2019</b>	<b>January 1 - December 31, 2018</b>
Profit from continuing operations for the period (TL) (parent)	65.328.823	27.829.450
Weighted average of ordinary shares issued (Note 21)	758.500.000	758.500.000
- Earnings per share from continuing operations	0,086	0,037
<b>Earnings per share (TL)</b>	<b>0,086</b>	<b>0,037</b>

**30. Related party disclosures**

**a) Key management compensation**

The total amount of wage and salaries and similar benefits paid to the key management is TL 5.903.632 for the period January 1 - December 31, 2019. The TL 5.002.732 of related amount is comprised from wage and salaries, TL 900.900 of the related amount is comprised of bonuses (January 1 - December 31, 2018: TL 4.985.656). Key management of the Group is identified as Board members, general manager and vice general managers.

**b) Trade receivables from related parties**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Trade receivables from related parties</b>		
Rohm and Haas (*)	4.553.221	4.143.313
Polisan Kansai Boya (***)	898.423	7.606.621
Şark Mensucat Fabrikası A.Ş. (**)	326.262	48.896
Tintomix (***)	1.172	-
<b>Total</b>	<b>5.779.078</b>	<b>11.798.830</b>

**c) Other receivables from related parties**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Other receivables from related parties</b>		
Rohm and Haas (*)	15.870	78.892
<b>Total</b>	<b>15.870</b>	<b>78.892</b>

(\*) Associate

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

(\*\*\*) Joint venture

**30. Related party disclosures (continued)**

**Polisan Holding A.Ş.**

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

**d) Trade payables to related parties**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b><u>Trade payables to related parties</u></b>		
Polisan Kansai Boya (***)	1.631.067	389.856
<b>Total</b>	<b>1.631.067</b>	<b>389.856</b>

**e) Other payables to related parties**

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

**f) Sales/purchases transaction with related parties**

**Purchases:**

	<b>January 1 - December 31, 2019</b>			<b>January 1 - December 31, 2018</b>		
	<b>Polisan Kansai Boya(***)</b>	<b>Şark Mensucat Fabrikası A.Ş(**)</b>	<b>Rohm and Haas(*)</b>	<b>Polisan Kansai Boya</b>	<b>Şark Mensucat Fabrikası A.Ş</b>	<b>Rohm and Haas</b>
Raw material and finished goods	2.067.538	-	-	1.341.102	-	381.761
Rent	-	-	-	8.115	-	-
Foreign exchange differences	-	-	-	-	-	79.208
Services	1.889.213	-	527	2.151.253	-	33.665
<b>Total</b>	<b>3.956.751</b>	<b>-</b>	<b>527</b>	<b>3.500.470</b>	<b>-</b>	<b>494.634</b>

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements  
for the period between January 1 - December 31, 2019 (continued)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

**30. Related party disclosures (continued)**

**Sales:**

	January 1 - December 31, 2019			January 1 - December 31, 2018		
	Polisan Kansai Boya (***)	Şark Mensucat Fabrikası A.Ş.(**)	Rohm and Haas(*)	Polisan Kansai Boya	Şark Mensucat Fabrikası A.Ş	Rohm and Haas
Raw material and finished goods	215.486	-	-	2.763.806	-	-
Services	19.953.908	1.124.782	13.347.879	26.379.860	476.413	14.572.642
Rent	675.413	15.576	-	683.689	12.330	-
Foreign exchange differences	-	-	-	-	-	3.478
Carrying interest	-	7.737.502	9.001	-	4.415.217	-
<b>Total</b>	<b>20.844.807</b>	<b>8.877.860</b>	<b>13.356.880</b>	<b>29.827.355</b>	<b>4.903.960</b>	<b>14.576.120</b>

(\*) Associate

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

(\*\*\*) Joint venture

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

As of December 31, 2019 there is no impairment on trade receivables from related parties. (December 31, 2018: None)

**31. Nature and level of risk derived from financial instruments**

**Financial risk management**

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

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

**Credit Risk**

Credit risk is the risk that a counterparty cannot fulfil its obligations in the agreements that the Group is party to.

