

2021 Annual Report

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We affectionately remember our Founder, our mighty Plane Tree, and peerless elder Necmettin Bitlis. The man who laid the foundations of Polisan with this clear vision. "Everything starts with a dream, but this alone is not enough. You can only make things happen, if you apply that dream to your thinking." His name remains inscribed among the veterans of Turkish Industry, with respect, in grace and with infinite gratitude.

Necmettin Bitlis
1928 - 2017



BECAUSE WE

BELIEVE IN

OURSELVES, OUR

COUNTRY, AND

THE FUTURE

We sustain our corporate culture, which is based on self-confidence, mutual trust and love. Our transformation efforts continue to establish “Polisan of the Future” with our “Human First” focus. We embrace the future with hope as we evolve into a more agile, competitive and technological structure, thanks to our investments made for the benefit of all our stakeholders.

We have significant targets in each of our business lines. In the area of paint and chemicals, our business partnerships established with two global giants will continue to introduce innovations in their sectors. We will continue to grow through investments in our port operations. In real estate, we will evaluate our assets. We will deepen the portfolio of our business lines in different areas of the chemicals industry with an emphasis on value-added products. Meanwhile, we will continue to add value to the world we live in, with our eco-friendly applications. And we will take bold steps on the path to becoming a global brand with the synergies created by our group companies.

We expect to continue achieving our goals just as we have been doing for 58 years...

General Overview

INNOVATIVE AND PIONEERING SOLUTIONS FOR OUR SECTORS

Operating in the paint, port, chemicals and real estate sectors for over half a century, Polisan Holding is among the pioneers and leaders of its sectors of operation.



Chemical Activities

Polisan Kimya 100%

Foreign Partnership

Rohm & Haas(**)
Polisan Holding 40%
Dow Chemical 60%

Operations Abroad

Polisan Hellas 100%
Polisan Maroc 99%*

(* Polisan Maroc shares were transferred to Muhammet Kürşat Haddat, who is not a related party, on October 6, 2021.



Port Operations

Poloport 100%



Real Estate

Polisan Yapı 100%



Paint

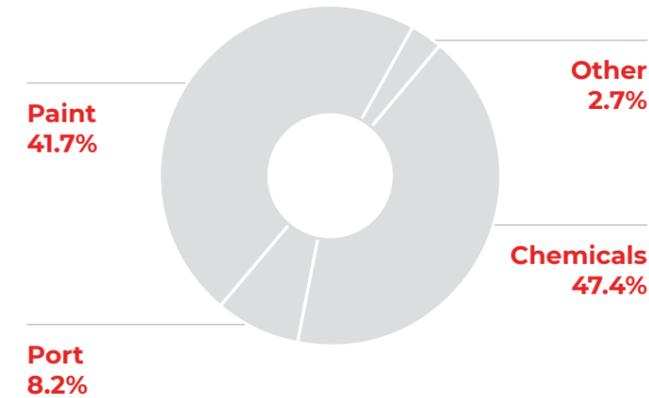
Foreign Partnership

Polisan Kansai Boya 50%(**)
Polisan Holding 50%
Kansai Paint 50%

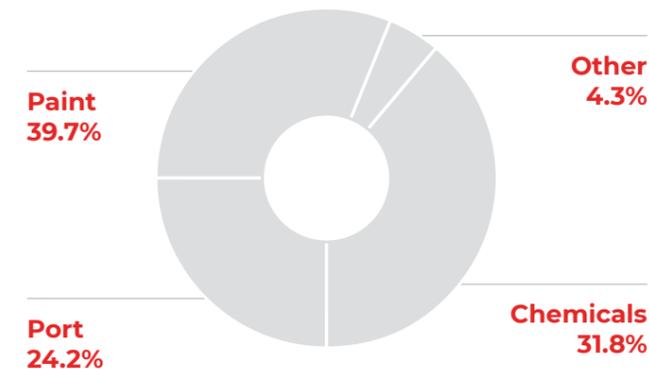
(**) The shares represent Polisan Holding's direct and indirect stake in the related group companies. Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş. (Rohm and Haas) is an associate and Polisan Kansai Boya Sanayi ve Ticaret A.Ş. is a joint-venture of Polisan Holding, whereas other holding companies are subsidiaries.

Polisan Holding 2021 Combined Financial Results

Combined Revenue Breakdown



Combined EBITDA Breakdown



Polisan Holding 2021 Consolidated Financial Results

Revenue (TRY mln)

87% increase

2021	1,969.3
2020	1,051.3

EBITDA (TRY mln)

105% increase

2021	359.5
2020	175.7

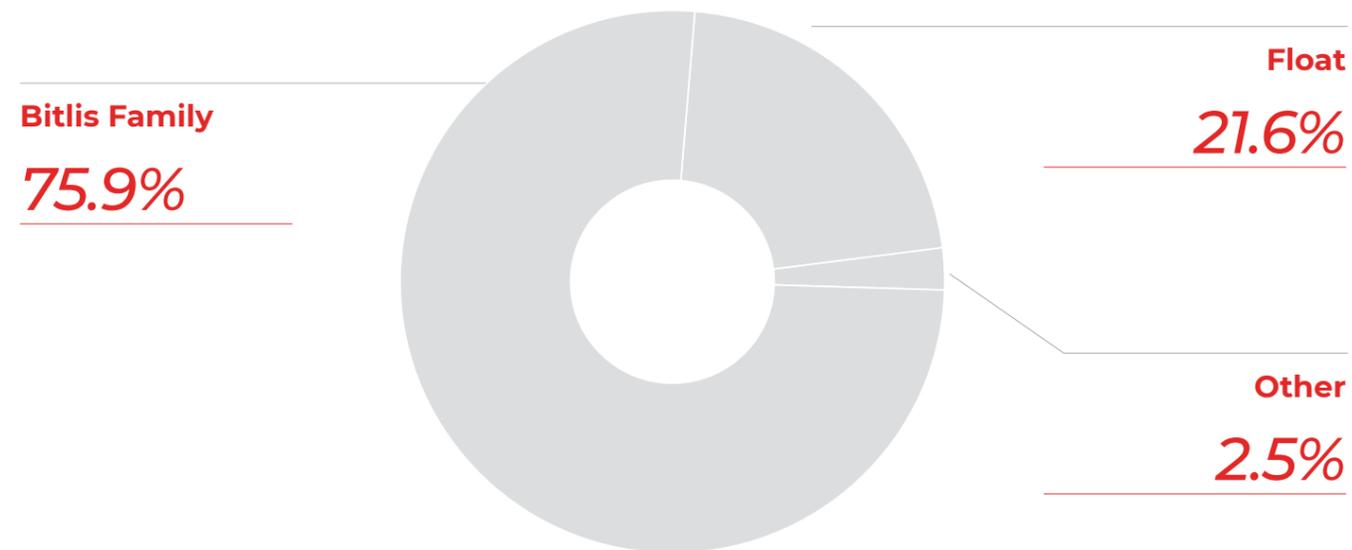
Net Income (TRY mln)

121% increase

2021	279.9
2020	126.6

Polisan Holding Shareholder Structure

SHAREHOLDER STRUCTURE



	Share Value (TRY)	Ratio
Bitlis Family	575,427,933.75	75.9%
Other	18,920,409.40	2.5%
Float	164,151,656.85	21.6%
Total	758,500,000.00	100.0%

Our Mission & Vision

OUR MISSION

Our exciting values

In all our areas of operation, we work towards the betterment of life. In the essence of everything we do lies the value of and love for people, justice, sincerity and the awareness of “us”.

Our Purpose

We make the effort to be a group company, embracing innovation, customer-centricity and sustainability across all our sectors of operation. Our goal is to provide added value and offer services and products that deliver the best performance.

OUR VISION

Being a group company that works enthusiastically towards a livable world is in our very chemistry.

In designing a better future for humanity, we offer the best in every field in which we are present. To accomplish this, we work with the passion of innovation and the desire to do what has not been and cannot be done, making a difference every day. We do not simply settle for meeting stakeholder expectations, but aim to reach beyond them. We aim for leadership without exception, and without compromising on our vision by embracing the possibilities of science.

BECAUSE, AS “POLISAN OF THE FUTURE” WE HAVE SET OUR COURSE

With the awareness that we can achieve successful business results only through a team effort, we have identified our new mission, vision and values, following a series of studies conducted with the participation of 50% of our white-collar employees.

OUR STRATEGIC PRIORITIES

- Strengthening human resources
- Operational processes with a focus on the environment, and social and governance vision
- Increasing efficiency through digitalization
- Enriching a value-added product portfolio with innovation
- Balanced capital allocation with selective investments and dividends
- Strong cash position and rising profitability with financial discipline
- Profitable revenue growth supported by exports



BECAUSE WE ARE CUSTOMER ORIENTED

We aim for perfection in all our production and business processes. We focus on solving the needs of our customers in the fastest, most efficient and effective way for all our products and services. We maintain profitable revenue growth with the innovative products and creative solutions we generate to meet changing needs.

TRY3.6 billion

Combined Revenues





BECAUSE WE ARE CREATIVE

As Polisan Holding, we produced Turkey's first emulsion and formaldehyde resins and introduced the first water-based mix machine to the paint industry. We are among the first producers of AdBlue. In addition to the water-based road marking paint, plastic surface spray paint, paint effective against viruses and bacteria, and many innovative products, we also introduced firsts in the field of service to the paint industry, such as the home cosmetics concept and concept merchandizing. We will increase the efficiency of our business processes thanks to the projects of Dream Engineers, the first of which we implemented in 2021, in an attempt to encourage creativity and entrepreneurial spirit among our employees.

12%

*The Share of New
Products in Combined
Revenues for the Past
Three Years*



BECAUSE OUR COLLABORATIONS BENEFIT ALL

We have an extensive ecosystem, through which we collaborate with our two international partnerships, as well as a wide network of customers, suppliers and business partners, including leading companies in Turkey and the global arena. At the heart of our ecosystem are our employees. We believe that corporate structures can only grow solid roots with strong human resources. In 2021, we started a cultural transformation project by reorganizing our human resources team. Within the scope of this Project, we altogether determined the competencies that will carry our Group Companies into the future. Having a common goal and feeling the privilege of being a member of Polisan, we, as a team, look to that future with hope.

1,306

Number of Employees

***BECAUSE WE
VOLUNTEER FOR
A SUSTAINABLE
FUTURE***

We operate with a responsibility for our impact on the economy, environment and society. We carry out projects that support children, women and education, while also taking part in collaborations aimed at protecting the environment and natural life.

US\$7.5 million

*Investment Amount for
Polisan Schools and Sports
Complex*





***BECAUSE
DIGITALIZATION IS
A CRUCIAL BUILDING
BLOCK OF OUR
FORWARD-LOOKING
VISION***

As Polisan Holding, we have set our goals intended for the use of cloud technologies, data analytics, robotic process automation, operational efficiency and customer experience.

We have completed the hardware installations on cloud service providers for our projects that will simplify all our processes. We continue our efficiency-oriented digitalization investments.

~ TRY7.0 million

***Investment Amount for
Digital Transformation***

***BECAUSE WE GREW
EVEN STRONGER DURING
THE PANDEMIC***

Prioritizing human health, we ensured operational continuity and uninterrupted servicing of our customers during the pandemic. We leveraged our supply network optimally at a time when it was hard to procure raw materials. We also managed our cash position with strict financial discipline while making a difference in terms of customer satisfaction.

TRY306.1 million
Combined Net Income



BECAUSE WE

UNDERTOOK

INVESTMENTS

TO REALIZE OUR

STRATEGIES

- In 2021, we further strengthened our human resources.
- We rested all our investment decisions on the pillars of sustainability, innovation and digitalization.
- We commenced the new resin facility investment at Polisan Kimya, repositioning our chemical operations as the focal point of our value chain.
- At Polisan Hellas, we determined the projects to invest in within the r-PET (recycled PET) group.
- At Poliport, we realized investments to renew our tank areas, and improve our pier and closed warehouses, while completing the infrastructure of our end-to-end automation project.
- Our paint operation relocated to its new R&D Center.
- Our R&D investments to develop value-added and sustainable products in both our chemical and paint operations continued.

Polisan Holding Companies' Strategies in Brief

Poliport



- Investments will be accelerated to target growth in light of market dynamics.
- Tank farm and infrastructure investments will concentrate on terminal operations, and the capacity will be increased to 436,000 m³.
- In dry bulk cargo and warehouse operations infrastructure investments will be realized for storage and the handling of value-added products.
- Marketing activities will be emphasized.
- Increased efficiency will result from automation investments.
- The provision of a unique customer experience in all operational processes will be sought.

8.2%

Combined Revenue Share

24.2%

Combined EBITDA Share

Polisan KIMYA



- Growth opportunities in all sub-sectors of the chemicals field will be evaluated.
- Efforts will continue to widen the product portfolio in support of Turkey's import substitution.
- The existing resin product range will evolve into a more value-added portfolio through additional investment.
- Measures will be taken to increase cash inflow in the construction chemicals business line.
- Digitalization studies will proceed in production facilities and processes.

24.1%

Combined Revenue Share

20.7%

Combined EBITDA Share

Polisan HELLAS



- An investment plan will be devised with growth to come from recycled, preform and specialty PET products, rather than existing, competitive conventional PET products.
- The focus will be on expanding the customer portfolio and market in Greece and the surrounding countries.

23.3%

Combined Revenue Share

11.1%

Combined EBITDA Share

Polisan HOME COSMETICS



- Organic growth will be targeted by focusing on exports with products that create value-added.
- In addition to the strong decorative product group, growth in industrial paints will also be targeted.
- Effective marketing communication activities will be carried out for the decorative segment, focused on regional opportunities.
- In the supply chain the product delivery time between factory and consumer will be shortened, and a craftsman service will be provided along with the product.
- Collaboration with strong international partnerships will be emphasized.
- With the development of the Do-It-Yourself (DIY) channel, a marketplace will be generated and business opportunities will be evaluated.
- Differentiation through innovation and leadership in ground-breaking products will be aimed at.

41.7%

Combined Revenue Share

39.7%

Combined EBITDA Share

ROHM HAAS



- Growth will be ensured through innovative products.

Polisan YAPI

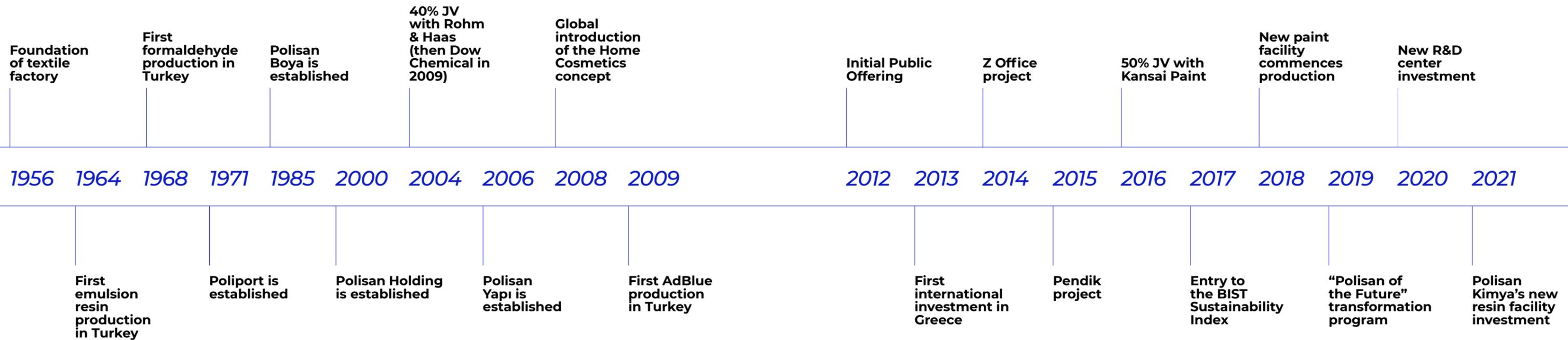


- Development processes will focus on existing construction agreements in return for land.
- Evaluation studies of idle properties will accelerate.

Milestones

A SUSTAINABLE GROWTH STORY

Founded in the 1950s, Polisan Holding has undersigned a sustainable growth story of milestone developments underpinning its current status.



Chairman's Letter

WE WORK FOR A “LIVABLE WORLD”!

2021 was a successful year, in which we - as Polisan Holding - started to reap the fruits of our “Polisan of the Future” vision, despite the pandemic, supply chain and logistics related challenges.

TRY3.7 billion

Total Assets

Esteemed Stakeholders,

At the start of 2021, which we began with attempts to swiftly adapt socially and economically to the pandemic, a historic event, our agenda was the World Economic Forum, planned to be held with the theme of the Great Reset. Indeed, the Great Reset aims to repair the social, environmental and economic damage inflicted by the pandemic as quickly as possible, and establish a fairer, more sustainable, and resilient social and economic system. As such, we started 2021 with a more positive expectation in light of a recovery plan that all the nations in the world would agree on, in addition to a rapid vaccination process. As it turned out, the Forum was postponed due to the spread of Covid, and ongoing problems in the supply chain, a globally disproportionate vaccination process, discrepancies in

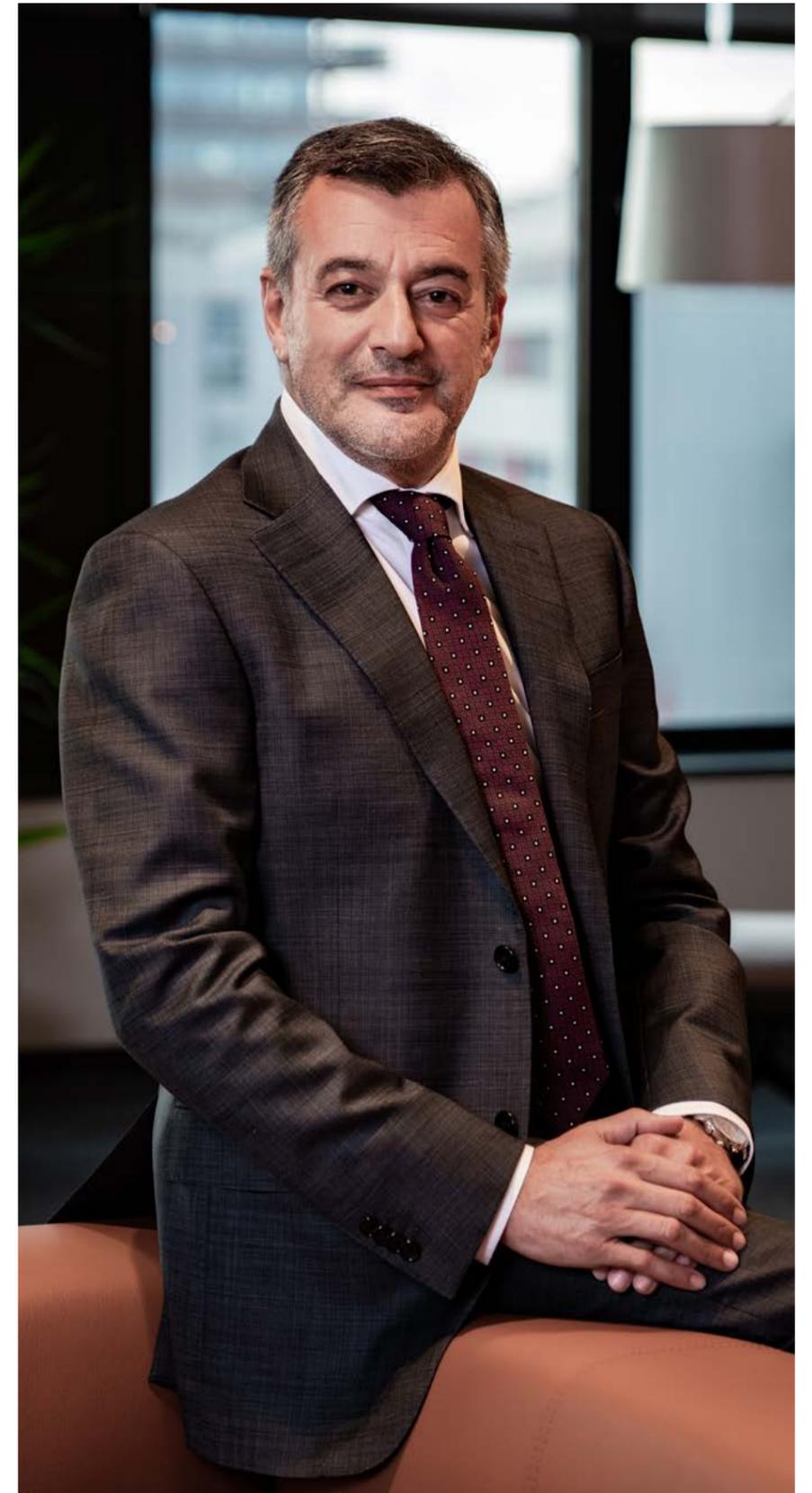
the economic growth of countries, uneven recovery in the workforce and an inflationary environment continued to affect human life and the rhythm of the global economy. In this process, it has been proven once again that sustainable growth can only be possible with coordinated policies and financial measures at a national and international level. Meanwhile, the correlation between climate change and trade policies became more apparent, prompting accelerated digital and green transformation initiatives. And so, the world came to accept living with new variants of the virus as the new normal, and demand quickly recovered in many countries. In its World Economic Outlook Report published in January 2022, the IMF predicted global GDP, which had contracted by 3.5% in 2020, growing by 4.4% in 2021.