The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The Group is exposed to credit risk arising from receivables from customers. Credit risk of receivables from customers is managed by individual risk limitations and securing receivables with guarantees, collaterals, pledges and mortgages and guarantee cheques obtained from the customers.

The utilization of individual risk limitations are constantly reviewed by the Group and credit quality of the customer is assessed by taking into account its financial position, past experience and other factors.

Polisan Holding A.Ş.

Notes to the consolidated financial statements  
for the period between January 1 - December 31, 2019 (continued)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

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

Credit Risk (continued)

Individual risk limitations of the customers are determined by the considering the credit history and the most available information. Trade receivables are accounted on net basis with respect to the accounting policies of the Group and presented with net balances in the statement of financial position when an allowance is accounted.

The balances of financial instruments of the Group that are exposed to credit risk are as below;

	Receivables		31 December 2019		Deposits in banks
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	
<b>Maximum exposure to credit risk as of reporting date (A+B+C+D)</b>	<b>5.779.078</b>	<b>240.886.163</b>	<b>15.870</b>	<b>20.636.283</b>	<b>178.957.723</b>
- The portion of the maximum risk secured with guarantees etc.	-	12.261.555	-	-	-
A. Net book value of neither past due nor impaired financial assets	5.779.078	205.806.747	15.870	20.636.283	178.957.723
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	33.211.670	-	-	-
- The portion secured with guarantees etc	-	(9.569.000)	-	-	-
D. Net book value of assets impaired	-	1.867.746	-	-	-
- Past due (gross book value)	-	45.075.488	-	-	-
- Impairment (-)	-	(43.207.742)	-	-	-
- The portion secured with guarantees	-	1.867.746	-	-	-
- Not past due (gross book value)	-	-	-	-	-
- Impairment(-)	-	-	-	-	-
- The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2019 is presented in **Note 18.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activities and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

**Polisan Holding A.Ş.****Notes to the consolidated financial statements  
for the period between January 1 - December 31, 2019 (continued)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)****31. Nature and level of risk derived from financial instruments (continued)**

	Receivables		31 December 2018		Deposits in banks
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	
<b>Maximum exposure to credit risk as of reporting date (A+B+C+D)</b>	<b>11.798.830</b>	<b>268.160.480</b>	<b>78.892</b>	<b>77.668.416</b>	<b>153.710.391</b>
- The portion of the maximum risk secured with guarantees etc.	-	15.184.875	-	-	-
A. Net book value of neither past due nor impaired financial assets	11.798.83	220.914.857	78.892	77.668.416	153.710.391
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	46.711.132	-	-	-
- The portion secured with guarantees etc	-	(5.105.875)	-	-	-
D. Net book value of assets impaired	-	534.491	-	-	-
- Past due (gross book value)	-	32.060.805	-	-	-
- Impairment (-)	-	(31.526.314)	-	-	-
- The portion secured with guarantees	-	534.491	-	-	-
- Not past due (gross book value)	-	-	-	-	-
- Impairment(-)	-	-	-	-	-
- The portion secured with guarantees	-	-	-	-	-
E. Off-balance sheet items exposed to credit risk	-	-	-	-	-

- Factors such as guarantees received that provide an increase in credit trustworthiness are not being taken into consideration.
- Detailed breakdown of guarantees, pledges etc. received for trade receivables including the customers from which there is no balance as of December 31, 2018 is shown in **Note 18.3**
- Neither past due nor impaired trade receivables are comprised of the balances of the customers which the Company has trading activities and has not experienced any collection problems.
- Factors in determination of the assets past due but not impaired are considered as the aging of overdue receivables, the relationship with the customer, and if there had been any experienced collection problems in prior periods.
- In determination of past due and impaired trade receivables, the factors as aging of past due receivables is considered by taking into consideration the quality of payment instruments and whether any collection problems previously experienced.

The Group has no material credit risk from a specific party as of December 31, 2019 (December 31 2018: None). The maximum amount of credit risk that the Group is exposed to is represented as carrying value of the financial assets in balance sheet.