We Gave a Strong Financial Performance in 2021 Despite the Pandemic.

In 2021, as Polisan Holding, we continued activities to strengthen our human resources, as well as our studies in the areas of Health-Safety-Environment, digital transformation, innovation, sustainability and cash management. Indeed, 2021 was a successful year, in which we started to reap the fruits of our “Polisan of the Future” vision, despite the pandemic, supply chain and logistics related challenges. Our combined revenues, including unconsolidated Polisan Kansai Boya, our 50% Joint Venture with Kansai Paint, rose by 63.5% to TRY3,557.8 million. We recorded a strong EBITDA margin of 17.0%, confining the pressure of increasing raw material costs on our operational profitability to 2.1 p.p. Our combined net profit, on the other hand, rose by 64.1% to TRY306.1 million.

We Made Investments to Realize Our Strategies.

Having positioned our investment decisions on the pillars of sustainability, innovation and digitalization, we initiated investments in our business lines to realize our strategies. We commenced the new resin facility investment at Polisan Kimya, by repositioning our chemical operations as the focal point of our value chain. At Polisan Hellas, we determined the projects we would invest in within the r-PET (recycled PET) group. At Poliport, we are minimizing our operational risk by increasing efficiency and customer satisfaction, thanks to our AION project, initiated to provide end-to-end automation in all our port operations. On the other hand, our investments for growth continued this year as well and we aim to increase bulk liquid capacity to 436,000 m³ in line with our long-term strategic plan. We continued our R&D investments to develop value-added and sustainable products in both our chemical and paint operations. The R&D Center of our paint operation has relocated to its new building equipped with cutting-edge technologies.



Chairman's Letter

Altogether, we evaluated the potential of our existing business lines, and of new segments in terms of sustainable growth, as well as the products that we can add to, develop, or exclude from our portfolio to increase productivity; this in addition to our assets within the Holding.

TRY2.0 billion
Shareholders' Equity

We Determined Our New Mission, Vision and Values.

2021 was also a milestone as we crowned our transformation program with our new mission, vision and values. We took this significant step as the "Polisan Team," aware that the firm roots that have supported us over our 58-year history are nourished by our human resources. In 2021, we held a series of meetings attended by our board members, as well as by a 50% ratio of white-collar employees of various seniority from our Group Companies. Altogether, we evaluated the potential of our existing business lines, or of new segments in terms of sustainable growth, as well as the products that we can add to, develop, or exclude from our portfolio to increase our productivity, in addition to our assets within the Holding. This year, we also implemented our new performance management system, through which we encourage our employees to take a greater initiative.

We Are Equipped to Evaluate New Opportunities That Arise from Shifting Balances.

The chemical industry, in which we operate across diverse business lines, touches almost every product in the manufacturing sector, directly and indirectly contributing approximately US\$5.7 trillion to the global economy.

Our key trade partner, Europe, which accounts for almost half of Turkey's trade volume, is the world's second largest chemical producer. Meanwhile, according to a study by Fitch Ratings, Turkey is listed among the countries destined to benefit the most from the shift in supply chains in Europe, due to its geopolitical position and cost advantages. However, in order for Turkey to benefit from this opportunity, in the upcoming period, it has to meet the standards stipulated in qualification for the initiative package offered by the European Union under the so-called Green Deal. The Green Deal initiative package aims to zero out net greenhouse gas emissions by 2050, to end the dependence of economic growth on resource use (decoupling), and to achieve this transformation in a manner that is fair and inclusive for all. As Polisan Holding, we now have a strong corporate structure with our two international partners, both of which are global giants in the areas of paint and chemistry, and the qualified leaders at the Holding and Group Company level. To this we add agile, flexible and solution-oriented Polisan employees who act with team spirit, effective internal audit processes and active committees. We are equipped to seize new opportunities by rapidly adapting to the Green Deal, thanks to our investments of recent years focused on both digital transformation and sustainability.

As signatories to the most radical transformation program in Polisan Holding's history, we will preserve our corporate culture, which rests on the foundation of self-confidence, mutual trust and affection.

B -
CDP Climate Change and Water Safety Rating

Furthermore, the recent rating increase assigned within the scope of the Carbon Disclosure Project (CDP) indicates that we are in a more advantageous position in meeting the conditions stipulated by the European Union than our local peers.

I Have Full Confidence in the Achieving of Common Goals That We Have Set Together!

As the signatories of the most radical transformation program in Polisan Holding's history, we will preserve our corporate culture based on self-confidence, mutual trust and affection. We will continue to create value with our environmentally friendly products and applications for a livable world in light of our values of customer-orientation, creativity, openness to cooperation and volunteering spirit. We will look out for the benefit of all our stakeholders as we take firm steps towards becoming a global brand with the synergies created by our group companies.

With particular emphasis on the robust and healthy growth of the youth - our future -, we contribute to the development of hundreds of young people at our schools and sports complex each year. This year, we became the sponsor of the Hearing-Impaired Volleyball Men's A National Team, whose achievements make us proud. We look forward to standing by our team at the 24th Olympic Games, postponed to May 2022, due to the pandemic.

I believe that, as the Polisan Team, we will achieve the goals that we have set with a common mindset, regarding ourselves as our own biggest competitors, and in a manner open to continuous improvement.

I take this opportunity, on behalf of the Polisan Holding Board of Directors, to thank all our stakeholders for their continuous unwavering support during this transformation process.



Mehmet Emin Bitlis
Board Chairman

CEO Letter

BEING BENEFICIAL FOR ALL STAKEHOLDERS IS THE FOCUS OF OUR STRATEGY.

In 2021, we started to implement our future growth strategies with our new mission, vision and values.

TRY2.0 billion
Consolidated Revenues

Esteemed Stakeholders,

Due to the new variants and the fact that the vaccination process initiated to combat the COVID-19 virus reflected the respective economic status of individual countries, the pandemic continued to affect human health and the global economy in 2021. Deterioration in the supply chain, which started in 2020, deepened amid logistics challenges that affected raw material availability. Despite rising demand exceeding expectations in 2021, production remained insufficient, while rising raw material and energy prices caused inflationary pressure in the global economy. Regardless, demand quickly rebounded in many countries in 2021. The economy of Turkey, among a limited number to register growth, at 1.8% in 2020, also gained momentum in 2021, growing by 11% percent due to government measures.

In 2021, We Realized Our Activities With a Focus on Customer Satisfaction and Within the Framework of Strict Financial Discipline, While Ever Prioritizing Health.

At Polisan Kansai Boya - a Group Company partnering with Kansai Paint - we launched products for the hobby - art paint sector and to provide the economical solutions required in the home, based on the pronounced increase observed in the do-it-yourself (DIY) trend in the Turkish paint market during the pandemic. We offered customers Turkey's first interior paint, effective against viruses and bacteria; a product of innovation at our new R&D center, which we relocated to in 2021. We increased our export revenues by developing products for markets abroad.

With the principle of operational excellence, we reduced our costs and increased our operational profitability through continuous improvements. On January 1, 2022, we successfully completed and rolled out the first phase of our port automation project, named AION, and established the infrastructure of our digital transformation studies at Poliport in our port operations. We will finalize the repairs that we began on the 200-meter section of the dry cargo pier, in the first quarter of 2022, and commence our services accordingly. In 2021, we worked with great devotion to provide sustainable service to our customers during the pandemic. We recorded revenue growth thanks to the strong US dollar, although cargo handling activities at Poliport were partially affected. We effectively managed working capital with our focus on cash generation, while fully leveraging our procurement network in our chemical operations in Turkey and Greece. Thus, we differentiated ourselves in terms of customer satisfaction by fulfilling all customer orders on time, in an environment blighted by a raw material bottleneck. At Polisan Kimya, we grew our revenue and profitability, increasing our exports of value-added resins, which we produce for the stone wool and furniture industries. At Polisan Hellas - our PET business in Greece - we increased our Euro-based revenues thanks to the revival of tourism activities and the rise in exports to the Balkan countries. In this period as supply chain issues from the Far East persisted, we operated at high capacity and raised our operational profitability above sector averages, by leaning towards the European market, more advantageous for raw material supply. Within this period, we transferred the shares of Polisan Maroc, operating in Morocco in the field of construction chemicals. This followed an evaluation of our assets in light of new changing dynamics during the pandemic. And meanwhile we advanced our strategy of simplifying and concentrating on our chemicals activities in Turkey.



CEO Letter

We continue our investments focused on innovation, customer, sustainability and digitalization for a livable World.

We carry on our studies on sustainability policies and practices in our operational areas, in line with our set targets.

1.0

Net Debt* / EBITDA

In 2021 Our Performance Exceeded Our Expectations.

All in all, our consolidated revenues increased by 87.3% to TRY1,969.3 million, while the EBITDA margin rose by 1.6 p.p. to 18.3%, and net income posted a 121.1% surge to TRY279.9 million.

We Continued Investments to Advance and Strengthen Our Human Resources.

In 2021, we launched a cultural transformation project by reorganizing our human resources team. Within its scope, we determined the competencies that would carry our Group companies into the future. We redesigned our recruitment and performance evaluation system in accordance with these competencies. We set up a system to evaluate the competencies required from our current employees and revised the existing performance management system with a new approach.

We Started to Implement Our Long-Term Plans With a New Vision.

In 2021, we determined our new vision, mission and values. We continued our investments focused on innovation, the customer, sustainability and digitalization. At Polisan Kimya, we laid the foundations of our new resin facility replete with cutting-edge technology infrastructure that meets Industry 4.0 standards with an investment of approximately €5 million. We will continue to focus on value-added phenol resin, a binder for rock wool used in insulation activities, and greatly demanded by the furniture industry, and expand our product portfolio for different sectors. In our Construction Chemicals product group, we will continue to offer environmentally friendly solutions, tailored to customer needs, and that contribute to the reduction of natural resource consumption in the operations of our stakeholders in the value chain. At Poliport, our capacity increase investment commenced in the area behind the port zone. In the long term, we have the opportunity to increase our capacity to 436,000 m³, thanks to the approved Environmental Impact Assessment Report. At Poliport, we aim to connect to the commercial railway line through our junction line project, and expand our portfolio with value-added, end-to-end services.

TRY279.9 million
Consolidated net income

At Polisan Kansai Boya, we will focus on maintaining our high profitability levels through synergies with our business partnerships with Dow Chemical and Kansai Paint. We completed our large-scale investments with the new paint facility and R&D center. However, we will continue to strengthen our sales channels and invest in branding. Exports remain a potential growth driver in our chemical and paint businesses. At Polisan Hellas, we are shaping our strategy by taking into consideration the changing regulatory environment, and working on investment plans for the value-added product portfolio. At Polisan Yapı, upon conclusion of ongoing municipal studies into zoning implementation regarding our 173,000 m² land, we expect the contractor company to begin the project. In addition, we will maintain the financial discipline that we meticulously reflect as an indispensable element of our operations.

We continue our operations in the awareness of sustainability and social responsibility. We recently raised our grade to "B-" in the Climate Change and Water Security Program of the Carbon Disclosure Project (CDP) following studies we implemented on sustainability policies and practices in our areas of operation. We aim to raise our grade to "A" through continuous improvement. We will continue to support education, culture and the arts, as well as sports and the environment to increase the quality of life of our people. On behalf of Polisan Holding I take this opportunity to thank all our stakeholders for their support.



Mehmet Hacıkamiloğlu
CEO

Polisan Holding Board of Directors



MEHMET EMİN BİTLİS
Chairman



AHMET ERTUĞRUL BİTLİS
Vice Chairman



AHMET FAİK BİTLİS
Board Member



FATMA NİLGÜN KASRAT
Board Member



MURAT YILDIRAN
Board Member



MEHMET HACIKAMILOĞLU
Board Member and CEO



ESRA YAZICI
Independent Board Member



ŞEREF TAŞKIN
Independent Board Member



ARİF BAŞER
Independent Board Member

MEHMET EMİN BİTLİS Chairman

Having started his professional career in 1985, Mehmet Emin Bitlis is the Chairman of the Board of Polisan Holding, Polisan Kimya, Rohm and Haas and the Vice Chairman of the Board of Poliport and Polar Teknoloji Yatırımları. 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 BİTLİS 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 Polar Teknoloji Yatırımları and the Vice Chairman of the Board of Polisan Holding.

AHMET FAİK BİTLİS 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 Polar Teknoloji Yatırımları. 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 NİLGÜN 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 Polar Teknoloji Yatırımları.

MURAT YILDIRAN 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. Between 2010 - 2019, he served as the Chairman 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. Murat Yıldırım, who became the CEO of Polisan Holding on October 1, 2019, transferred his duty as the CEO as of April 1, 2021, and was appointed as a Member of the Board of Polisan Holding. He is also the Vice Chairman of the Board of Şark Mensucat, Member of the Board of Polisan Yapı, Corporate Governance Member of the Board of Belgin Yağları, and Advisory Member of the Boards of Onurcan Ambalaj and BTM. Murat Yıldırım speaks English, French and Italian.

MEHMET HACIKAMILOĞLU Board Member

Mehmet Hacıkamiloğlu graduated from the Boğaziçi University Civil Engineering Department. He received his post-graduate degree in International Business at İstanbul University and completed the Executive-MBA Program at Sabancı University. Having started his professional life as an engineer at Üstay İnşaat, Hacıkamiloğlu joined Betonsa within Sabancı Group in 1993 as a Facility Manager, then continued his career as an Investment and Planning Manager at the same Company. He acted as the Strategy Development and Planning Manager in Akçansa from 1997 - 1999, as the Company Manager in Agregasa from 1999 - 2001, and as the Financial Coordinator in Akçansa from 2001 - 2003. He went on to become the Financial and Administrative Affairs Deputy General Manager of Çimsa from 2003 - 2006 and served as Çimsa General Manager from 2006 - 2014. Hacıkamiloğlu was appointed General Manager of Akçansa on September 1, 2014. Between 2016 and 2018, he served as Sabancı Holding Cement and Industry Group President, as well as the Chairman of the Boards of Akçansa, Çimsa, Brisa, Kordsa, Temsa Otobüs, Temsa İş Makinaları, Temsa Otomotiv, Yünsa, and Karçimsa. Mehmet Hacıkamiloğlu was appointed as the General Manager of Polisan Kansai Boya on April 20, 2020. Having principally remained in this post, he has also been assigned to act simultaneously as the proxy CEO, as well as a Board Member of Polisan Holding as of April 1, 2021. Since June 1, 2021, Mehmet Hacıkamiloğlu has been acting principally as the CEO of Polisan Holding. He is also the Chairman of the Board of Polisan Kansai Boya and Polisan Hellas, and a member of the Board of Polisan Kimya, Poliport, Polisan Yapı, Polisan Holding, Rohm and Haas, Şark Mensucat and Polar Teknoloji Yatırımları.

ESRA YAZICI 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 various family-owned SMEs on effective risk management, she has also given 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. She is the Independent Board Member of Polisan Holding.

ŞEREF TAŞKIN 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 audit and consultancy services for over 17 years to several companies operating in industry, trade and the service sectors on issues such as 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.

ARİF BAŞER Independent Board Member

He was born in 1967 in Trabzon. After graduating from the Ankara University Faculty of Political Sciences, Department of Finance in 1988, Arif Başer worked as an officer for the General Directorate of National Estate for one 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.

Polisan Holding Senior Management



MEHMET HACIKAMILOĞLU
CEO and Board Member



TOLGA ÜZÜMCÜ
CFO*



MAHMUT TEMİZ
Human Resources Director**



CUMHUR AKSOY
Information Technologies Director



SELÇUK DENİZHAN
General Coordinator



E. BURAK EKMEKÇIOĞLU
Head of Audit

MEHMET HACIKAMILOĞLU CEO

Mehmet Hacikamiloğlu graduated from the Boğaziçi University Civil Engineering Department. He received his post-graduate degree in International Business at Istanbul University and completed the Executive-MBA Program at Sabancı University. Having started his professional life as an engineer at Üstay İnşaat, Hacikamiloğlu joined Betonsa within Sabancı Group in 1993 as a Facility Manager, then continued his career as an Investment and Planning Manager at the same Company. He acted as the Strategy Development and Planning Manager in Akçansa from 1997 - 1999, as the Company Manager in Agregasa from 1999 - 2001, and as the Financial Coordinator in Akçansa from 2001 - 2003. He went on to become the Financial and Administrative Affairs Deputy General Manager of Çimsa from 2003 - 2006 and served as Çimsa General Manager from 2006 - 2014. Hacikamiloğlu was appointed General Manager of Akçansa on September 1, 2014. Between 2016 and 2018, he served as Sabancı Holding Cement and Industry Group President, as well as the Chairman of the Boards of Akçansa, Çimsa, Brisa, Kordsa, Temsa Otobüs, Temsa İş Makinaları, Temsa Otomotiv, Yünsa, and Karçimsa. Mehmet Hacikamiloğlu was appointed as the General Manager of Polisan Kansai Boya on April 20, 2020. Having principally remained in this post, he has also been assigned to act simultaneously as the proxy CEO, as well as a Board Member of Polisan Holding as of April 1, 2021. Since June 1, 2021, Mehmet Hacikamiloğlu has been acting principally as the CEO of Polisan Holding. He is also the Chairman of the Board of Polisan Kansai Boya and Polisan Hellas, and a member of the Board of Polisan Kimya, Poliport, Polisan Yapı, Polisan Holding, Rohm and Haas, Şark Mensucat and Polar Teknoloji Yatırımları.

TOLGA ÜZÜMCÜ CFO*

Tolga Üzümcü received his Bachelor's Degree in Economics in 2004 from Marmara University and completed his master's degree in Finance in 2017 at Istanbul Bilgi University. He started his professional career at Deloitte and was selected for Deloitte's Global Mobility Program after working for the Deloitte Istanbul office from 2004 to 2008. He then worked at the Deloitte Luxembourg office for two years. He returned to the Deloitte Istanbul Office in 2011 and worked till 2014. That year, he commenced working at Borajet Airlines, where he served as Head of Finance for three years. Between 2017 and 2022, he served as CFO in TAV Operation Services of TAV Airports Holding. He was appointed as a member of the Executive Board in 2019 and established and managed the finance operations of 36 companies in 23 countries. He also served as Managing Director of Zurich, Germany, and Omani entities within TAV Operation Services. Tolga Üzümcü holds CPA, ACCA, CMA, and an independent auditor license from the CMB. He became the CFO of Polisan Holding as of February 1, 2022.

MAHMUT TEMİZ Human Resources Director**

Mahmut Temiz graduated from the Istanbul Technical University Department of Industrial Engineering in 1996. Having started his professional life at Wittur Holding as a Product Manager, he worked as the Industrial Management and Research Manager at the Turkish Metal Industrialists Union (MESS), and then as Assistant Manager of Human Resources and Industrial Relations at Toyota Otomotiv A.Ş. Between 2007 - 2017, he was responsible for the central management and integration of international Human Resources and Industrial Relations processes for five domestic and nine foreign businesses as Group Human Resources Director at the Paşabahçe and Trakya Cam Groups of Şişecam Group of Companies. Acting as the CHRO - Group Human Resources Director at BMC Otomotiv ve Savunma A.Ş. between 2017 and 2021, Temiz was listed by Fortune Magazine Turkey in 2021 among "Turkey's 50 Most Influential CHRO-Human Resources Leaders" in a field of over 1,000 participating companies. Mahmut Temiz began his tenure as the Polisan Holding Human Resources Director on January 5, 2022.

CUMHUR AKSOY

Information Technologies Director
Cumhur Aksoy graduated from Boğaziçi University, Department of Industrial Engineering in 1995 and then he completed the MBA program at Boğaziçi University. Having started his career as a SAP Consultant at Model Bilgi İşlem in 1995, Cumhur Aksoy then worked as a Senior Project Manager at Siemens in 2002. Having worked as Process Solutions Group Manager at Siemens IT Solutions as of 2006, Cumhur Aksoy continued his career as SAP Manager at Atos between 2011 and 2016, and as Professional Service Director at SabancıDX in 2016. He served as Senior IT Manager at ETİ between 2019 and 2021. Cumhur Aksoy started his tenure as the Information Technologies Director at Polisan Holding as of July 5, 2021.

SELÇUK DENİZHAN General Coordinator

He was born in Malatya in 1974. He graduated from Erciyes University, in Mechanical Engineering. Having obtained his MBA at Istanbul Bilgi University, he completed the Global Business Management and Finance Program at University of California, Berkeley. Currently, he continues his doctorate in Production Management and Marketing at Sakarya University. Selçuk Denizhan worked as Project Manager and Technical Manager in investment projects at Polisan Holding, where he started his career in 2000. Between 2015 and 2018, he worked as the Country Manager of Polisan Hellas, Polisan Holding's subsidiary in Greece. Between 2018 and 2020, he worked as the Administrative and Technical Director of Polisan Holding. Having assumed the role of General Coordinator at Polisan Holding as of January 15, 2020, Selçuk Denizhan is also a Member of the Board of Poliport.

E. BURAK EKMEKÇIOĞLU Head of Audit

He was born in 1970. He received his degree in Business Administration from Eskişehir Anadolu University Faculty of Economics and Administrative Sciences. He started his professional life in Toprak Holding A.Ş., where he worked as the Deputy Inspector at Inspection Board. Having been transferred to Süzer Group 5 years later, between 2000 and 2014, he served primarily as the President of Inspection Board and the Financial and Administrative Group; the General Manager of Süzer Holding A.Ş. and Subsidiaries; the CEO of Financial Companies (Bank, Leasing, Factoring). He also acted as the Board Member of various Süzer Group companies operating in the Tourism, Food, Construction and Energy sectors. In addition, he was the Chairman of the Board of Kentbank DD, which has been located in Croatia between 2011 and 2013. Since 2014, he has been acting as independent board member and working as consultant in companies in various sectors on finance, re-organization and audit. He speaks English. Burak Ekmeçioğlu is the Head of Audit at Polisan Holding.

* Ahmet Çağaçan Yılmaz, who was appointed as the CFO of Polisan Holding on September 2, 2019, resigned from his position as of January 31, 2022.

** Hilal Gökçaya, who was appointed as the Human Resources Director of Polisan Holding on January 1, 2021, resigned from her position as of January 3, 2022.

2021 Financial and Operational Outlook

STEADY INCREASE IN PROFITABILITY

Polisan Holding's consolidated net income in 2021 increased by 121.1% to TRY279.9 million, and its combined net income by 64.1% to TRY306.1 million.

Summary Consolidated Income Statement (TRY mln)	2020	2021	% Change
Revenues	1,051.3	1,969.3	87.3%
Gross Profit	204.4	411.9	101.5%
Gross Profit Margin (%)	19.4%	20.9%	1.5 p.p.
Profit Before Interest and Tax (EBIT)	115.1	284.1	146.9%
EBIT Margin (%)	10.9%	14.4%	3.5 p.p.
Profit Before Interest, Tax and Depreciation (EBITDA)	175.7	359.5	104.6%
EBITDA Margin (%)	16.7%	18.3%	1.6 p.p.
Net Income	126.6	279.9	121.1%
Net Income Margin (%)	12.0%	14.2%	2.2 p.p.

Summary Combined Income Statement (TRY mln)	2020	2021	% Change
Revenues	2,175.8	3,557.8	63.5%
Profit Before Interest, Tax and Depreciation (EBITDA)	415.6	605.6	45.7%
EBITDA Margin (%)	19.1%	17.0%	-2.1 p.p.
Net Income	186.5	306.1	64.1%

Consolidated Revenues (TRY million)

87.3% increase

2021	1,969.3
2020	1,051.3

Combined Revenues (TRY million)

63.5% increase

2021	3,557.8
2020	2,175.8

Consolidated Net Income (TRY million)

121.1% increase

2021	279.9
2020	126.6

Combined Net Income (TRY million)

64.1% increase

2021	306.1
2020	186.5

Summary Consolidated Balance Sheet (TRY mln)	2020	2021
Cash and Cash Equivalents	288.5	411.6
Current Assets	794.7	1,518.4
Non-Current Assets	2,011.9	2,230.3
TOTAL ASSETS	2,806.6	3,748.6
Short Term Financial Liabilities	331.5	490.8
Long Term Financial Liabilities	314.0	342.9
Paid in Capital	758.5	758.5
Total Equity	1,756.1	2,046.9
TOTAL EQUITY AND LIABILITIES	2,806.6	3,748.6

Ratios	2020	2021
Current Ratio	1.275	1.222
Liquidity Ratio	1.039	0.908
Net Income/Total Equity	7.2%	13.7%
Net Income/Total Equity and Liabilities	4.5%	7.5%

2021 Evaluation

INCREASING PROFITABILITY THROUGH FINANCIAL DISCIPLINE

In 2021, Polisan Holding ensured customer satisfaction with the raw material it procured from its strong supply network, focused on value-added product sales and recorded strong profitability through effective working capital management.

104.6%

Consolidated EBITDA
Increase

121.1%

Consolidated Net
Income Increase

Consolidated Financial Results

Disruption of the supply chain and logistic problems experienced during the pandemic continued to negatively affect all companies using fx based inputs throughout 2021. In this environment, Polisan Holding ensured customer satisfaction with the raw material it procured from its strong supply network, emphasized the value-added product sales in its portfolio, increased its inventory turnover and reflected rising production costs in the final price, albeit with a lag, while focusing on exports in its chemical activities. Strong revenue growth has been recorded particularly in chemical activities in Turkey and PET operations in the Greek Market, while the revenues of Poliport grew thanks to the positive fx rate impact. Ultimately, Polisan Holding's consolidated revenues rose by 87.3%

in 2021 year over year, reaching TRY1,969.3 million. In 2021, operational profitability was suppressed by decreased cargo handled in port operations due to decelerated coal imports and repairs carried out at the pier, and the rising raw material costs of chemical activities in Turkey and Greece. In spite of this, the consolidated EBITDA margin in 2021 rose by 1.6 p.p. compared to 2020 to 18.3% on the back of strong revenue growth. During this period, profit from investments accounted by using the equity pick up method decreased (2020: TRY63.8 million profit; 2021: TRY15.4 million loss) in particular due to the rising financial expenses of Polisan Kansai Boya with the fx rate impact. By the same token, net other operating expenses rose to TRY42.3 million (2020: TRY6.2 million net other operating income).



17%

Combined EBITDA
Margin

Thanks to the meticulous financial discipline adopted by the Group Companies, Polisan Holding recorded a net financial income of TRY75.0 million in 2021, as opposed to a net financial expense of TRY62.5 million in 2020. All in all, net income surged by 121.1% compared to the previous year, to TRY279.9 million.

Combined Financial Results

As per the combined financial results, in which the unconsolidated Polisan Kansai Boya - a 50% Joint Venture with Kansai Paint - is included; combined revenues rose by 63.5% to TRY3,557.8 mln with strong revenue growth across all business lines recorded by Polisan Kansai Boya. The combined EBITDA margin decreased by 2.1 p.p. to 17.0% due to rising fx based raw material costs amid prevailing supply chain issues.

Impacted by increasing financial expenses at Polisan Kansai Boya with the fx rate effect, combined net income rose by 64.1% to TRY306.1 mln.

Actual Results and Forward-Looking Expectations

In 2021, Polisan Holding's consolidated Group Companies delivered quite a strong operational and financial performance, despite rising fx based raw material costs. Polisan Holding, foresaw a consolidated revenue increase of 70% and an approximately 1 point rise in consolidated EBITDA compared to 2020, as per the revised expectations. Ultimately, however, it achieved an increase of 87.3% in revenues and 1.6 points in the EBITDA margin, thereby exceeding its estimates.

PAINT



The Paint Industry in Turkey

AMONG THE LARGEST PAINT MARKETS IN EUROPE

According to the Paint Industry Association (“BOSAD”)’s report; Turkey ranks as the fifth largest paint producer in Europe following Germany, the UK, France, and Italy.

US\$1.7 billion

Size of Turkish Paint Industry (2020)

50%

Share of Decorative Segment in Turkish Paint Market

The Paint Industry in Turkey is a US\$ 1.7 Billion Market.

The global paint and coating industry grew by 11.5% in 2021 compared to a year ago, reaching US\$170 billion. The size of the Turkish paint market, which had an approximate share of 1% in the global market in 2020 and is listed among the top five largest paint producers in Europe, was worth approximately US\$600 million in the first nine months of 2021.

Turkey Targets to Become Europe’s Third Largest Paint Producer With the Support of Exports.

According to the Paint Industry Association (“BOSAD”)’s report; Turkey ranks as the fifth largest paint producer in Europe following Germany, the UK, France, and Italy. Turkish paint industry manufacturers who started to focus on closer markets, primarily European Union countries, and recorded US\$872 million in exports in 2020, aim to become Europe’s third largest paint producer with the support of exports.

Per Capita Decorative Paint Consumption Remains Low in Turkey.

The Turkish Decorative Paint Industry still has growth potential with per capita paint consumption at 7.5 kg according to the BOSAD 2021 Report. The growth factors of the Turkish Paint Industry are:

- Young and increasing population
- Urban transformation
- New building constructions
- Decreasing population per household
- Increasing income
- 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

The Paint Industry in Turkey

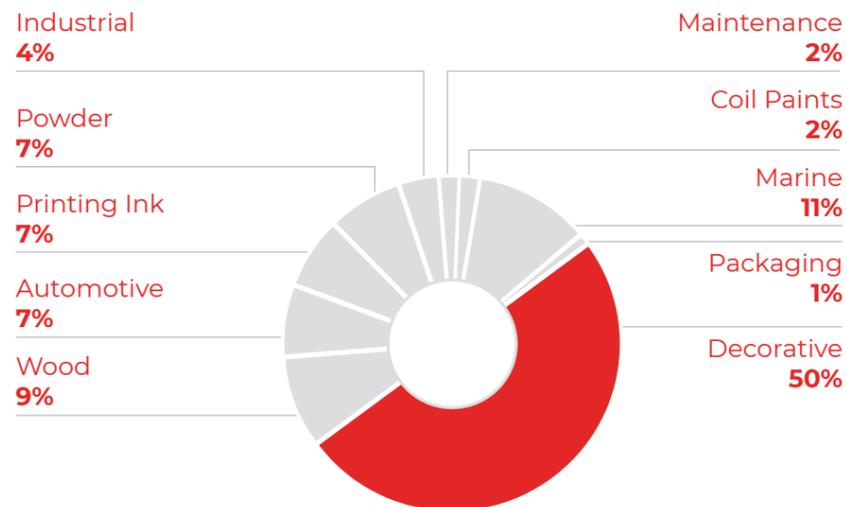
Turkey's decorative paint market, which grew by 27% to 517,000 tons in 2020 on demand from consumers opting to renovate in quarantine periods during the pandemic, is expected to reach a volume of ~ 600,000 tons in 2021.

Target of becoming the third largest paint manufacturer in Europe

Turkey aims to become the third largest paint manufacturer in Europe with the support of exports.

Decorative Segment has the Largest Share in the Market at 50%.

Decorative paint accounts for the largest share of the Turkish paint industry at 50%. The sales volume in Turkey's Decorative Paint Industry, which contracted as of the second half of 2018 due to the conjuncture, grew by 27% to 517,000 tons in 2020. This stemmed from the rapid change in consumer demand and purchasing trends due to Covid-19, and to the fact that individuals spending more time in their homes tended towards renovation. The market, continuing to grow in 2021, is expected to reach approximately the 600,000 ton level. 85-90% of demand in the Turkish decorative paint market originates from renovation related requirements. Thus; demand for decorative paint may still continue even in years when the construction sector contracts.



Source: BOSAD

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

It became mandatory to prepare an Energy ID Card for buildings that received a new building license as of January 1, 2011, reviving the insulation sector, which in turn, resulted in a rise in demand for exterior paint. According to the most recent Turkey's Heat and Water Insulation Market Report published by İZODER, the total size of the Heat and Water Insulation market realized at TRY20.4 billion in 2021. Per capita consumption of insulation products in Europe is 2.5 times higher when compared to Turkey where per capita consumption is 0.215 m³. The per capita consumption rate is set to further rise as thickness increases. The increase in exterior insulation is expected to ultimately have a direct and strong effect on paint production and consumption figures.

POLISAN KANSAI BOYA SANAYİ VE TİCARET A.Ş.

Founded in 1985, Polisan Boya transferred 50% of its shares to global paint giant Japanese Kansai Paint in exchange for a US\$113.5 million transfer price on December 21, 2016 within the scope of its strategy of extending its leader position in Turkey to markets abroad, and of strengthening its position overseas (including US\$68.5 million for the share transfer and US\$45 million for the participation of Polisan Boya capital). Continuing its operations as Polisan Kansai Boya Sanayi ve Ticaret A.Ş., the decorative paints group constitutes the bulk of the revenues of Polisan Kansai Boya, similar to the general structure of the Turkish Paint Industry overall. The Company's main area of activity is paints used in construction and insulation works, and auxiliary products. 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.

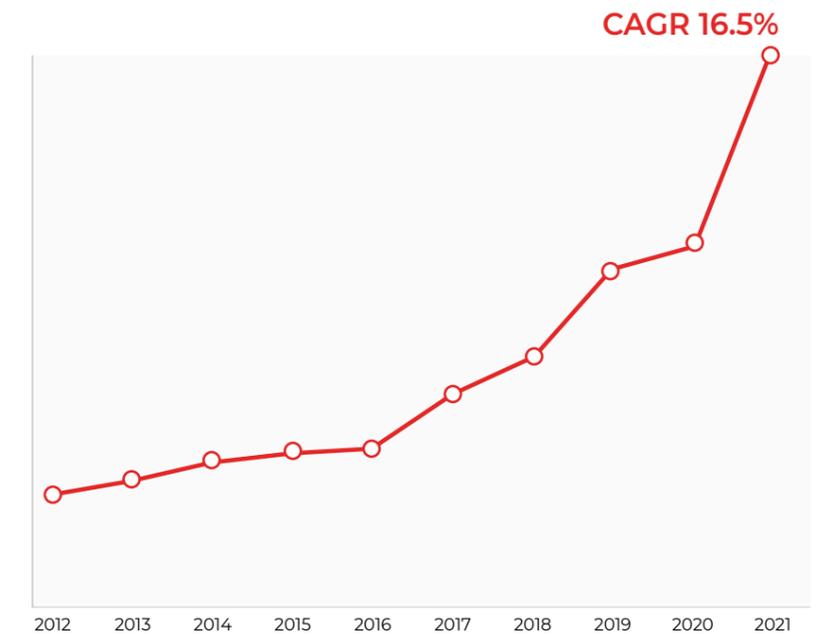
Polisan Kansai Boya is Among the Leaders of the Decorative Paint Segment With the Widest Product Portfolio.

Polisan Kansai Boya has the widest product portfolio across all price segments in the decorative paint market with more than 4,700 product types including packaging and color options (over 250 excluding packaging and color options). The furniture, marine, and industrial groups are complementary business segments. Polisan Kansai Boya achieved a historic high sales volume thanks to the campaigns it offered in the first quarter of 2021. Excluding the paint provided for the tender of the General Directorate of Highways, Polisan Kansai Boya increased its sales volume by 13% in 2021. Paint revenues rose by 51% with the reflection of increasing imported raw material costs on sales prices. The Company's paint revenues grew by a compound annual growth rate (CAGR) of 16.5% in the 2011 – 2021 period.

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

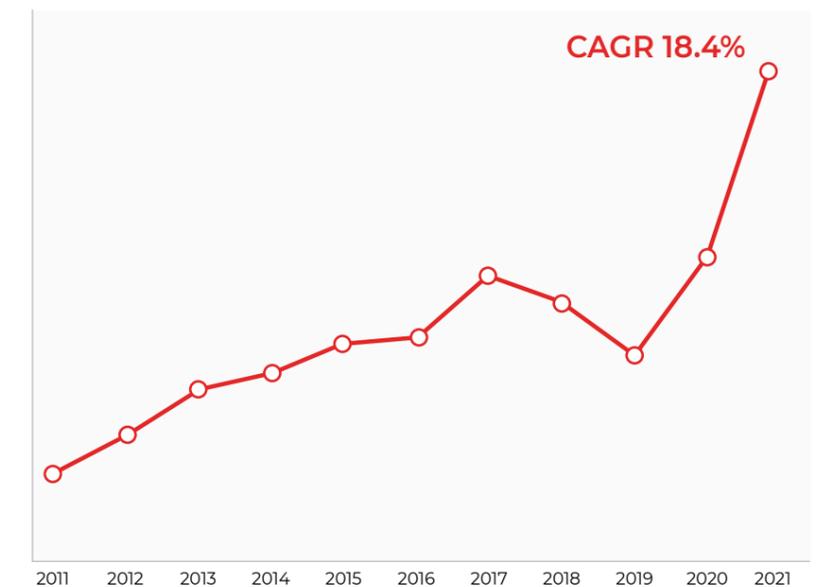
Polisan Kansai Boya has been operating in the growing Turkish Insulation Industry since 2007. Polisan Insulation Systems, which can be bought from authorized Polisan Kansai Boya dealers, is composed of four different packages (EPS, XPS, Rock wool, Carbon EPS). The Company has introduced approximately 35,000 buildings to insulation systems product and service quality as of 2021. The Exelans Energy Turbo Heat Insulation Package ensuring an energy saving of close to 10% with its high-grade heat insulation ratio, continues to receive market appreciation. The insulation market continued to grow in 2021 in spite of economic conditions. With a CAGR of 5.3% on a square meter basis between 2011 and 2021, Polisan Insulation Systems outpaced the Turkish thermal insulation market, posting a 3.3% CAGR in the same period. In terms of insulation revenues, the CAGR between 2011 and 2021 printed at 18.4%.

Decorative Paint Revenues



Source: Polisan Kansai Boya

Insulation Revenues



Source: Polisan Kansai Boya

The Paint Industry in Turkey

POLISAN KANSAI BOYA SANAYİ VE TİCARET A.Ş.

The €55 million new paint production and storage facility, calibrated for Industry 4.0 has the potential to almost meet Turkey's entire decorative paint requirement, with its theoretical capacity, which can rise to 540,000 tons in three shifts.

Polisan Kansai Boya Offers Polisan Branded, High Quality Commercial Products in Parallel to Customer Expectations.

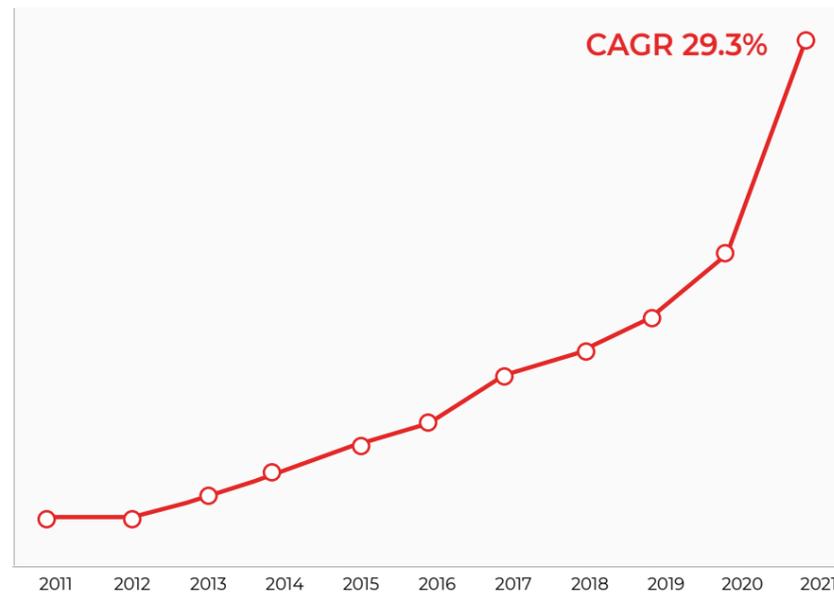
Commercial products, the share of which in Polisan Kansai Boya's total revenues increases year by year, are produced within Polisan. In addition, they comprise Polisan branded products, which are manufactured by contractor companies and offered to painters and others requiring them, directly through the Polisan Kansai Boya sales channel. Thus, painters or customers in need can readily obtain a wide range of products such as brushes, rollers, tapes, covers, sprays, hobby paints, construction chemicals, gloves, hand tools at Polisan Kansai Boya quality standards. In 2021, many new categories such as X1 Art hobby paints were included in the portfolio in line with changing customer demands and expectations, increasing the number of products to approximately 500. Research activities are carried out and contacts are established for the sale of these products in foreign markets. In terms of commercial product revenues, the CAGR between 2011 and 2021 printed at 29.3%.

New facility for

Polisan Kansai Boya

The filling capacity of the first LEED GOLD certified production facility in the Turkish paint industry, has almost doubled thanks to automation.

Commercial Product Revenues



Source: Polisan Kansai Boya

Competitive Advantages of Polisan Kansai Boya

1) €55 Million New Paint Manufacturing and Warehousing Facility Calibrated for Industry 4.0

• Increasing Capacity

The Polisan Kansai Boya partnership started trial production in June 2018 and commenced actual production as of 2019 at the new paint manufacturing and warehousing facility, the investment of which was initiated in 2016. 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 three shifts at the former paint facility, Polisan Kansai Boya today has

a theoretical production capacity of 540,000 tons/year at its new facility. Accordingly, by operating three shifts, the facility has the potential to almost fully meet domestic decorative paint demand without requiring additional investment. Polisan Kansai Boya aims to channel all of its production efforts to water based paints in the long term.

• First Production Facility in Turkey's Paint Industry Entitled to Receive Leed Gold Certification

Built to international standards on a 142,000 square-meter land in GEBKİM, the new facility is EN 1090-2 certified and is Turkey's first LEED Gold certified paint facility and

ranks as the 308th 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. Polisan Kansai Boya realizes production at global standards with its ISO 9001, ISO 14001, ISO 45001, ISO 10002 and ISO 50001 certification.

• Cost Efficiency on the Back of Automation

With the fully automated raw material conveyor system, the handling automation level of 20% at the current factory has been increased to 99.2% for powdered raw material and to 99.9% for liquid raw material, at the new facility. Filling capacity has doubled as a result of 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. Fast adaptation to seasonality and changing market conditions has been provided through the line optimization and demand planning modules. With the improvements realized by Polisan Kansai Boya in 2021, employee efficiency at the GEBKİM factory increased by 7% compared to 2020. The new facility enhanced efficiency and reduced costs by developing Company skills enabling the rapid launch of its products in an increasingly competitive environment.