**Liquidity Risk**

Liquidity risk is the risk arising from the inability to cover funding requirements of the Group. The Group manages its liquidity risk by funding diversified sources and providing sufficient cash and cash equivalents.

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

**Polisan Holding A.Ş.**

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

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

**Liquidity Risk (continued)**

The liquidity risk tables of the Group is as follows:

**December 31, 2019**

<b>Maturities of the contract</b>	<b>Carrying value</b>	<b>Contractual cash-outflows</b>	<b>Less than 3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>
Financial liabilities	525.108.472	541.474.803	68.034.625	45.507.016	120.709.779	307.223.383
Trade payables	206.009.724	206.151.727	136.120.417	70.031.310	-	-
Employee benefit obligations	6.464.997	6.464.997	6.464.997	-	-	-
Other payables	2.451.423	2.451.423	2.451.423	-	-	-

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

**Polisan Holding A.Ş.**

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

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

**Liquidity Risk (continued)**

The liquidity risk tables of the Group is as follows:

**December 31, 2018**

<b>Maturity of the contract</b>	<b>Carrying value</b>	<b>Contractual cash-flows</b>	<b>Less than 3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>
Financial liabilities	384.876.952	387.561.408	90.177.521	59.282.204	176.149.106	61.952.577
Trade payables	214.714.877	215.036.586	142.638.628	72.342.154	55.804	-
Employee benefit obligations	5.099.642	5.099.642	5.099.642	-	-	-
Other payables	2.205.206	2.205.206	2.205.206	-	-	-

**Market risk**

As a result of its operations, the Company faces financial risks related to the changes in foreign exchange rates, interest rates and other financial contracts. Fluctuations in these market instruments create fluctuations on statement of profit or loss and equity of the Group.



December 31, 2019

	TL Equivalent	USD	Euro	GBP	Other (TL equivalent)
	35.263.033	3.891.833	1.826.116	-	-
	72.383.756	1.047.693	9.947.909	88	-
	-	-	-	-	-
	9.393	1.120	412	-	-
	<b>107.656.182</b>	<b>4.940.647</b>	<b>11.774.436</b>	<b>88</b>	-
	-	-	-	-	-
	40.835.033	-	9.000.000	-	-
	-	-	-	-	-
	<b>40.835.033</b>	-	<b>9.000.000</b>	-	-
	<b>148.491.215</b>	<b>4.940.647</b>	<b>20.774.436</b>	<b>88</b>	-
	39.144.017	2.551.239	3.574.704	27.676	-
	60.833.891	1.556.629	7.756.775	-	-
	-	-	-	-	-
	<b>99.977.908</b>	<b>4.107.868</b>	<b>11.331.479</b>	<b>27.676</b>	-
	-	-	-	-	-
	203.267.673	-	30.563.810	-	-
	-	-	-	-	-
	<b>203.267.673</b>	-	<b>30.563.810</b>	-	-
	<b>303.245.581</b>	<b>4.107.868</b>	<b>41.895.288</b>	<b>27.676</b>	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<b>(154.754.366)</b>	<b>832.779</b>	<b>(21.120.852)</b>	<b>(27.588)</b>	-
	<b>(195.598.792)</b>	<b>831.658</b>	<b>(30.121.263)</b>	<b>(27.588)</b>	-