• High Quality Due to Digitalization

The wireless sensor network technology applied in the raw material warehouse of Polisan Kansai Boya's GEBKİM Factory has enabled temperature and humidity data to be instantly gathered, independently of human beings. It is ensured that desired information can rapidly be accessed by visualizing, periodically reporting, and interpreting the data. Thus, a potential raw material quality issue is prevented.



2) Innovative and Sustainable Products

• The "Home Cosmetics" Concept, Which Polisan Kansai Boya Registered as a Global First

Polisan Kansai Boya registered the "Home Cosmetics" concept in 2008, becoming the first company to introduce this approach to the world. Within this context, the Company has emphasized the, "We not only produce paint, we produce Home Cosmetics" approach, claiming that paint is not merely about colors, but that in addition to its functional benefits of maintenance and protection, it makes an aesthetic contribution to the environment. 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.

• Special Products Developed for Polisan Kansai Boya With Polisan Holding's Partner, the World's Chemical Giant Dow Chemical

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 exterior paint Exelans Turbo Flex C1 produced in 2018 is a special project jointly developed by Dow Chemical and

Polisan Kansai Boya. Efforts towards product development and the commercialization of these products continue in line with market needs.

• Products, Which are Firsts for the Sector, Developed by Polisan Kansai Boya R&D

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 its competitors. The high-caliber products that Polisan Kansai Boya offers as the pioneer of the market, 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 POLİROAD
- Wood protector spray varnish WOOD&WOOD
- Plastic surface spray paint
- Turkey's first interior paint effective against viruses and bacteria ELEGANS EXTRA SOFT MAT

The Paint Industry in Turkey

POLISAN KANSAI BOYA SANAYİ VE TİCARET A.Ş.

Polisan Kansai Boya introduced the world to the “Ev Kozmetiği” concept with the term “Home Cosmetics” in 2008, emphasizing that in addition to its functional benefits paint makes an aesthetic contribution to spaces, with the “We not only produce paint, we produce Home Cosmetics” approach.



Effective Restructuring at 5,500 Point of Sales

• Environmental Product Declaration Certificate Holding Products that are a First for Turkey

Polisan Kansai Boya was the first in Turkey and the third manufacturer in Europe to receive Environmental Product Declaration (“EPD”) Certification in 2015 for its Exelans Macro, Elegans Extra Semi Matt, Natura Ambians, and Natura A1 Silicon products developed by its R&D department. In 2021, EPD Certificate applications have been submitted for new products manufactured by Polisan Kansai Boya in response to changing market conditions and customer needs.

• Products Manufactured for Changing Trends

Polisan Kansai Boya began to offer economic roofing products in the domestic market following the economic fluctuations that began as of the second half of 2018. In 2021, the Company launched its XI Art Group due to the rising interest in hobby and artistic paints among end consumers who were spending much more time at home during the pandemic, as well as the PROF Product Group, developed to provide economical solutions for the home. In addition, “ELEGANS Extra Soft Mat,” Turkey’s first interior paint approved as 99.9% effective against viruses and bacteria, was introduced to customers.

• Turkey’s First and Private Hybrid Brands

In addition to Polisan branded products sold in chain stores, Polisan Kansai Boya manufactures private label products on demand for the market chains; being either their own brand, or else a hybrid brand produced specifically for the chain by Polisan Kansai Boya. Polisan Kansai Boya is the producer of Turkey’s first hybrid paint brand Polibau for Bauhaus. Additionally, the Company is the producer of the Fabel (Koçtaş) and Bolero (Tekzen) brands, which are the brand labels of market chains. The Company continues to offer products to its customers through the “Corner Shop” and “Polisan Shop” concept designed particularly in Bauhaus and Tekzen. In 2021, the hybrid DEKORA and QUARTZ brands appeared in the adverts of A101 and ŞOK food stores for the first time.

3) Most Extensive Sales Channel

• Effective Structuring at 5,500 Points of Sales

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 distributor number to 11, in line with more effective cost management. The Company sells its products through 5,200 dealers, of which 3,300 are direct and approximately 1,675 are exclusive dealers. Also, the Company realizes sales at 363 stores of three market chains.

• Turkey’s First Water Based New Generation Mix System Serving 3,600 Points of Sale

Polisan Kansai Boya R&D 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. Polisan Kansai Boya has positioned 3,600 sales points as “Production Centers” through the new generation Mix System coloring machines and Modula System, which are deployed at sales points with each producing at integrated facility quality levels. Sales points offer 100,000 colors without having to keep inventory, while each point having the Modula System, which has a higher capacity than Mix Machines, is positioned as the logistic center and distributor factory. Thus, Polisan Kansai Boya realizes instant delivery to dealers upon demand, ensuring effective management of 5,000 SKUs. Of total color sales 95% are made through the base system by use of the tinting system on site, due to the advantages it provides in inventory and capital management, and delivery timing. Having launched the Mix Communication Center Program within the scope of digitalization initiatives, the Company has access to the data of 92% of the mix machines, enabling it to better monitor customers’ color demands remotely. Polisan Kansai Boya can define new colors among competitors or elsewhere in the



world to machines remotely through this system. Thus, rapid response to the competition is ensured, and in pursuing arising opportunities.

• Turkey’s First and Sole Example of Concept Merchandizing Through 2,700 Polisan Shops

Having positioned paint as “Home Cosmetics,” Polisan Kansai Boya foresaw that the number of women visiting merchandisers to buy paint was on 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 of items in the “Polisan Shop” and “Polisan Shop Improvement Points,” in the first and sole ‘Concept Merchandizing’ in the paint industry. The Company has delivered another exemplary application to the sector by designing its merchandizing corners in Do-It-Yourself shopping centers such as Bauhaus, Koçtaş, and Tekzen meeting the standards of Polisan Shops.

4) Quality Service Approach

• Fast Service Approach Through the CRM Program and Dealer Portal

Polisan Kansai Boya can respond to the expectations and demands of 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 on 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. Updating continues of the new generation automation system, Dealer Portal, the development process of which commenced in 2017 reflecting the operational incorporation of digitalization and technology. A more agile and practical collection system platform was launched with the Virtual POS System.

• Effective Communication for Results-Oriented Solutions

As much as with pre-sales services, Polisan Kansai Boya also targets perfection in after-sales services within the scope of ISO 10002 standards. Accordingly, the Company migrated physical meetings and dealer visits, which decreased in number during the pandemic process, to the online platform. The “Sales Culture and Development Project” initiated by the Polisan Kansai Boya Sales Academy ensured that the experienced sales team can adapt and is prepared for ever changing conditions.

The Paint Industry in Turkey

POLISAN KANSAI BOYA SANAYİ VE TİCARET A.Ş.

Thanks to the new generation mix system coloring machines and Module System, introduced to the sector by Polisan Kansai Boya R&D in 2008, with each having the production capacity of the integrated factory, 3,600 sales points have become the “Production Center”.



Turkey's First Water Based New Generation Mix System at 3,600 Points

Polisan Kansai Boya enhanced the competencies of the implementation teams of dealers by providing them free of charge “Professional Qualification Certificates,” the number of which has exceeded 3,000 in 2021. A closer, mutual interaction with painters has been maintained through online webinars via the mobile application of Policlubextra designed by Polisan Kansai Boya, undersigning a first for Turkey in the loyalty program arena. Polisan Kansai Boya processes the complaints of customers, vendors and business partners, or via the 444 83 80 Polisan Customer Services and 0 533 144 83 60 WhatsApp lines, within 24 hours.

5) Increasing Brand Awareness on the Road to Globalization

• Strengthening Brand Loyalty Through Product and Consumer Segmentation

Customer and product segmentation has come to the fore as a strategic issue within the course of the pandemic. Accordingly, Polisan Kansai Boya has reclassified products based on their use and customer segmentation. The benefits offered to consumers have become more competitive with new pricing methods. The performance of products of high sales volume and profitability was further increased by more closely monitoring them on the basis of SKUs. The target audience, which was previously out of reach, has been attracted with the new Polisan Kansai Boya products added to the product range, leading to an increase in market share and expansion of the customer base. Rapid revenue growth was achieved on a product basis through the sales and communication campaigns carried out to create brand loyalty among new customers. Product communication was carried out through digital and social media aimed at the target audience on the basis of function and customer segmentation, leading to increased sales. In this context, higher-reach campaigns are being revised according to need, and actively aired 24/7 on digital and social media.

• Active Communication Studies Through Social Media

Strategic steps were taken towards digital marketing activities and digital brand awareness in 2021. Within the framework of digital marketing activities carried out with the aim of high access on social networks and high user interaction, Polisan Kansai Boya has been listed among the 50 best-known brands according to the Tick Tock Boom Sonar April

2021 Survey. Parallel strategies have been developed to combine digital marketing channels and traditional channels for omnichannel marketing. According to the Brand Lift Survey conducted by YouTube in December, brand awareness increased by approximately 11 points to 54%. In numerical terms advertising visibility, which stood at 16 million in 2020, has increased to 758 million thanks to strategies developed across all product groups in 2021. In the same period, the number of Instagram followers rose to 148,000 from 15,000, while the access and interactions of followers increased by over 25%. The LinkedIn page went live in 2021, with an average of 40,000 views per month.

• Brand Awareness in Export Markets

Having Increased its focus on exports in the context of globalization, Polisan Kansai Boya becomes an increasingly well-known brand in international markets through the synergies of its partnership with Kansai Paint. The Company continued its export-oriented growth strategy in 2021, despite the relatively slow course of foreign operations due to Covid-19. In this context, in addition to establishing a strong distribution network in foreign markets, Polisan Kansai Boya began to have a say, particularly in prestigious projects. Furthermore, establishment of the base required to participate in organized retail has been completed. Out of 26 countries to which exports were realized in 2021, 16 have distributor agreements. With the addition of eight new stores in 2021, Polisan Kansai Boya delivers merchandizing services through a total of 126 Polisan Shops abroad, ensuring customer satisfaction. Shipment volume and revenues continued with a rise in 2021 within the scope of distributor agreements realized and new stores opened in export markets. In parallel to its goal of increasing exports, Polisan Kansai Boya R&D has initiated new product and formula development studies in foreign markets, in line with the habits of the respective country, and continued to offer its products developed for the Israeli, French, and Iraqi markets. New product studies have also been initiated for the UK and Romania. The number of Mix Machines installed abroad is also increasing, making a difference at sales points with the rapid coloring solutions they offer, especially in



countries of high solvent-based paint consumption, and where there is a transition to water-based paint. The system and infrastructure installation of Polisan Kansai Boya in target markets abroad is incentivized by the government within the scope of the TURQUALITY® Program, which was initiated to promote Turkish brands abroad.

Polisan Kansai Boya to Maintain Profitable Revenue Growth, Emphasizing Its Competitive Advantages.

In 2019, Polisan Kansai Boya commissioned its new paint manufacturing and storage facility worth €55 million, thereafter relocating to its new R&D building, built as one of the most advanced centers in the sector with an investment of TRY25 million, in 2021. In the upcoming years, Polisan Kansai Boya will continue its investments in the area of:

- Strategic actions aimed at two operational elements concerning customers: sales channel and marketing of products
- Sustainable, innovative products
- Category management geared towards meeting market needs
- Effective campaigns to reinforce brand image
- Technological partnerships with other leading players of the chemical industry in addition to Polisan Holding's business partners Kansai Paint and Rohm & Haas
- Intensive use of exports and e-commerce channels in addition to the traditional sales channels and
- Brand investments to strengthen the “excellence center” perception in the global arena leveraging the power of digitalization and social media.

PORT OPERATIONS

Port Industry

SEABORNE TRADE IN TURKEY RANKS SECOND IN EUROPE

Seaborne trade in Turkey ranks second after Holland as of 2020 year end when compared in terms of cargo handled with countries where Europe's key ports are located.

Seaborne Transport, at 80%, is the World's Most Preferred Mode of Transport.

Seaborne transport is the world's most preferred mode of transportation enabling as it does 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 polluting mode for the environment, the energy consumed per passenger-km, and ton-kilometer is the lowest, there is almost no other forfeit, and it is cheaper than air, road, and 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.

Global Seaborne Trade is Expected to Rise at an Annual Rate of 2.4% Between 2022 - 2026.

In 2020, with the effect of the pandemic, global GDP (Gross Domestic Product) declined by 3.5%, posting the largest downturn of the past 70 years. However, thanks to the government stimulus packages, particularly in the United States, Europe and Japan, the negative impact of the pandemic on global seaborne trade has remained below that expected at the start of the year. The volume of international seaborne trade fell by 3.8% to 10.65 billion tons. At the beginning of 2021, the spread of the vaccination and removal of restrictions in general, within the scope of combating the pandemic, had a positive impact on demand. However, the rapid spread of the Omicron variant towards the end of the year led to the re-imposition of restrictions in many countries. Therefore, while the IMF expects global GDP to expand by 5.9% in 2021, it foresees GDP growth of 4.4% in 2022 due to inflationary pressures caused by rising energy prices and disruptions

to the supply chain. According to the UNCTAD (United Nations Conference on Trade and Development) Report, global seaborne trade is expected to grow by 4.3% in 2021, and by an annual rate of 2.4% between 2022 and 2026.

The Pandemic Has Accelerated Trends That Could Create New Long-Term Opportunities in Seaborne Trade.

By exposing the vulnerabilities of existing supply chains, the pandemic has emphasized the need for supply chains to become more resilient, responsive, and agile to ensure continuity of service. Although it is unlikely for globalization to completely come to an end, the restructuring of supply chains in proximate geographies has been brought to the agenda in order to reduce over-reliance on distant suppliers.

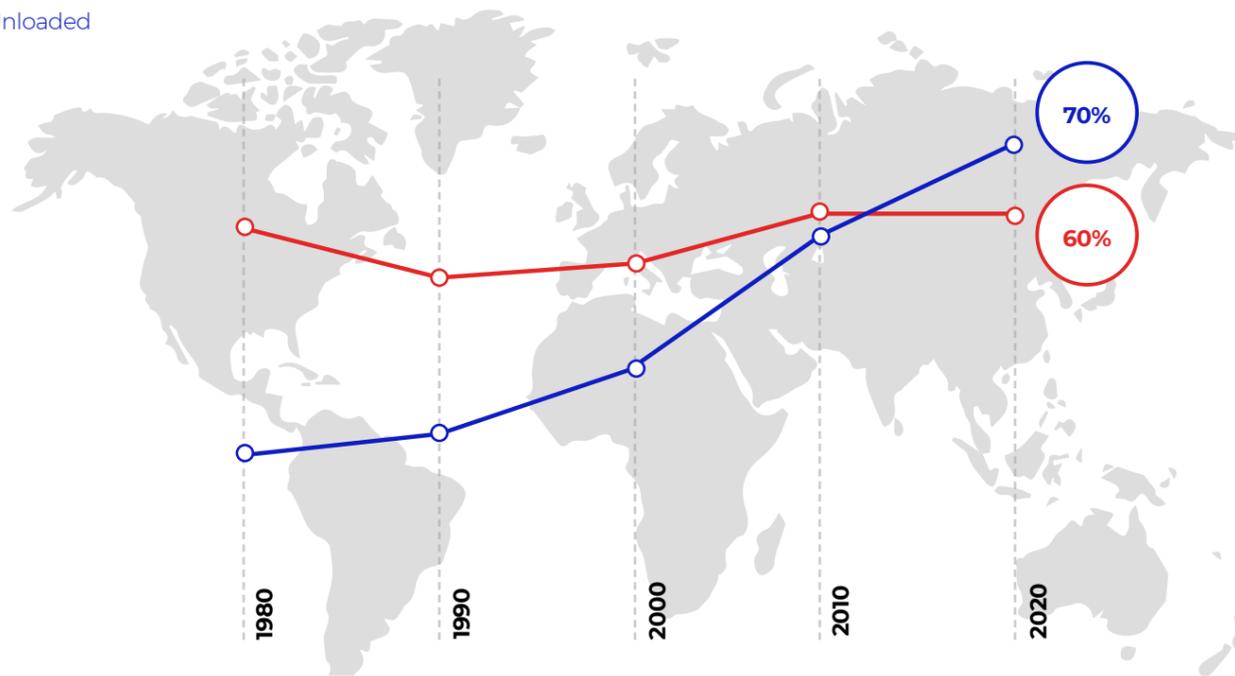
Thanks to the digitalization and environmental sustainability trends that began prior the pandemic, shipping and port operations continued by minimizing interaction and physical

Port Industry

Seaborne transportation, capturing an 80% share of volume and 70% share of global trade in monetary terms, positions the Maritime Industry as the most strategic for global trade.

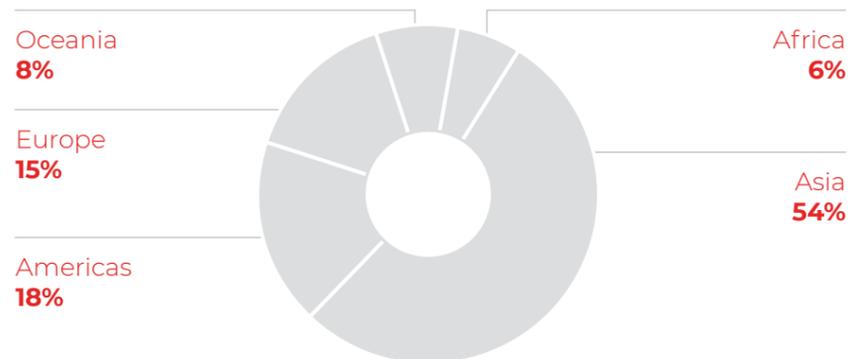
Developing Economies Have the Largest Share of Global Seaborne Trade.

○ Loaded
○ Unloaded



contact. The growth in e-commerce has increased the demand for distribution and storage facilities that offer value-added services and have completed their digital transformation. These developments are expected to generate new business opportunities for all, including shipping and port operators, as well as other players in the seaborne supply chain. Technology is also a critical element for environmental sustainability. After the pandemic, new business opportunities that create economic, social and environmental value will be possible by leveraging the synergies of technology, environmental protection, efficiency and resilience.

Europe's Share in Global Seaborne Trade is 15%.



Source: Review of Seaborne Transport; UNCTAD 2020 Report

SEABORNE TRADE IN TURKEY

Turkey is Among the Largest Markets in European Seaborne Trade.

Turkey has a coast line of 8,333 kilometers, and as of 2021, the number of facilities serving seaborne trade in different forms and features such as pier, buoy, dolphin, and platform is 206. As is the case elsewhere in the world, the merchandise trade in Turkey, surrounded by sea on three fronts, is basically realized via seaway. In a comparison of seaborne trade based on the cargo handled in countries where Europe's key ports are located, Turkey ranked second in 2020 after Holland. With a 3.9% CAGR between 2010 and 2020 and 46.9% growth rate compared to 2010, Turkey is the country with the highest growth in terms of cargo handled.

Europe Seaborne Trade 2020

Cargo handled (mln tons)

Holland	558
Turkey	497
Italy	470
Spain	456
UK	439
Germany	276

Source: Eurostat & UK Department for Transport

	Holland	Turkey	Italy	Spain	UK	Germany
Cargo Handled (2010 - 2020)	3.5%	46.9%	-4.9%	20.8%	-14.3%	-0.1%
CAGR (2010 - 2020)	0.3%	3.9%	-0.5%	1.9%	-1.5%	0.0%

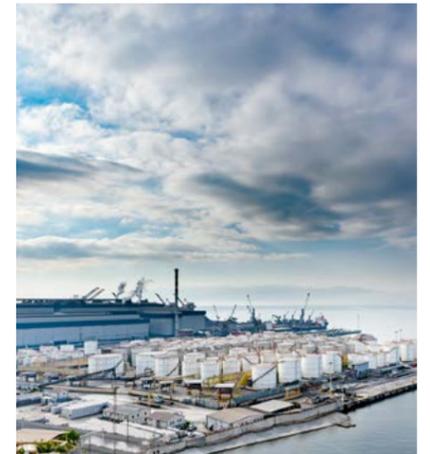
Source: Eurostat & UK Department for Transport

In 2021, Cargo Handled at Turkish Ports was Realized at 526.3 Million Tons, up 6.0%.

- In terms of regions, on 39.4% (207.6 million tons), the Marmara Region had the largest share in cargo handling.
- By regime, foreign trade had the largest share at 73.4% (386.4 million tons).
- Based on cargo types handled, dry bulk ranking first on 32.4%, was followed by bulk liquid on 29.5%.

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 and Marmara Sea 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 on Turkey's land route network is the highest. The flow of intensive raw materials and finished products between İstanbul 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 İstanbul's Sabiha Gökçen Airport on the Anatolian side and İstanbul Airport on the European side.



Kocaeli Gulf Region is Among the Top 10 Ports of the EU.

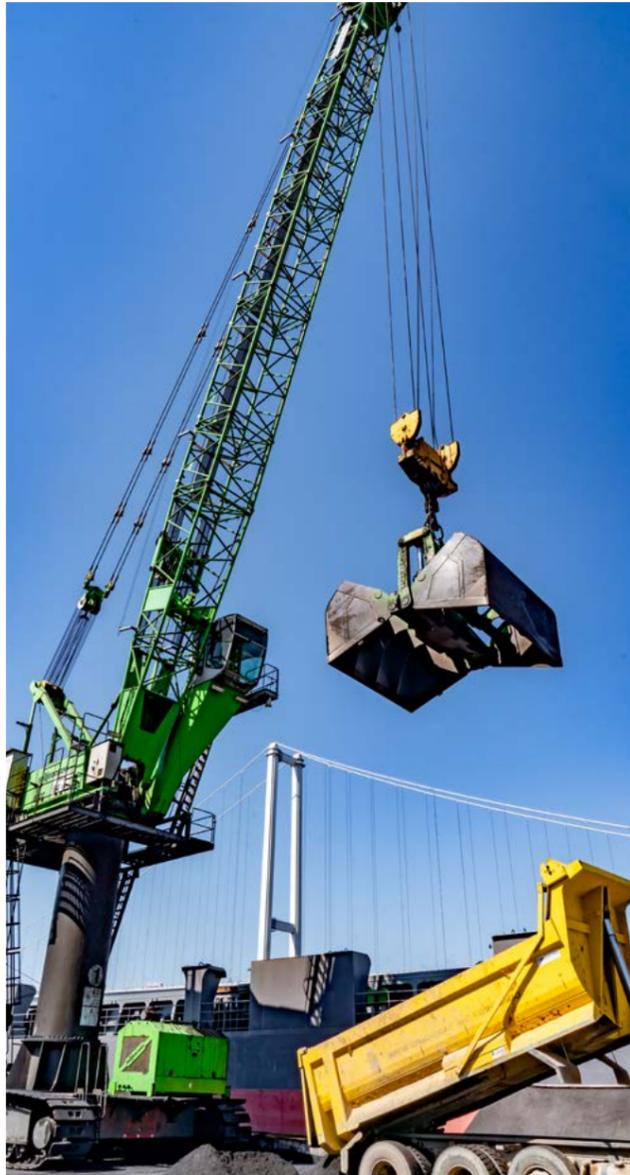
2020	Port	Cargo (mln tons)
1	Rotterdam (NL)	409
2	Antwerpen (BE)	206
3	Hamburg (DE)	109
4	Amsterdam (NL)	89
5	Algeciras (ES)	88
6	Kocaeli (TR)	77
7	Aliğa (TR)	69
8	Botaş (TR)	67
9	Valencia (ES)	66
10	İskenderun (TR)	61

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

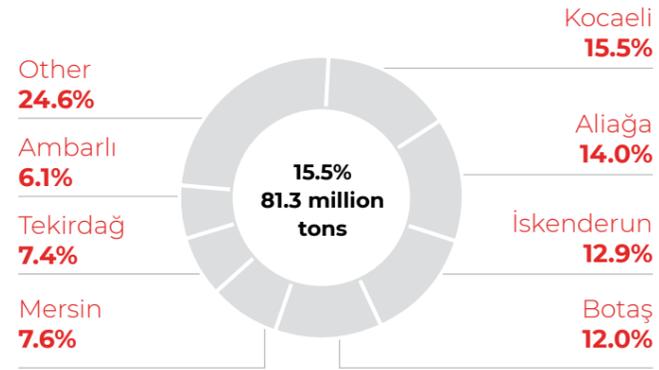
Port Industry

Ports in the Kocaeli Gulf Region Maintain Their Leadership in Turkey With 81.3 Million Tons of Cargo Handled in 2021.

In 2021, cargo handled in the Kocaeli Gulf Region increased by 6.3% to 81.3 million tons. Out of 35 ports in that region, only 10 port facilities (Poliport, Solventaş, Limaş, Efesan, Evyap, Yilport, Rota, Safi, Autoport, and Belde) serve third parties.

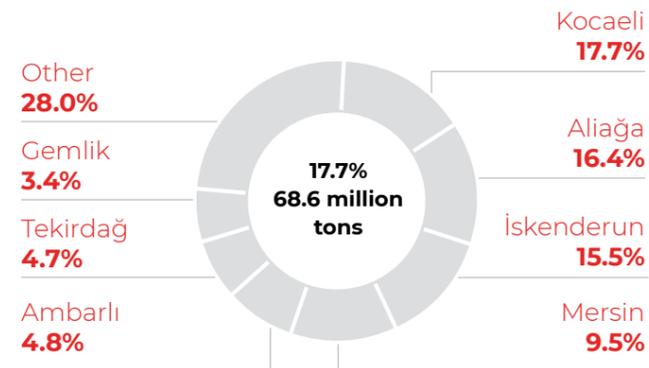


1st in Cargo Handled



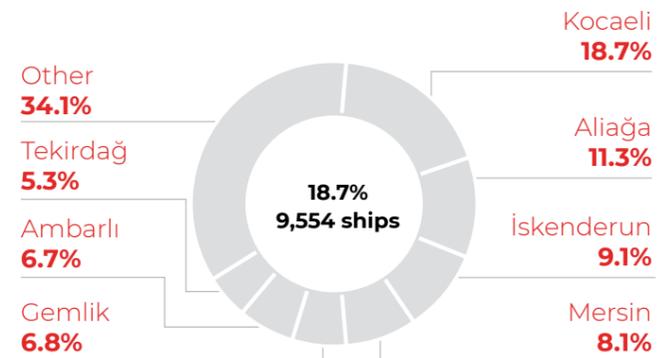
Source: Republic of Turkey, Ministry of Transport, Maritime Affairs and Communications; Directorate General of Merchant Marine

1st in Foreign Trade



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

1st in Ships Calling at Turkish Ports



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

The Advantage of strategic location

Poliport operates in the Kocaeli Gulf Region, which has significant potential in the logistics sector due to its geographic location.

POLİPORT KİMYA SANAYİ VE TİCARET A.Ş.

Poliport was founded in 1971 in Dilovası, where Polisan Holding facilities are located, in an attempt to provide bulk liquid services. With its jetty, pier, embarkment, and warehousing facilities, Poliport 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 provides storage and handling services for the products of third parties.

Poliport's tanks have the technical infrastructure to be able to store all kinds of chemical products.

Poliport can handle all kinds of general cargo, project cargo and dry bulk cargo at the port. The Company offers high quality service to customers in type A-type warehousing, a free zone warehouse, and in closed and open storage areas with the status of a temporary storage zone.

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

Important Features:

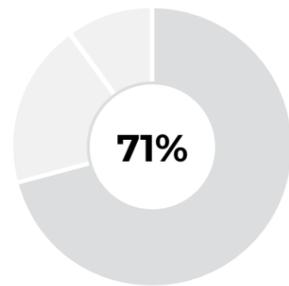
Total Area (Including Leased Area of 142,565 m ²)	213,000
Total Cargo Handled (2021)	3.5 mln tons
Concession Term	49 years
Concession Expiration (Same status with the other ports, marinas and hotels behind the shoreline)	2033



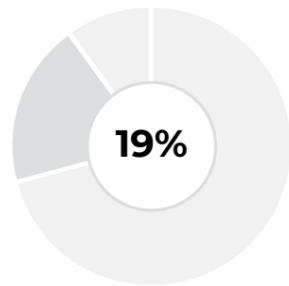
Port Industry
POLİPORT

With its jetty, pier, embarkment, and warehousing facilities, Poliport is among the largest ports, and the closest to Istanbul on the Anatolian side.

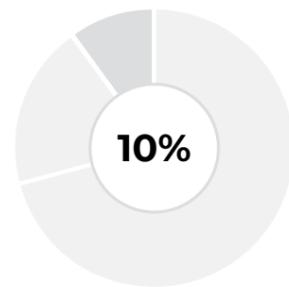
Poliport Has Three Main Operational Activities



Bulk Liquid Services



Dry Bulk & General Cargo Services



Warehouse Services

Bulk Liquid Services



93%

2021 terminal fill rate

2.5 million tons

Annual handling capacity of the terminal

272,000 m³

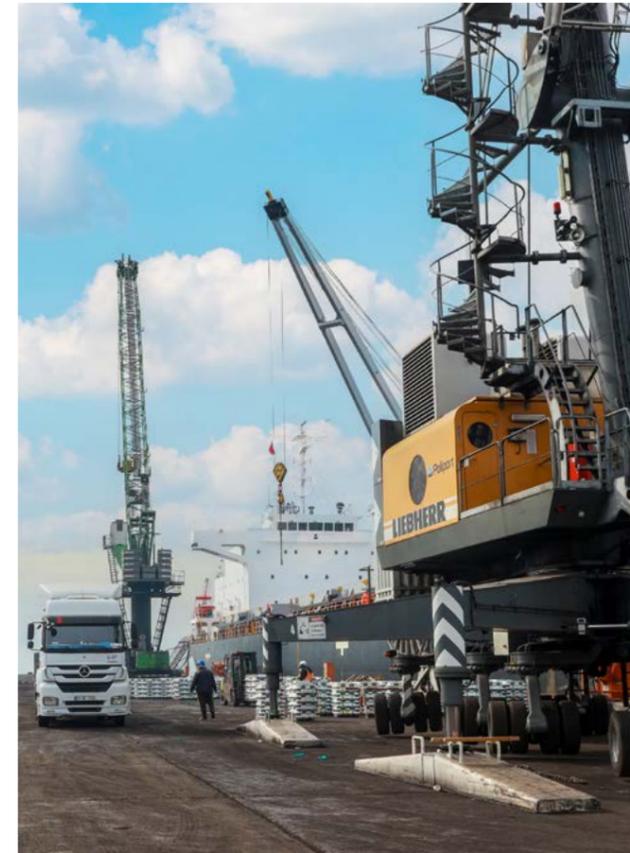
Bulk liquid storage capacity

The jetty at the bulk liquid storage terminal has a 250-meter length, 12-meter width, and a 10.5 to 13.5-meter draft, which can accommodate four vessels of up to 40,000 DWT at one time. The terminal has 178 storage tanks made of carbon steel or stainless steel with capacities ranging from 200 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 2021, total cargo handled stood at 1.45 million tons, wherein 51% comprised chemicals and 49% liquid fuel products.

Dry Bulk & General Cargo Services



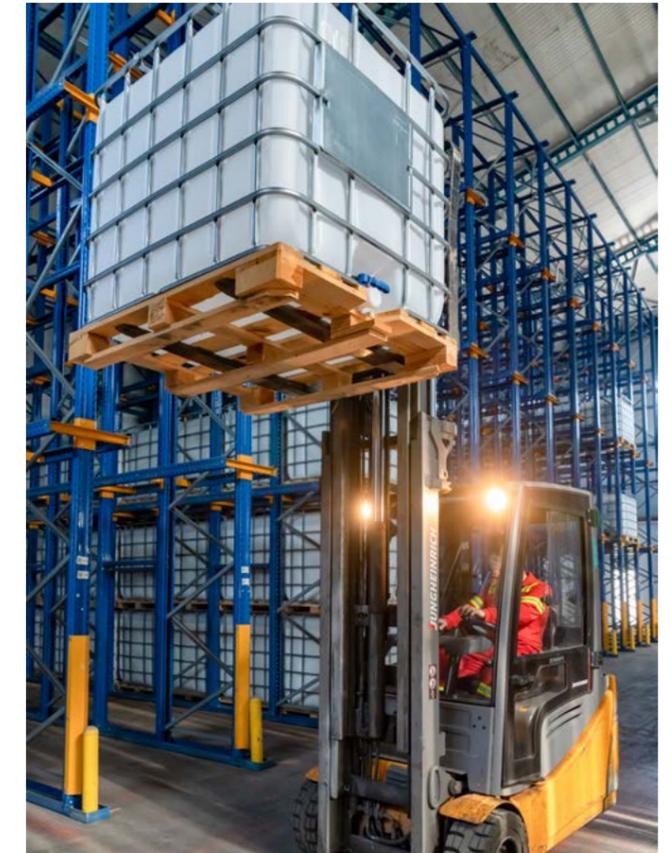
5 million tons

Dry Bulk Handling Capacity

At the dry bulk pier, the piers and ports are 730 meters long and 40 meters wide. 100,000 DWT vessels can be accommodated at the port. Additionally, for loading and unloading processes, the port is equipped with six electric cranes with lifting capacities ranging from six tons to 124 tons, loaders and forklifts of various capacities, and lifting attachments for various loads. Poliport has the capacity to service six ships at one time with water depths ranging from 12 to 24 meters.

Total cargo handled in 2021 amounted to 2.07 million tons, with 59% comprising coal, 25% aluminum, 3% steel roll, 2% scale and cast iron, and 9% other products.

Warehouse Services



40,430 m²

Total open and enclosed area, in which warehouse services are conducted

In addition to flammable products, all kinds of packed and non-packed materials, alloy and non-alloy hazardous materials, as well as a wide variety of materials including general cargo products such as steel roll, aluminum, pipe, paper bobbin and wire rod are stored in the warehouses.

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

In A type general warehouses, the opportunity to track the inventory and delivery of the products is provided through the deployed port automation system. In 2021, cargo stored in A type warehouses amounted to 410,300 tons.

Port Industry POLIORT

Poliort defines its strategy in parallel to growth dynamics in the market and increasing customer storage needs, as well as according to world, country and sector dynamics.



TRY81 million
Investment amount in
2021

The Competitive Advantages of Poliort:

In 2021, Poliort Has Completed the Most Important Phase of Its Digital Transformation Investment With the AION Terminal Automation Project.

At Poliort, automation-oriented studies are always determined in accordance with current trends, depending on the requirements of the sector. Digitalization processes constitute the most substantial input and output of the operations. In this context, in 2021, Poliort has finalized and commissioned the

most important phase of the port automation system that it named the AION Project, aimed at technological sustainability, innovation and efficiency.

Thanks to the port automation system offering integrated service with SAP and SCADA systems, as of 2022, the operations at the terminal are planned to be realized so as to include the planning of labor and operating machinery, as well as vessel and site operations. Additionally, all business processes such as operation and customer management are aimed to be relayed to the digital environment, with all kinds of corporate resources to be used more efficiently.

The port automation system serves the five basic principles of Poliort:

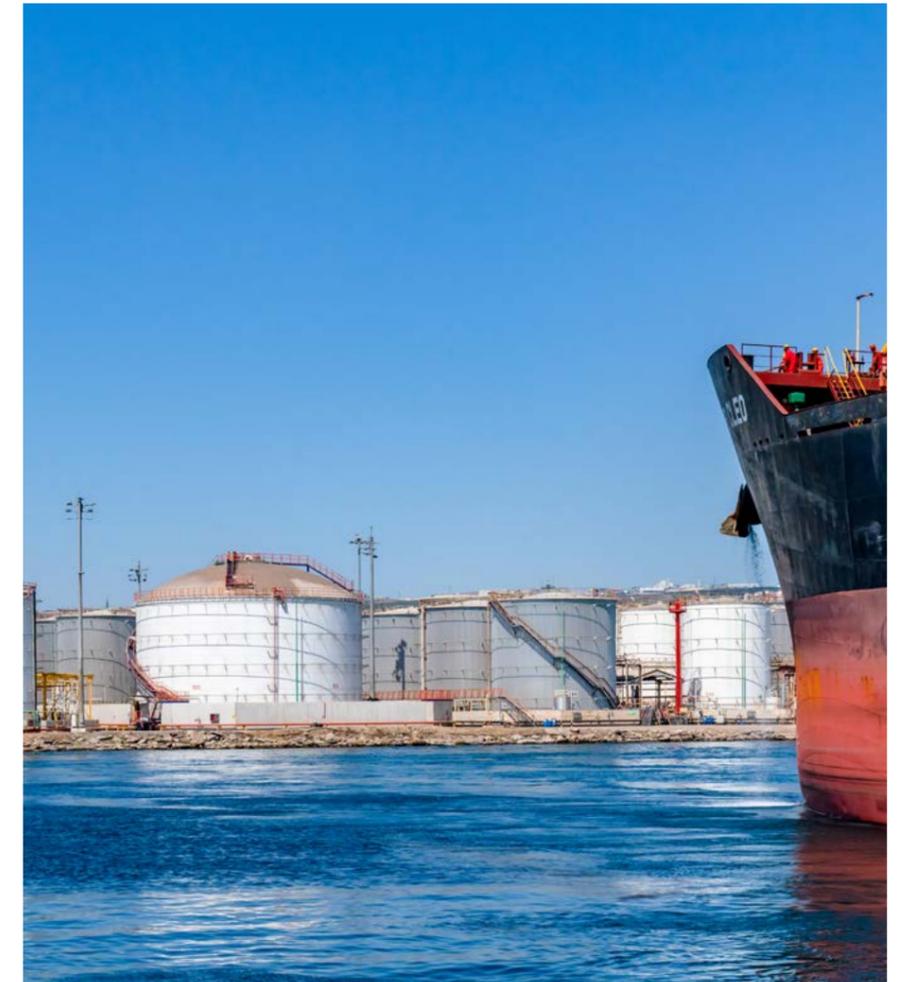
- Customer satisfaction by offering flexible solutions according to customer needs thanks to
- customer portals supported by customer-specific interfaces and data
- Competitive advantage of establishing an infrastructure that will provide faster adaptation to unfolding competitive conditions in the sector
- Sustainable profitability by optimizing the efficient use of all resources such as labor, equipment, site and energy in operational processes
- Transparency and accountability thanks to the automation of operational and financial data through the support of all process with a transparent database
- Profit and cost analysis focusing on efficient operational processes in all variations such as operation type, product group, etc.

Since 1990, Poliort 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.
- The number of customers in the portfolio continues to rise.
- Poliort's revenues are based in US dollars.
- Ports in the Kocaeli Gulf Region, which have grown at a CAGR of 4.0% between 2011 and 2021, are expected to require a capacity increase over the coming years.
- Investments in new port facilities in the Kocaeli region are allowed on a limited scale.
- Activities regarding a capacity increase on land behind Poliort's terminal area have begun.
- Poliort realizes its capacity increase investments based on the fill rate of tanks.
- Accordingly, it can offer more competitive prices and grow its customer base.
- As certain terminals, which handle their own dry bulk cargo in the Kocaeli Gulf Region and provide services at very competitive prices in order to utilize their idle capacity, approach full capacity utilization rates, the supply-demand balance is expected to deteriorate in favor of Poliort.

Poliort Will Continue Capacity Investments in Line With Its 5-Year Strategic Plans.

Poliort 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 chemicals industry has continued to grow in spite of the pandemic. Chemical input plays quite a crucial role in production from automotive to food, and from paper and agricultural products to the textile industry. The bulk liquid cargo handled at the terminals of



Turkey exhibits an increasing trend, and a significant surge is expected particularly in the traffic of alcohol, ethylene, aromatic and methanol product groups.

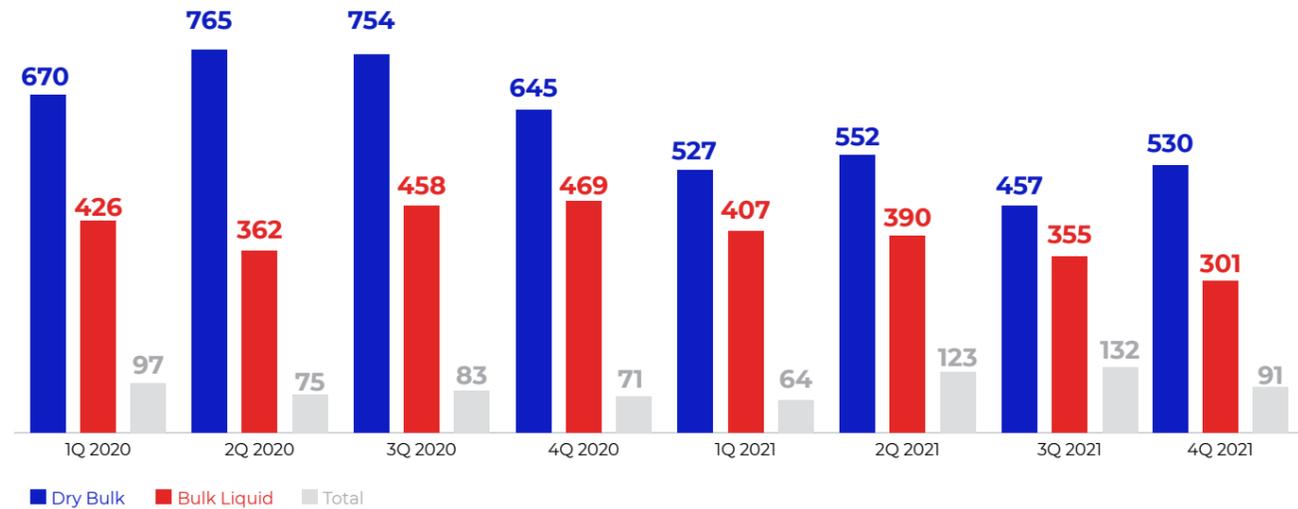
In 2021, Poliort initiated renovation studies in tank fields and improvement in closed warehouses with an investment of TRY81 million. The 200-meter pier will start operations as of the first quarter of 2022. The studies for tank repair and warehouse expansion are expected to be completed in 2022. Having defined its 5-year strategy in parallel to market growth and increasing customer storage needs, and in accordance with the global, country and sector dynamics, Poliort aims for a capacity increase at the tank terminal. In this context, studies into tank manufacturing are ongoing. Total bulk liquid capacity is targeted

at approximately 384,000 m³ at the end of five years, rising to 436,000 m³ in the long term.