December 31, 2018					
	TL Equivalent	USD	Euro	GBP	Other (TL equivalent)
	17.030.941	1.116.163	1.851.181	-	-
	93.618.652	16.979.192	709.467	2.428	-
	-	-	-	-	-
	3.814	724	-	-	-
	<b>110.653.407</b>	<b>18.096.079</b>	<b>2.560.648</b>	<b>2.428</b>	-
	-	-	-	-	-
	40.835.033	-	9.000.000	-	-
	-	-	-	-	-
	<b>40.835.033</b>	-	<b>9.000.000</b>	-	-
	<b>151.488.440</b>	<b>18.096.079</b>	<b>11.560.648</b>	<b>2.428</b>	-
	53.493.966	3.508.762	5.811.552	207	1.303
	71.825.303	8.771.586	4.259.931	-	-
	-	-	-	--	-
	-	-	-	-	-
	<b>125.319.269</b>	<b>12.280.348</b>	<b>10.071.483</b>	<b>207</b>	<b>1.303</b>
	-	-	-	-	-
	12.320.651	1.479.937	752.298	-	-
	-	-	-	-	-
	-	-	-	-	-
	<b>12.320.651</b>	<b>1.479.937</b>	<b>752.298</b>	-	-
	<b>137.639.920</b>	<b>13.760.285</b>	<b>10.823.781</b>	<b>207</b>	<b>1.303</b>
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<b>13.848.520</b>	<b>4.335.794</b>	<b>736.867</b>	<b>2.221</b>	<b>(1.303)</b>
	<b>(26.990.327)</b>	<b>4.335.070</b>	<b>(8.263.133)</b>	<b>2.221</b>	<b>(1.303)</b>

**Polisan Holding A.Ş.**

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

Sensitivity analysis:

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

<b>As of December 31, 2019</b>	<b>Profit/Loss before tax</b>		<b>Shareholder's equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b><i>The impact of 10% increase/decrease of USD against TL</i></b>				
1- USD net asset/liability	494.022	(494.022)	-	-
2- USD hedged portion (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>494.022</b>	<b>(494.022)</b>	-	-
<b><i>The impact of 10% increase/decrease of EURO against TL</i></b>				
4- EURO net asset/liability	(20.032.447)	(20.032.447)	-	-
5- EURO hedged portion (-)	-	-	-	-
<b>6- EURO net effect (4+5)</b>	<b>(20.032.447)</b>	<b>(20.032.447)</b>	-	-
<b><i>The impact of 10% increase/decrease of other foreign currencies against TL</i></b>				
7- Other foreign currency net asset/liability	(21.454)	(21.454)	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(21.454)</b>	<b>(21.454)</b>	-	-
<b>Total (3+6+9)</b>	<b>(19.559.879)</b>	<b>19.559.879</b>	-	-

Polisan Holding A.Ş.

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

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

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

**Interest rate risk**

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing financial liabilities. Although fixed rate loans and time deposits are not subject to the interest rate risk, for the operations of the Group, those will be affected from the interest rates will be realized in upcoming periods.

The interest rate position as of December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2019	December 31, 2018
<b><u>Fixed interest rate financial instruments</u></b>		
Time deposits	151.943.517	133.800.103
<b>Total</b>	<b>151.943.517</b>	<b>133.800.103</b>
<b><u>Fixed interest rate financial instruments</u></b>		
Financial liabilities	525.108.472	384.876.952
<b>Total</b>	<b>525.108.472</b>	<b>384.876.952</b>

**Polisan Holding A.Ş.**

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

**Capital Risk Management**

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net financial debt/total equity ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents. Invested capital is the total of equity and net financial liabilities as it is stated in statement of financial position.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total financial liabilities	525.108.472	384.876.952
Less: Cash and cash equivalents (Note 4)	(179.026.662)	(153.828.929)
<b>Net financial liabilities</b>	<b>346.081.810</b>	<b>231.048.023</b>
Total equity	1.437.349.648	1.493.222.418
Invested capital	1.783.431.458	1.724.270.441
<b>Net financial liabilities/invested capital ratio</b>	<b>19%</b>	<b>13%</b>

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

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

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

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

**Financial assets**

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

**Polisan Holding A.Ş.**

**Notes to the consolidated financial statements  
for the period between January 1 - December 31, 2019 (continued)  
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**31. Financial instruments (fair value and hedge accounting disclosures) (continued)**

**Financial liabilities**

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

*Fair value measurement categories;*

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

1. Category: The price set in active market
2. Category: Inputs that are observable either directly or indirectly other than the prices set in active market
3. Category: Inputs that is not based on observable market data

**32. Subsequent events**

None.





# Polisan HOLDING

 Polisan  
HOME COSMETICS

 Poliport

 Polisan  
KIMYA

 Polisan  
HELLAS

 Polisan  
MAROC

 Polisan  
YAPI

 ROHM  
AND  
HAAS 

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