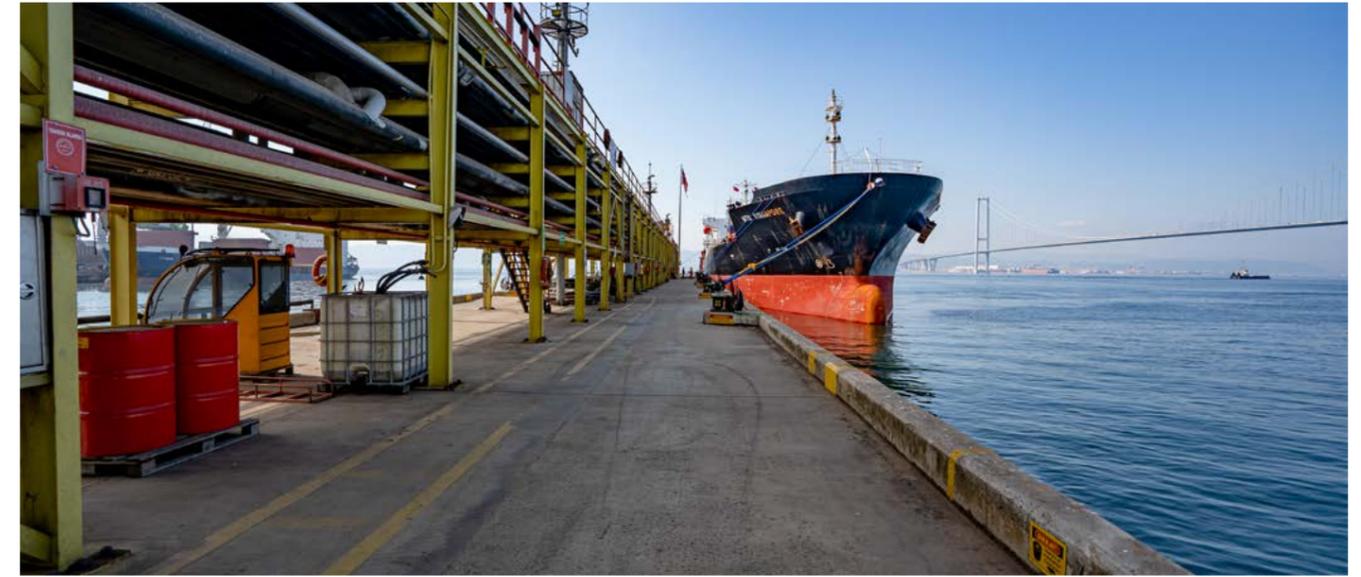
Poliort's main goal is to provide better service to its customers, reach a high operational efficiency level with a transparent structure and to make a difference through the application of technology. In this context, the Company aims both to increase the variety of cargo and serve its customers in all forms of transportation by connecting to the conventional line of the Turkish Republic State Railways (TCDD) through a junction line. Poliort will continue all its investments and operations by focusing on the principles of Health, Safety and the Environment, while evaluating the safety of its employees and all other stakeholders to the highest degree.

Port Industry

POLIPORT, THE OPERATIONAL ACTIVITIES OF WHICH WERE AFFECTED BY MAINTENANCE AT THE PIER IN 2021, CONTINUED ITS DIGITAL TRANSFORMATION AND CAPACITY INVESTMENTS.



Based on data released by the Directorate General of Merchant Marine, total cargo handled at Turkish Ports in 2021 increased by 6.0% compared to the previous year due to the rise in transit cargo. In the same period, total cargo handled at ports in the Kocaeli Gulf Region rose by 6.3% to 81.3 million tons. In 2021, at Poliport, 2,066,470 tons (2020: 2,834,226 tons) handled at the dry bulk pier and 1,452,788 tons (2020: 1,715,646 tons) handled at the terminal totaled 3,519,258 tons (2020: 4,549,872 tons), representing a 22.7% decrease compared to cargo handled last year. This stemmed both from the slowdown in coal imports due to the unusual rise in coal prices in global markets, and the ongoing repair process at the 200-meter pier. In 2021, approximately 410,300 tons (2020: 326,246 tons) of cargo were stored in A-type warehouses.



TRY million	2020	2021	2020-2021 (%)	4Q20	3Q21	4Q21	4Q20-4Q21 (%)
Revenue	237.4	292.5	23.2%	66.5	68.8	97.2	46.1%
EBITDA	129.5	146.8	13.3%	35.6	30.3	53.1	49.0%
EBITDA Margin	54.6%	50.2%	-4.4 p.p.	53.6%	44.0%	54.6%	1.1 p.p.
Net Income	31.9	85.9	169.0%	15.3	17.8	44.2	189.0%

TRY292.5 million
Poliport's Revenues

50.2%
EBITDA Margin

With the bulk being in US dollars, the revenues of Poliport increased by 23.2% in 2021 compared to the previous year, to TRY292.5 million, despite the decline in total cargo handled due to the slowdown in coal imports and repairs at the pier. The EBITDA margin fell by 4.4 p.p. to 50.2% as a result of fixed costs incurred by Poliport in spite of decreased cargo handled, as well as rising service expenses and number of employees. The net financial expense that Poliport recorded mainly due to the fx denominated loan it used in 2019 regressed to TRY36.5 million (2020: TRY52.6 million). Net income surged by 169.0% to TRY85.9 million with the contribution of TRY26.7 million deferred tax income (2020: TRY3.2 million deferred tax expense).

Compared to 4Q20, revenues increased by 46.1% to TRY97.2 million with the depreciation of the TRY against the US dollar, while total cargo handled declined by 25.4%. In parallel, the EBITDA margin rose by 1.0 p.p. to 54.6%, despite rising service expenses. In 4Q21, Poliport's net financial expense rose to TRY25.5 million (4Q20: TRY7.6 million) and deferred tax income to TRY24.1 million (4Q20: TRY0.1 million deferred tax expense). All in all, net income appreciated by 189.0% to TRY44.2 million.

Based on operational area, in 2021, bulk liquid and warehouse revenues respectively increased by 37.5% and 9.1%, while dry bulk cargo revenues declined by 7.4% compared to 2020.

CHEMICAL ACTIVITIES

The Chemicals Industry

THE INNOVATIVE BRAND OF THE TURKISH CHEMICAL INDUSTRY

Polisan Holding pioneered the Turkish chemical industry and contributed to its development by breaking new ground with its chemical activities.

US\$35.7 billion
*Turkey's Chemicals
Industry Imports (2020)*

30%
*Share of Domestic Raw
Materials in The Turkish
Chemicals Industry*

The Chemicals Industry Accounts For an Important Share of Turkey's Exports.

The chemicals industry is essential in bringing more than 70,000 different products ranging 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 total products comprising the global Chemical Industry, which reached a size of approximately €3.5 trillion in 2020, 23% are consumed by end users, while 77% are used as inputs by chemical and other sectors. Polymers and polyethylene, polypropylene, polyvinyl chloride, polyethylene terephthalate, and plastics such as polystyrene and polycarbonate constitute approximately 80% of global production.

With such a wide range of products, the Turkish chemical industry imports 70% of the raw materials that it used in production while providing 30% through domestic production. With exports of US\$18.4 billion, the chemical industry has become Turkey's second largest exporter, with realized imports amounting to US\$35.7 billion in 2020. Although foreign dependency is at a high level particularly in products provided as input to other sectors, as well as in technological development, the rise in domestic demand points to the growth potential of exports. The disruption of the supply chain, especially during the pandemic, and tendency towards turning to proximate geographies in raw material procurement amid rising transportation costs, could create new opportunities for the Turkish chemical industry with the right investments.

The Chemicals Industry **POLISAN KİMYA**

In the field of chemical activities, Polisan Holding has a foreign business partnership in Turkey and a foreign investment in Greece.



€5 million

*New Resin Facility
Investment*

Polisan Holding has a Foreign Business Partnership in Turkey and a Foreign Investment in Greece in the Field of Chemical Activities.

Polisan Holding pioneered the Turkish chemical industry and has contributed to its development, breaking new ground with its chemical activities. Polisan Kimya produced emulsion resin in 1967 in a first for Turkey, formaldehyde resin in 1968 and emulsion polymer in 2001. The Rohm and Haas Kimyasal Ürünler Üretim ve Dağıtım A.Ş. partnership established by Polisan Holding with Rohm and Haas, one of the world's leading companies

in the field of polymers, has been undertaking the production and trade of the relevant product group since 2004. Since the acquisition of Rohm and Haas in 2009 by Dow Chemical, one of the world's largest chemical companies, this partnership has continued with global chemical giant Dow Chemical. This has resulted in the undersigning of products that will create synergy specific to group companies. In addition, Polisan Hellas, acquired in 2013, is the sole Polyethylene Terephthalate (PET), and one of the pioneer r-PET granule producers in Greece and the Balkans.

Turkey Operations

Turkey ranks 5th in the world and 2nd in Europe in wood-based panel production. In Turkey, Polisan Kimya is the market leader of formaldehyde and resins, which have the feature of binding wood-based panels.



POLISAN KİMYA SANAYİİ A.Ş.

Polisan Kimya is Turkey's First Formaldehyde Resin Manufacturer.

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 has 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 the construction chemicals produced by Polisan Kimya. As of March 31, 2017, Polisan Yapı Kimyasalları A.Ş. was transferred to Polisan Kimya, with all of its assets and liabilities as a result of the restructuring need in construction chemicals to increase efficiency.

Polisan Kimya Has Three Main Operational Activities.

- **FORMALDEHYDE AND RESINS**
- **CONSTRUCTION CHEMICALS**
- **ADBLUE**

Turkey Operations

FORMALDEHYDE AND RESINS

In 2021, Polisan Kimya began its investment in a new resin facility to be built to Industry 4.0 standards, with a capital expenditure of €5 million, as the first step of its five-year strategic plan.



Polisan Kimya is Turkey's First Formaldehyde Resin Manufacturer.

Turkey ranks 5th in the world and 2nd in Europe in wood-based panel production.

In Turkey, Polisan Kimya is the market leader with a 40% share. It was the first producer of formaldehyde and resins, which have the feature of binding wood-based panels such as particleboard, paper impregnation, MDF and plywood.

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).

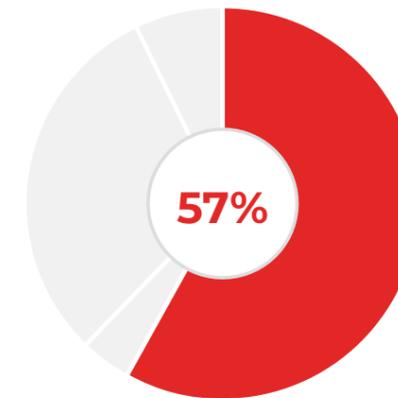
Urea Formaldehyde Concentrate (UFC): It is used in the production of urea formaldehyde and melamine urea formaldehyde resin, as well as for coating in urea processing.

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.

2021 Capacity: 150,000tons/year

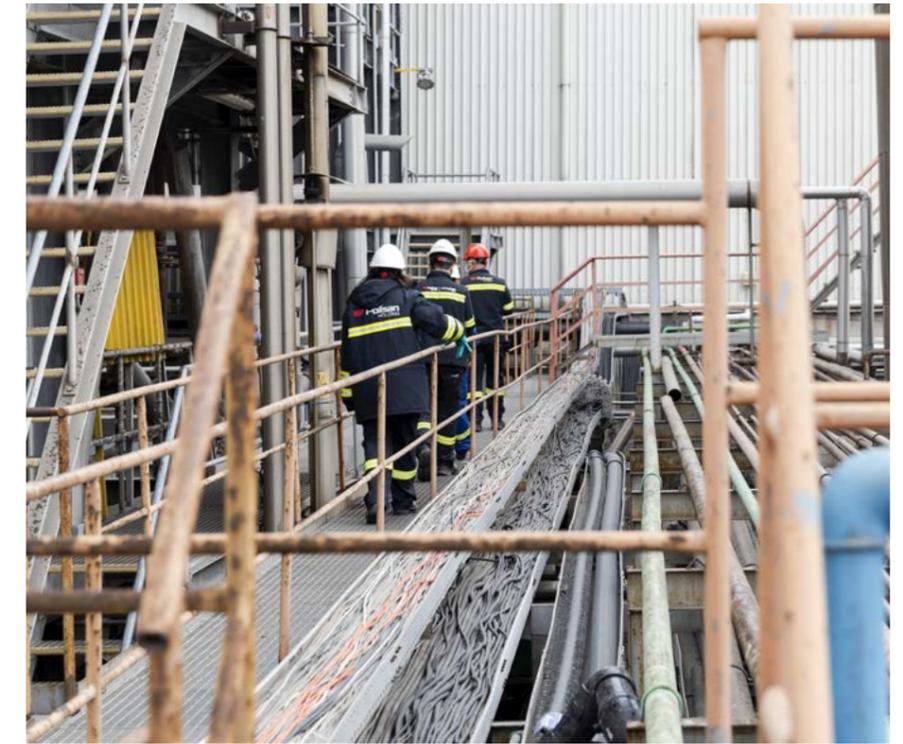
Formaldehyde and Resins* Revenue Share



**Please note that 8% of Polisan Kimya revenues derive from the sale of other products.*

In 2021, Demand for Formaldehyde and Resins Continued to Increase Along With an Expanding Customer Portfolio.

The rise in demand for formaldehyde and resins, which started in the second half of 2020, continued into 2021. The increase in domestic demand, in particular for the wood segment, reached 15-20% towards the end of the year. While the increase in raw material prices was reflected on final sales prices, disruption to the global supply chain and rising transportation costs have led to a need for working capital. Having prioritized human health, Polisan Kimya has adopted a production model supported by on-duty shifts, with a personnel participation ratio of 50%. In addition, it has ensured the continuity of production thanks to the flexibility provided by its multi-purpose production capability. The Company has operated at low cost and inventory levels as a result of effective sales and procurement management, while successfully handling increased demand without recourse to any downtime other than scheduled maintenance. Having a strategic goal of increasing the share



of exports in total revenues to 25%, the formaldehyde unit continued its effective sectoral research despite limitations on traveling abroad due to the pandemic. Thanks to new customer acquisitions in Italy, Bulgaria, Greece and Romania in Europe and in Gulf countries in the Middle East, export revenues increased by 140% compared to the previous year, while the rising exchange rate risk was minimized.

Investment For the New Resin Facility Commenced as the First Step of the Five-Year Strategic Plan.

In 2021, Polisan Kimya commenced the €5 million new resin facility investment as the first step of its five-year strategic plan. The annual production capacity of the new facility, which is expected to be completed in the first half of 2022, will increase by 30% from the current 150,000 tons. The new facility to be built by Polisan Kimya, which continues its digitalization efforts, will have state-of-the-art infrastructure supported by universal reactors for new products, at Industry 4.0 standards, with diverse reaction capabilities and the ability to diversify

product variations. Efficiency will be ensured at the new facility through advantages such as energy efficiency, reduced emissions and optimum use of resources, thanks to the technologies employed.

Polisan Kimya Will Broaden Its Resin Portfolio With High Value Added Products in the Long Run.

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. Demand for phenol resin is on a rising trend in parallel to the latest regulatory requirement for new buildings to make use of rock wool with insulation qualities. The Polisan Kimya R&D center has commenced studies to offer innovative solutions for industrial and interior wood panels, and to manufacture import-substitute resins and export-oriented, sustainable products with a long shelf life.

Turkey Operations

CONSTRUCTION CHEMICALS

Producing construction chemicals since 2009, Polisan Kimya is one of the three leading companies in the construction chemicals market, which features seven foreign and close to 20 domestic companies.



Polisan Kimya is Among the Leading Companies in the Concrete, Cement and Underground Chemicals Market With Its Construction Chemicals Products.

Despite the pandemic, it is estimated that the Turkish ready mixed concrete market continued to grow with production reaching 100 million cubic meters in 2021. With 67 million cubic meters of concrete production alone – compared to a combined production volume for all EU member states of 260 million cubic meters in 2019 - Turkey is the European leader and the third largest ready mixed concrete producer in the world.

In the field of cement, Turkey is the leader in Europe and is among the top ten producers in the world with annual production of 57 million tons.

Producing construction chemicals since 2009, Polisan Kimya, with approximately a 20% share, is one of the three leading companies in the construction chemicals market, which features seven foreign and close to 20 domestic companies.

Products and Areas of Use:

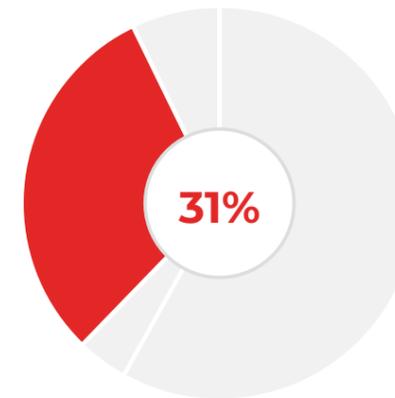
Concrete Chemical Additives: These are used as an input in ready mixed concrete production.

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.

2021 Capacity: 130,000 tons/year - 50,000 tons Dilovasi, 40,000 tons Adana, 40,000 tons Samsun

Construction Chemicals Revenue Share*



*Please note that 8% of Polisan Kimya revenues derive from the sale of other products.

In 2021, Construction Chemicals Revenues Reached an All-Time High.

Rising costs due to disruption to the supply chain and logistics issues during the pandemic continued to suppress the profit margins of construction chemicals in 2021, as in other sectors. The construction (concrete, cement and underground) chemicals product group, where profit margins are relatively low, posted an increasing trend compared to the previous year, thanks to ongoing demand in the construction industry. Polisan Kimya focused on profitability over market share and selectively supplied products to projects particularly in the underground chemicals product group. The Company used its supply network effectively in an environment of raw material bottlenecks, differentiating itself in terms of customer satisfaction by fulfilling all customer orders on time. Polisan Kimya operated at a very high inventory turnover rate, gaining an advantage over its competitors in reflecting increased costs to end prices. It has achieved its historic highest revenue in the construction

chemicals product group, with the contribution of export revenues. The Company kept its costs under control through savings realized within the framework of the operational excellence program, and also eliminated the risk to receivables by meticulously reviewing its customer portfolio.

In 2021, Polisan Kimya Transferred Polisan Maroc, Its Overseas Construction Chemicals Operation.

In 2017, the new construction chemicals facilities have been established in Adana and Samsun in Turkey, and Morocco abroad (Polisan Maroc SA) to enable a more effective process in the sales and marketing of concrete and cement admixtures, domestically and internationally. However, since the sales targets foreseen for the Moroccan market could not be achieved due to the pandemic, as well as Polisan Holding's strategy of simplifying and advancing its chemical activities in Turkey, Polisan Maroc shares were transferred on October 6, 2021 for a consideration of US\$216,833 to Muhammet Kürşat Haddat, who is not a related party.

Polisan Kimya Aims to Achieve Profitable Revenue Growth by Expanding Its Sustainable Product Portfolio in Construction Chemicals.

In 2021, with the vision of creating the chemistry of the future, Polisan Kimya focused on product ranges that will benefit sustainability. The Company took steps to cooperate with various universities on 3D concrete and digitalized concrete applications, which it foresees a significant demand potential in the future, both in terms of domestic market and exports. Polisan Kimya developed cement chemicals for cement factories that facilitate grinding during production, and shotcrete chemicals that reduce water consumption for subway and tunnel projects. In 2021, the Company exported to 12 countries concrete chemicals that increase energy efficiency by shortening the construction period and that have an operational profitability above the sectoral average due to their added

value. The growth trend of the metro, highway tunnel and underground mining sector is expected to continue, and Polisan Kimya plans to focus on innovative and high value-added underground chemicals products used in drilling and mining, and that are currently heavily sourced from abroad.

Polisan Kimya Continues Its Evaluation of Various Alternatives for Optimal Progress in the Construction Chemicals Business Line.

- While average per capita ready mixed concrete production in EU countries is 0.6 cubic meters, it is at 0.8 cubic meters in Turkey. Turkey also has a leader position in terms of the strength class of the concrete used.
- Cement production in Turkey is predicted to reach 75-80 million ton levels within the next five years, and the production facilities of Turkish cement companies located in Europe and Africa to also raise the demand for cement additives.
- In Turkey, which is located in an earthquake zone, the demand for cement and ready-mixed concrete is expected to increase due to the rise in urban transformation and infrastructure projects.
- Polisan Kimya is the only domestic corporation active in the cement chemical additives market.
- 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 Dilovasi Facility, Polisan Kimya is among the few companies producing the raw material of PC-based chemical additives at its own facilities in Turkey.
- With its concrete and cement additives production facilities at three locations in Turkey, Polisan Kimya is well positioned to claim a large share of this business line offering growth potential, and evaluates all its options for the future with detailed income and cost analyses.

Turkey Operations

ADBLUE

Polisan Kimya is among the first producers in Turkey of AdBlue/AUS32, contributing to a cleaner environment by decreasing NOx exhaust gas emission by 80%.

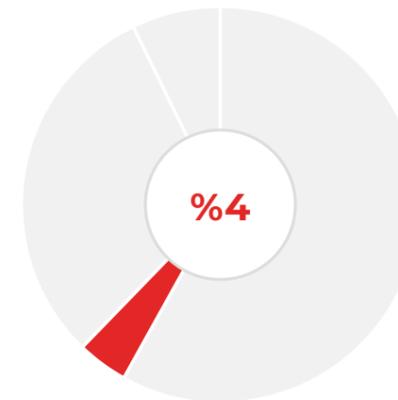
Polisan Kimya is Among the First AdBlue/AUS 32 Producers in Turkey.

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.

2021 Capacity: 50,000 tons/year

AdBlue Revenue Share*



*Please note that 8% of Polisan Kimya revenues derive from the sale of other products.

Market Position:

Polisan Kimya is among the first AdBlue® manufacturers for global giants such as Lukoil, BP, Petrol Ofisi and Total which serve the fuel oil sector in Turkey. Having built its operations on quality and trust, Polisan Kimya continues its activities in the AdBlue product group with a focus on corporate clients. Polisan Kimya also provides services to leading companies in the passenger car and heavy vehicle market such as Doğuş Oto, providing authorized sales and care services for VW, Audi, Porsche, SEAT and Skoda brands, as well as Groupe PSA carrying out the sales, marketing and after-sales activities of the four iconic brands of Peugeot, Citroën, Opel and DS under its roof as the third largest automotive distributor in Turkey. AdBlue has for years been the preferred product of leading logistics companies, which have a fleet size range of 50 to 4,000 vehicles. Also, when the vehicles manufactured at the foreign manufacturers' plants, hit the road for the first time, AdBlue is used in their tanks.

Polisan Kimya Contributes to Global Sustainability Goals with Its AdBlue Product.

The AdBlue market in Turkey has become an intensely competitive one with the proliferation of local manufacturers. Having served global and/or corporate companies since it commenced production, Polisan Kimya continued to serve its customer portfolio in 2021, focused on being the first name that comes to mind regarding quality, in contrast to price-oriented competition. Polisan Kimya has become the solution partner for its customers by providing after-sales technical service to ensure the quality continuity of the AdBlue product. Despite the currently irrational competition in the Turkish AdBlue market, the Company retains this product in its portfolio as one of the most important players in the industry.

Growth Potential:

In EU countries, no vehicles except for Euro 6 standard could be sold as of 2014. In Turkey, many vehicles containing Euro 6 diesel engines had 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.

With the intensive use of AdBlue systems also in diesel passenger cars, demand has started to shift to the center rather than beyond the city. Due to the increase in the AdBlue market, leading fuel companies have accelerated the construction of AdBlue pumps and tanks under their own brands, again at their own fuel stations, initiating investment activities. Over the coming years, it is predicted that fuel stations will become the points where AdBlue is most consumed by the end user. In parallel to the development of environmental legislation and environmental awareness, the Turkish AdBlue market is expected to reach 225,000 tons in 2023.

In addition, the SCR (Selective Catalytic Reduction) System, which is the AdBlue system of heavy diesel vehicles manufacturers enabling the

consumption of AdBlue, can be aborted with a simple operation. The abortion of the SCR System in Turkey has seen a significant increase. The AdBlue market is expected to grow by about 30% even if the Ministry of Environment alone begins to impose a penalty clause in this regard.

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

Polisan Kimya Maintains Its Investments Focused on Both Horizontal and Vertical Growth.

Established in the Dilovası Organized Industrial Zone with close proximity to the chemical port, highways and railways, Polisan Kimya continues to make use of its logistics advantages and plans to grow through strategic partnerships with foreign companies operating in similar business lines.

As per the resin product group in particular, the Company is expanding in value-added phenol resin, the binder for rock wool used in insulation activities, and also highly demanded by the furniture industry.

Polisan Kimya is to produce resin group products for various sectors by expanding its product portfolio at its new chemical facility.

The Company aims both to increase its export revenues and reduce the import dependency of companies that use its products as raw materials through R&D studies into the manufacturing of high value-added products and the extension of their shelf life.

In the construction chemicals product group, Polisan Kimya will continue to offer environmentally friendly solutions tailored to customer needs that contribute to the reduction of the operational natural resource consumption of its stakeholders in the value chain.

The Company will further increase customer satisfaction by delivering its deepened and developed product and service portfolio to its customers through a more effective sales channel and holistic service approach.



Turkey Operations

**POLISAN KİMYA CONTINUED ITS PROFITABLE REVENUE GROWTH
DESPITE INCREASING COSTS, THANKS TO VALUE-ADDED
FORMALDEHYDE SALES.**



TRY million	2020	2021	2020-2021 (%)	4Q20	3Q21	4Q21	4Q20-4Q21 (%)
Revenue	386.3	857.1	121.9%	122.2	218.0	320.3	162.1%
EBITDA	48.1	125.3	160.4%	15.6	23.6	70.1	349.2%
EBITDA Margin	12.5%	14.6%	2.1 p.p.	12.8%	10.8%	21.9%	9.1 p.p.
Net Income	24.7	66.5	169.5%	14.9	14.6	18.0	20.5%

The disruption of the supply chain and problems experienced in the field of logistics during the pandemic process continued to adversely affect all companies using fx denominated inputs throughout 2021. Anticipating continued supply chain challenges, Polisan Kimya made a difference in terms of customer satisfaction by using its procurement network effectively and fulfilling all customer orders in a timely manner despite an environment of raw material bottlenecks. Operating at an elevated inventory turnover rate, the Company also had the advantage over its competitors of reflecting the rise in its costs to final prices.

In this period of suppressed profit margins, Polisan Kimya increased the weight in its product portfolio of value-added phenol resin, the binder for rock wool used in insulation activities, and also intensely demanded by the furniture industry. Adding an overseas project to its export portfolio, Polisan Kimya increased formaldehyde and resin sales volume by 18% and revenues by 176% in 2021. In the construction (concrete, cement and underground) chemicals product group, where profit margins are relatively low, Polisan Kimya focused on profitability rather than market share. The Company mainly supplied products selectively to projects pertaining to the underground chemicals product group, recording an increase of 34% in volume and 82% in revenues. The revenues of AdBlue, which Polisan Kimya retains in its portfolio for brand awareness purposes, rose by 110% and those of other product groups, including raw material sales, by 35%. In 2021, the share of total exports in revenues was 14%.

As a result, in 2021; Polisan Kimya's revenues increased by 121.9% year over year to TRY857.1 mln. Thanks to the agile order delivery policy and effective pricing strategies of Polisan Kimya, the EBITDA margin rose by 2.1 p.p. to 14.6%, although disruption to the supply chain and logistics issues worldwide led to a rise in fx based raw material cost. The Company recorded a TRY52.7 million net other operating expense (2020: TRY1.2 million net other operating income) along with the fx fluctuations of 2021. Having posted a net financial income of TRY3.8 million (2020: TRY28.4 million net financial expense), Polisan Kimya increased its net income compared to the previous year by 169.5% to TRY66.5 million, despite the fall in deferred tax income (2020: TRY15.4 million; 2021: TRY1.8 million).

Compared to 4Q20, in the formaldehyde product group, the export activities of the customer portfolio increased. In the construction chemicals product group - in addition to concrete additives - cement additives sales grew with the new customer portfolio, and Polisan Kimya expanded its sales volume by supplying underground additives to the infrastructure projects of government tenders. By effectively reflecting rising fx denominated raw material cost to final prices, Polisan Kimya increased its revenues by 162.1% to TRY320.3 million. In parallel, the EBITDA margin surged by 9.1 p.p. to quite a robust 21.9%. However, net income was realized at TRY18.0 million with a limited rise of 20.5% due to the effect of TRY51.6 million net other operating expense (4Q20: TRY2.4 million net other operating income) that the Company recorded in 4Q21.

TRY66.5 million

Net income

14.6%

EBITDA Margin

Foreign Partnership

ROHM AND HAAS KİMYASAL ÜRÜNLER ÜRETİM DAĞITIM VE TİCARET A.Ş.

Polisan Holding, which commenced production of emulsion polymer through Polisan Kimya in 2001 in a first for Turkey, established a JV with Rohm and Haas in 2004.

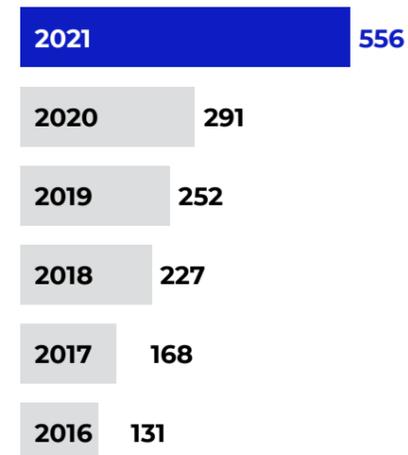


58,000 tons/year
2021 Theoretical Capacity

Polisan Holding Established a JV with Rohm and Haas; One of the World's Leading Companies in the Field of Polymers, in 2004.

The Rohm and Haas Kimyasal Ürünler Üretim ve Dağıtım A.Ş. ("Rohm and Haas") JV that Polisan Holding established with Rohm and Haas, continues with one of the world's chemicals giants, Dow Chemical, following its acquisition of Rohm and Haas in 2009. In this partnership, Polisan Holding has a 40% and Dow Chemical a 60% stake.

Rohm and Haas Revenues (TRY mln)



Polisan Holding Commenced the Production of Emulsion Polymers Through Polisan Kimya in 2001 in a First For Turkey.

Rohm and Haas engages in the selling, marketing and trading of emulsion polymers as well as their additives and raw materials that are used as input in various industries such as paint, wood, textiles, carpeting and glue. The Company is a pioneer in the introduction of innovative and environmentally sensitive water-based products; it is the market leader in terms of innovative products.

In 2021, Rohm and Haas Provided Uninterrupted Supply to Its Customers Despite the Global Raw Material Bottleneck.

The increased demand in the paint market continued in 2021. Despite the global supply chain disruption and main raw materials bottleneck, Rohm and Haas took the necessary measures in a timely manner to provide reliable and cost-effective supply to its domestic and export customers. The Company also improved its revenues by making quick and effective decisions appropriate to market conditions. Rohm and Haas also maintained its position as an export hub by focusing on paint customers not only in the domestic market, but also in its geography. Polisan Kansai Boya - one of leaders in Turkey's decorative paint market - is among the key customers of Rohm and Haas, the products of which are used by various industries. In addition, the Company has been supplying the water-based road marking paint binder, which it produced in a first for Turkey, to Polisan Kansai Boya since 2013. Rohm and Haas works towards continuous improvement in customer experience and plans to complete its studies initiated in 2021 for the use of digital platforms for order management and for B2B connections, in 2022.

Focus on Growth Through Innovative and Sustainable Products:

Rohm and Haas pursues a growth strategy geared towards increasing the share of innovative and environment-friendly products in its product range and production capacity with a focus on sustainability. The Company aims to continue its actions within this framework in 2022 and to grow both in the domestic and export markets.



International Investment

POLISAN HELLAS S.A.

Polisan Hellas; the sole Polyethylene Terephthalate (PET), and one of the pioneer r-PET granule and bottle preform producers in Greece and the Balkans is located on total land of 75-decares with a 15-decare closed area.



Polisan Hellas is the Sole PET Resin Producer in Greece and the Balkans.

100% owned by Polisan Holding, "Polisan Hellas SSA" was established in Greece in August, 2013 with a capital of €24,000. It acquired 100% of the assets owned by Spanish Artenius Hellas in exchange for €8,675,000 in September 2013. Polisan Hellas, the sole Polyethylene Terephthalate (PET), and one of the pioneer r-PET granule and bottle preform producers in Greece and the Balkans holds ISO 9001:2015, ISO 14001:2015, ISO 22000:2018, ISO 45001:2018 and ISO 50001:2018 certification required to operate in the production of Polyethylene Terephthalate (PET) and r-PET (Recycled) granule and preform.

Those products have a wide range of applications such as soft drink, water, food and beverage bottles, and synthetic fiber. The Company is located on total land of 75-decares with a 15-decare closed area.

2021 Capacity: A total of 84,000 tons/year of PET (including 24,000 tons/year of r-PET)

Polisan Hellas Strengthened Its Financial Structure While Recording Profitable Revenue Growth in 2021.

During the pandemic, many companies in the Greek PET market faced financial difficulties as stagnant tourism activities led to a fall in demand, raw material procurement became problematic

and increased raw material costs could not be reflected to final prices. In this period, amid challenges in procurement from the Far East, Polisan Hellas closely monitored the raw material bottleneck and trends in petroleum prices in the sector, diverting to the European market, which is more advantageous for raw material procurement. In the second year of the pandemic, while growing demand particularly during the tourism season gave positive signals for the post-pandemic era, the share of exports to the Balkans and Italy in total revenues reached 29%. Polisan Hellas recorded profitable revenue growth, thanks to its effective inventory and procurement strategies. The Company strengthened its financial structure by minimizing financial costs and reducing short-term debt. Polisan Hellas expects attempts made during the year towards a more active use of EU funds to come to fruition in the second half of 2022.

Polisan Hellas Designed Its Future Plans With a Focus on r-PET.

PET is expected to remain the preferred packaging material due to the fact that manufacturers in the PET sector are well positioned compared to other competing sectors in terms of both recycling and supply sustainability. A recent study conducted by Wood Mackenzie indicates that the r-PET market is set to record a compound annual growth rate (CAGR) of over 10% between 2021 and 2025, particularly due to global awareness on sustainability and EU regulations coming into effect.

Additionally, while no investment activity has been observed in European PET production in recent years, the pressure of imported products, reaching 30% of the total

market, is expected to decrease due to the closure of a facility with a capacity of 150,000 mln tons/year at the end of 2020. Accordingly, the capacity utilization rate is foreseen approaching the levels seen in 2018 once again.

In a year when both the availability of imported raw materials and the production of its European competitors were problematic, Polisan Hellas has taken its quality service advantage to the next level, using its supply network effectively. In this challenging environment, the Company has strengthened both its profitability and the loyalty of its customer portfolio.

Polisan Hellas aims to continue its r-PET facility investments over the coming years and evaluate potential collaborations with global and local brands in recycling, while also increasing its profitability. In this context, with a focus on r-PET, the Company plans to:

- Establish regional business partnerships
- Offer innovative products
- Increase the revenue share of high added value, specialty products
- Expand its customer portfolio
- Enhance preform sales
- Improve productivity by monitoring technological developments.

Thanks to its Eco series r-PET (Recycling PET) products that are compliant with the Polipet European Union SUP 2019/904 Directive, Polisan Hellas has sufficient capacity to serve the PET market where there is an obligation to use 25% r-PET by 2025 and 30% by 2030.

The scale of the existing facility provides flexibility when compared to the competition in terms of recycling, as well as investment in and transition to other polymer technologies. The suitability for investment of vacant areas on the land where the facility is located creates added value in terms of energy efficiency and integrated facility construction in the future.

POLISAN HELLAS INCREASED ITS OPERATIONAL PROFITABILITY THROUGH MEASURES IMPLEMENTED WITHIN THE FRAMEWORK OF FINANCIAL DISCIPLINE AND THE EXCHANGE RATE EFFECT.

TRY million	2020	2021	2020-2021 (%)	4Q20	3Q21	4Q21	4Q20-4Q21 (%)
Revenue	440.8	829.9	88.3%	117.4	229.7	254.4	116.6%
EBITDA	-11.7	67.1	n.m.	(1.6)	16.8	8.3	n.m.
EBITDA Margin	-2.7%	8.1%	10.8 p.p.	-1.4%	7.3%	3.3%	4.7 p.p.
Net Income	-14.4	40.4	n.m.	-2.3	9.8	3.6	n.m.

During the pandemic, Polisan Hellas closely monitored the trends in oil prices and the raw material bottleneck in the sector, effectively managed its supply chain, inventories, and the planning of maintenance shut-downs at the plant, and used its advantage of scale. In 2021, the Company's revenues increased by 88.3% to TRY829.9 million also with the effect of depreciation of TRY against Euro. The EBITDA margin of Polisan Hellas, which diverted to the more advantageous European market in raw material procurement, surged by 10.8 p.p. to 8.1% levels with the contribution of rising revenues. In 2021, Polisan Hellas recorded a net income of TRY40.4 million compared to a net loss of TRY14.4 million in 2020, despite the fall in other operating income to TRY3.9 million (Polisan Hellas recorded an operating income of TRY11.2 million in 2020 as a result of a return on tax previously paid for loans received from Turkey) and a mounting deferred tax expense (2020: TRY0.1 million; 2021: TRY13.2 million).

Compared to 4Q20, Polisan Hellas' revenues increased by 116.6% to TRY254.4 million as a result of surging domestic demand with the revival in tourism activities and the fx effect. The rise in the EBITDA margin, to 3.3%, was limited to 4.7 p.p. due to high raw material costs. Supplying raw materials for European manufacturers and minimizing customer risk by signing longer-term contracts with customers, the Company improved its net income to TRY3.6 million in 4Q21 compared to the net loss of TRY2.3 million recorded in 4Q20.

29%

Share of Exports in Total Revenues

88.3%

Revenue Growth

REAL ESTATE

Polisan Yapı

THE REAL ESTATE INDUSTRY IN TURKEY

VALUABLE REAL ESTATE PORTFOLIO

Polisan Yapı was established in 2006 to utilize the assets owned by Polisan Holding and its subsidiaries on a project basis.

1.5 million
Housing Sales in Turkey

18.5%
*Share of Istanbul in
Housing Sales*

The Pandemic Caused Differentiated Demand For Residential and Commercial Real Estates.

In Turkey, housing sales prices tended towards an increasing trend following the decline in licenses obtained for new constructions beyond 2017, and the fall of average monthly housing loan interest rates below 1 percent, particularly in the summer period of 2020. In the absence of new supplies, the rental values of existing rental houses have increased. Rising production costs are expected to push prices higher. According to the 2021 data announced by TurkStat; total housing sales in Turkey remained flat at approximately 1.5 million units compared to the previous year while Istanbul took first place with approximately 276,000 residences sold, making for an 18.5% share.

According to the 3Q 2021 Turkish Real Estate Sector Report published by GYODER; of the US\$7.2 billion foreign direct investment inflow to Turkey 51% had been spent on real estate purchases as of September 2021 with Istanbul ranking first in Turkey in terms of housing sales to foreigners. According to the Report, the general office area supply in the Istanbul office market remained at 6.5 million m² levels in the same period. Total rental transactions decreased by 19.8% compared to last year to 178,759 m². With many corporations planning to apply the hybrid working model post-pandemic, office demand is expected to shift to new buildings with higher quality technological infrastructure where productivity is encouraged, innovation, socialization and cooperation are prioritized, and that contribute to the development of corporate culture.

Polisan Yapı

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 KANSAL BOYA REAL ESTATE APPRAISAL TABLE

The total expertise and market value of all real estates within Polisan Holding operations, except for leased land not owned by Poliport, is approximately TRY1.1 billion.

	Location	m ²	Appraisal Value (TRY 000)	Current Status / Development Plan	Registered Company
Properties to be Sold	Aydın Karacasu*	2,492,757	7,092	Agricultural Land	Polisan Kimya
	Balıkesir İvrindi-Savaştepe*	3,804,314	0	Agricultural Land	Polisan Kimya
	TOTAL		7,092		
Properties to be Used as Investment	İstanbul Pendik	172,980	329,738	Land for Residents & Commercial Offices	Polisan Yapı&Holding
	İstanbul Kağıthane	26 shops 73 offices	80,485	Z Office Project	Polisan Yapı
	Kocaeli Dilovası - DOSB**	30,150	0	Land	Polisan Kimya
	Gebze - Tavşanlı***	9,133	19,850	Land	Polisan Kimya
	Other		2,395		
TOTAL		432,468			
Properties Used for Operations	Kocaeli Dil İskelesi****	154,672	588,300	Poliport Facilities	Poliport
	Kocaeli Dilovası	90,142	211,000	Polisan Facilities	Polisan Kimya
	Kocaeli Gebze - Aysan*****	31,810	116,798	Land	Polisan Kimya
	TOTAL		916,098		
Other Properties	Kocaeli Gebze - GebKim	142,147	327,120	2/3 Paint Facility, 1/3 Investment	Polisan Kansai Boya
	Kocaeli Gebze - Farm*****	195,210	50,601	Health Tourism, SPA Center	Polisan Kimya
	Other		3,734		
	TOTAL		381,455		
TOTAL		1,737,113			

Source: Polisan Holding

As per IFRS Reporting, appraisal value is calculated annually for properties used for investment and every three years for properties used for operations, as well as for other properties. There is no obligation for the valuation of properties for sale.

The table includes 2021 appraisal values of the assets except for the Aysan land and the properties held for sale having no obligation for valuation.

* Appraisal valuations of the lands in Aydın, Balıkesir and Manisa are as of 2017 year-end. The lands in Balıkesir and Manisa were sold in January 2021.

** The land in Kocaeli/DOSB was sold in June 2021.

*** The land in Gebze/Tavşanlı was purchased in July 2021.

**** The right of use subject to appraisal is based on 6 agreements with, and 1 preliminary permit for a total area of 142,564 m² from the Treasury, and 1 agreement with TR State Railways for 12,108 m².

***** Kocaeli/Aysan land's appraisal value was calculated based on the 2013 transaction price of €9 million, using the CBRT's € Buying Rate (12.9775) as of 31.12.2021.

***** Surrounding the 190-decare farm area in Gebze/Kocaeli, is a private forested area, 563-decares of which has been maintained by Polisan Kimya and 622-decares by Poliport.



173,000 m²

Pendik Land Area

TRY330 million

Appraisal Value (2021)

KAĞITHANE Z OFFICE BUSINESS CENTER:

Situated on a total gross area of 10,683 m², the Z Office Project is 42% owned by Polisan Yapı and 58% by DAP Yapı. Polisan Yapı received the ownership deeds for 126 offices and 28 shops that it owns in June 2014. Eventum Gayrimenkul Geliştirme ve Pazarlama A.Ş. continues efforts to sell and lease these offices and shops. Together with 72 offices and 21 shops, which are already rented, there are 73 offices and 26 shops ready for sale as of December 31, 2021, within the Z Office Project.

PENDİK PROJECT:

The DAP Yapı-DOP Yapı Joint Venture will own 66% of the land in Kurtköy, but will not pay any cash. Instead, it will build on a turnkey basis and deliver 34% of the independent units to Polisan Yapı in exchange for payment. The pace of growth resulting from the increase in Sabiha Gökçen Airport's traffic and the 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. Other business and tourism focused projects such as a fair, congress center, and techno-park are also expected to be on the agenda. The appraisal value of the land as of 2021 year-end is approximately TRY330 million. In order to obtain the construction permit, DAP Yapı is awaiting finalization of the revised zoning plans by the municipality and public institutions.

HUMAN RESOURCES

Human Resources

CONTINUOUS INVESTMENT IN HUMAN RESOURCES

Adopting the “Our Focus is People” approach, Polisan Holding prioritizes equal opportunity, while offering career and development opportunities.



OUR FOCUS IS “PEOPLE”

Polisan Holding and Group companies work in the belief that competent and highly committed human resources are needed to live up to the vision of being the best in every area in which they operate. The Human Resources Department adopts the “Our Focus is People” approach, which supports the continuous development and self-renewal of innovative applications. In this respect, it always prioritizes equal opportunity, while offering career and development opportunities, and works with the principle of fair treatment in the management of salary and side benefits.

Human Resources consists of team members who are highly motivated, supporting employees in achieving business results, and who are in one-to-one communication with employees.

Human Resources

With the business model adopted in the field of leadership and expertise, Polisan Holding ensured that its employees participated in projects and trainings, providing them 24,260 hours of training.



PANDEMIC PROCESS

Due to the Corona Virus (Covid-19) pandemic of global impact, the priority of Polisan Holding and Group companies in 2021 as well has been the health of employees and their families. During this critical period, the policies applied have been redefined, gaining greater importance than ever.

With the pandemic, the senior management took on and carried out the task of combating and managing uncertainty in the best manner.

All measures intended for employees have been successfully implemented quickly and simultaneously in a successful manner, making optimum use of communication channels.

With the declaration of the pandemic, Polisan Holding and Group Companies immediately implemented new working and business models. In 2021, the remote working application has been implemented according to the rise in cases. After the public holidays and before face-to-face activities that required collective participation, PCR tests were run at the relevant locations. For pregnant employees, the practice of working from home continues. Employees were encouraged to comply with all measures taken, by keeping their motivation high, in a spirit of positive energy.



CAREER and DEVELOPMENT STUDIES

Polisan Holding and Group Companies continued recruitment without let up in this changing, new world order and welcomed on board new dynamic and passionate talent who embrace their job.

In 2021, employees were ensured the opportunity of participation in various projects and trainings through a business model adopted in the field of leadership and expertise. Training and development activities were carried out to form the basis of career and leadership development plans for 2022.

A talent pool has been defined across Polisan Holding for 2022 and evaluation center practices have commenced. Personal development plans have been prepared for employees. A training model has been planned in order to develop employee talents in the most appropriate area, and the e-learning platform was deployed in this context.

In 2021, a total of 24,260 hours of training was provided to 1,111 office and field employees of the Holding and Group Companies.

PERFORMANCE and SALARY MANAGEMENT

Throughout Holding and Group Companies, individual performance management is carried out to achieve goals and realize strategies, ensuring that both employees and the Company achieve better results. For this purpose, personal performance targets have been made measurable. The 360-degree performance management system was implemented and through objective evaluations a companywide feedback culture was established.

The world's most common and valid methodology is pursued in terms of salary management. Fees are determined based on market data by targeting the most fair and highest income standards for employees. The results of performance management studies also help guide salary management.

EQUALITY OF OPPORTUNITY and COMPLIANCE

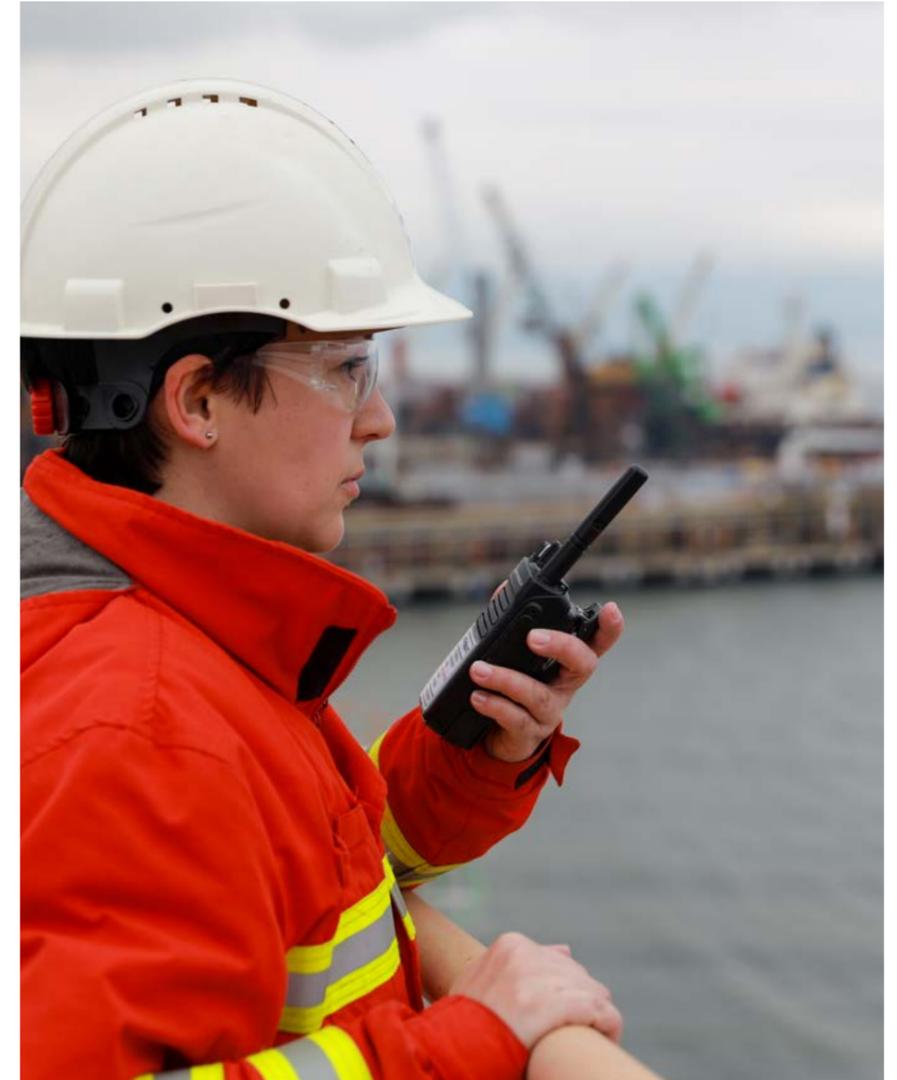
The principle of equal opportunity is applied in Polisan Holding and Group Companies regarding race, gender, marital status, age, color, religion, ancestry, and national origin, as well as disability and other sheltered situations.

Morally and legally, everyone is given equal opportunity in employment and promotion according to their individual qualifications and the requirements of their position.

The management of Polisan Holding and Group Companies has the responsibility to prevent discrimination. In addition, the principle of equal opportunity is based on the impartial attitude, actions and compliance of all employees.

SOCIAL ACTIVITIES

Strategy workshops for Polisan Holding and Group Companies, and corporate culture workshops were held with the participation of all employees for more effective and efficient contribution to the new global reality resulting from the pandemic.



The five-year strategic targets of Group Companies and the Holding were determined through strategy workshops. Business plans were made for 2022 based on strategic goals. Through culture workshops, 2022 action plans were generated for the implementation of the "Polisan employee behavior," "Polisan of our dream," and "Polisan culture" models that were supported by the employees themselves.

STUDIES ON CULTURE

In 2021, in order to increase the internal communication and internalize Company targets at all levels, dialogs were organized under the "A Break with the CEO" heading.

The online or face-to-face socialization opportunities that have been created to increase motivation and communication feature: an online activity organized for female employees on women's day; the "Polisan Through My Eyes" Painting Contest for the children of the employees on April 23; the Necmettin Bitlis Backgammon Tournament for all employees on May 19, and an Ice Cream Day and Picnic Event organized under the slogan of "Polisan All Together".

In addition, the best process practices implemented in Group Companies are shared with all teams as an exemplar for adoption by other companies.

DIGITAL TRANSFORMATION

Polisan Holding Digital Transformation Studies

DIGITAL INFRASTRUCTURE INVESTMENTS FOCUSED ON EFFICIENCY

Polisan Holding continues its digital transformation investments in automation studies to increase efficiency and minimize operational risk.

Digitalization is one of the critical topics for Polisan Holding companies in terms of achieving their long-term strategic goals. In this context, we can summarize the studies carried out in 2021 under the following subheadings:

Use of Cloud Technologies

The hardware infrastructures required for implementation projects realized in 2021 within Polisan Holding started to be received through cloud service providers. No hardware investment has been made at on-site locations. This practice also provides energy savings thereby contributing to the sustainability goals of the Holding. The first project implemented through cloud service providers is Poliport's Port Automation System, called AION. In addition, the installation has begun of the hardware required for PoLean – the SAP S/4 Hana process simplification Project, of critical importance for Polisan Holding, and aimed at simplifying existing processes for greater agility.

The aim is to migrate the existing infrastructures of most applications to the cloud environment by 2025 by ensuring that existing hardware, which has completed its economic life is gradually transferred to cloud infrastructures.

Data Analytics

Studies were initiated in 2021 to establish a common data architecture within Polisan Holding companies in an attempt to activate the data-based decision-making process. The aim is to gather the data generated in different operational systems on a central database, and to make the decision-making processes of all users based on data through advanced analytical applications. In this context, the installation of SAP BW/4Hana, the data warehouse product of SAP, has been completed, and the pilot project includes the sales and profitability reports of Polisan Kansai Boya. The use of Artificial Intelligence and Machine Learning advanced data processing models is targeted to make the

big data gathered over time on this platform meaningful.

Robotic Process Automation

With Robotic Process Automation, the workload of over three employees per year, in total, has been transferred to robotics. By 2021, special order processes were being completed automatically through PoliRobot, while invoices transmitted to dealers were being arranged by it. Thus, speed, quality, cost and customer satisfaction were achieved. As employees delegated repetitive work processes to robots, their productivity and satisfaction have increased.

Customer Experience

A crucial goal of Polisan Holding within the scope of digitalization is to provide an effective customer experience both for its dealers and the end consumer by maximizing the added value it provides to the customer. In line with this target, projects were initiated and implemented in 2021 at Polisan Kansai Boya and Polisan Kimya to enhance the experience of sales-marketing

Polisan Holding Digital Transformation Studies

One of the most important digitalization goals of Polisan Holding is to provide maximum added value and a unique experience to its customers and end consumers.



Robotic support in repetitive business processes

PoliRobot has increased employee productivity by assuming repetitive business processes.

teams and customers. Within the scope of these projects, it is aimed to report campaigns, visits, store-specific determinations and needs, as well as the variable data of dealers more regularly and effectively, and to develop data-based applications for marketing activities and support, thereby increasing both the efficiency of the field and market share.

At Polisan Kansai Boya, the B2C e-commerce project was initiated to ensure one-to-one interaction with the end consumer. The main objectives of this Project can be listed as:

- Focusing on the end user and user experience through the e-commerce application that dealers are included on,
- Providing an end-to-end customer experience through the e-commerce application, by accompanying customers with their paint/painting service related questions/issues and access to this service, in addition to product sales.
- Selling products in market places through Polisan shops in order to benefit from the power of the market place,
- Supporting the brand perception of the consumer by providing an end-to-end quality and swift experience in the fast-paced age we live in.

Operational Efficiency

At Poliport, the crucial phase in establishing the infrastructure of the AION Automation Project, launched in 2021 to increase the efficiency of port operations, has been realized as of the end of the year. With the implementation of the project, operational plans for ship and field operations are made over the system. This provides real-time optimum use of workforce and equipment, as well as ensuring minimum cost and maximum operational efficiency. The operational data of all processes at the port are produced in real time and shared with process owners and customers.



R&D

Research and Development Activities

OPTIMAL SOLUTIONS TO MEET CUSTOMER EXPECTATIONS

The R&D department systematically differentiates the product mix, embracing new sectors with fresh products produced and developed with market foresight to meet expectations.

TRY19.3 million

*Polisan Kansai Boya
R&D Expenditure*

2,000 m²

*Polisan Kansai Boya
R&D Center Area*

Having introduced pioneering products and practices as firsts for the Turkish Chemicals and Paint Industry in which it operates, Polisan Holding's development and competitive edge in the market rest on its dedication 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 title as of June 4, 2014. As Turkey's 159th R&D Center, the incentives and exemptions utilized by Polisan Kansai Boya amounted to TRY10.2 million out of the TRY19.3 million R&D spending realized in 2021. The R&D Center conducts a TEYDEB 1505 Project with Sabancı 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. One TEYDEB 1501 project has been successfully completed in 2021. Within the framework of compliance with National Standards, TSE Certificates were received for a total of 16 products, including new products and those already available on the market, in 2021. In addition, Turkey's first interior paint developed by Polisan Kansai Boya and confirmed in tests to be 99.9% effective against viruses and bacteria has been licensed by the Ministry of Health. In addition to these,

Research and Development Activities

Polisan Kansai Boya relocated to its new building, which was built with an investment of TRY25 million as one of the most modern and equipped centers in the industry.



TRY10.1 million

Polisan Kimya R&D Expenditure

one patent application has been submitted for furniture paint that reduces Formaldehyde emission. In 2021, Polisan Kansai Boya relocated to its new building, which was built on an area of 2,000 m² with an investment of TRY25 million as one of the most modern and equipped centers in the industry.

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 2020, is 26. The studies on accredited documents, which were interrupted during the transition to the new R&D building, continued in 2021. Within the scope of operational excellence and continuous improvement studies in 2021, eight Lean Six Sigma Projects and approximately 100 Kaizen projects were realized together with the R&D and Basic Research teams.

Polisan Kimya Received R&D Center Certification in 2017.

The Polisan Kimya R&D department has received R&D Center Certification and title as of June 6, 2017. With a staff of 22 experts, the Polisan Kimya R&D Center carries out its research and development activities in full compliance with sustainable development goals by closely monitoring sectoral developments sensitive to the environment and human health, as well as legal regulations. In line with the Company's strategic roadmap, the R&D Center focuses its work on being a solution partner with high added value products that will enhance the diversity of the sector and positively affect Turkey's current account deficit.

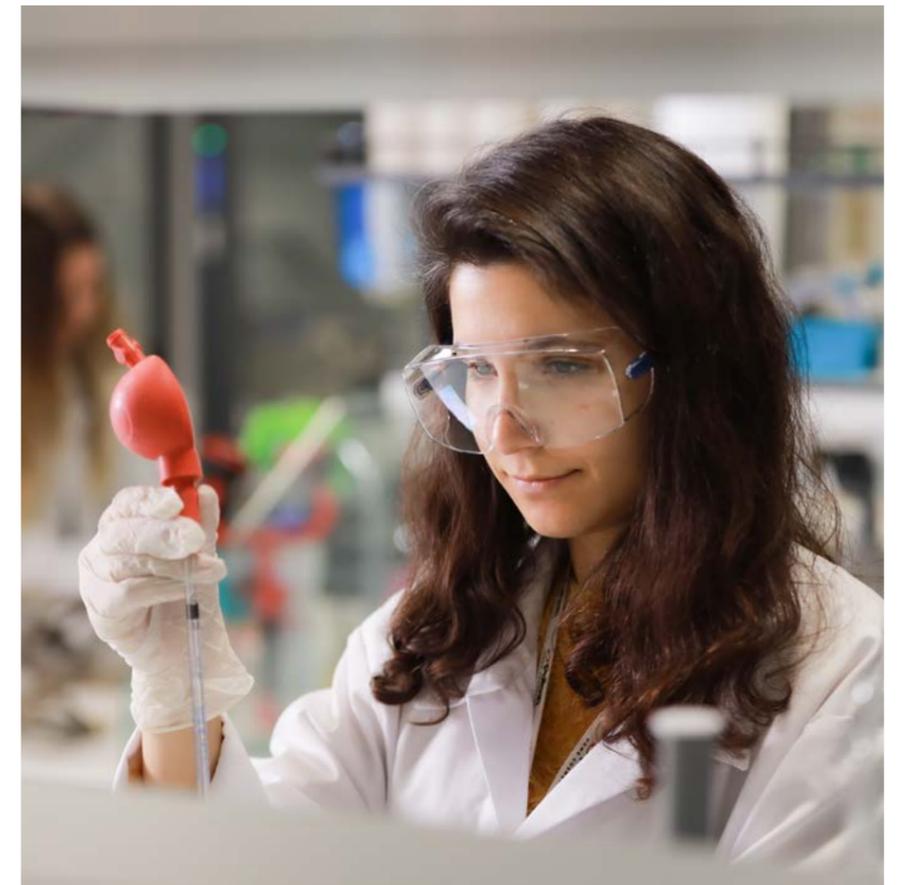
Polisan Kimya prioritizes the development of value-added products for new industries of high export potential and that promote import substitution, determining its resource allocation accordingly. The Company's R&D spending was realized as TRY10.1 million in 2021, while the incentives and exemptions utilized amounted to TRY5.2 million. Over the past three years, the share of new products in total revenues has stood at 15%.

The Polisan Kimya R&D Center has 25 R&D Center projects in total, seven of which have been completed within the scope of national incentive programs, including collaborations with various sectoral R&D Centers and universities.

These projects focused on;

- Improving the shelf life of resins,
- Development of products of high export potential,
- Being the solution partner of stakeholders through a win-win approach,
- Increasing customer operational efficiency,
- Reducing Turkey's external dependence by producing domestic substitutes for imported products,
- Development of innovative products to solve ongoing sectoral problems,
- Development of sustainable new products for existing sectors through effective use of natural resources,
- Product development for new sectors by using the organizational information memory obtained from existing product groups,
- Strengthening collaborations with universities and research institutions,
- Carrying out projects together with customers and other strategic business partners in the value chain,
- Reducing the VOC emissions of final products in compliance with current regulations and in accordance with the requirements of current ecological regulations.

The short-term goal of the Polisan Kimya R&D Center is to realize projects intended to reduce the current deficit, that enable import substitution through high export potential. This is integrated with Polisan Kimya's mission of increasing its share of domestic and foreign markets. Additionally, the Company addresses its work with a perspective that considers itself to be a solution partner for its stakeholders, and aims to reduce the costs of existing products through alternative



sources, increase their performance and improve the product quality in existing sectors. In the medium term, in order to increase its competitive strength in the international markets, it aims to be a pioneer in the sector by closely monitoring and implementing future technologies. In the long term, the aim is to strengthen the internal and external R&D ecosystem, improve domestic products/services in our country, ensure increased employment, introduce technologies within the Company that are also new to the sector, and ultimately, to ensure that Polisan Kimya is the leading solution partner in terms of innovative and sustainable chemistry.

The Polisan Kimya R&D Center continues its studies towards designing and improving the product groups intended for the construction, wood-based panels, furniture and paper sectors. It also

focuses on activities for new product development with functional solutions that insulate, lighten, and bond, as required by the insulation, automotive, aviation, aerospace and defense industries.

Polisan Kimya is a signatory of the Volunteer Agreement, through which safe thresholds are determined by Formcare, the European Chemical Industry Council (CEFIC) formaldehyde industry group, to limit formaldehyde exposure. In line with this agreement, the Polisan Kimya R&D Center emphasizes efforts to produce resins that comply with standards and regulations to reduce the formaldehyde emission level. In this context, it adds to its portfolio export products that comply with E0 product norms and CARB2 regulation, and continues its studies to increase the weight of these products in the portfolio.

SUSTAINABILITY



Sustainability

CREATING SUSTAINABLE VALUE IN BUSINESS MODELS

Polisan Holding embeds the principles of sustainable value generation into its business models.

Compliance With Sustainability Principles

Compliance with General, Environmental, Social and Corporate Governance Principles since 2019

Polisan Holding Policies

Policies based on international standards

Polisan Holding has embedded the principles of generating sustainable value into its business models with its vision of “Strength through Unity” and “Creating a Good Future Today,” and with its mission of being “A Group Embracing Sustainability”. In the new world approach imposed by pandemic conditions, the necessity of transitioning from short-term to long-term thinking has been reinforced. Polisan Holding has quickly adapted to this new era thanks to the steps and investments it has taken so far.

Compliance with Sustainability Principles

Polisan Holding aims to fully comply with the Sustainability Principles Compliance Framework prepared in line with the amendment dated October 2, 2020, made by the Capital Markets Board in the Corporate Governance Communiqué. The Company submitted its first report on compliance to the General, Environmental, Social and Corporate Governance Principles, which has been gathered under four main

topics, in 2020. It is observed that no principle can be considered completely incompatible in this report, which includes the implementation of the 60 principles gathered under these headings. This progressive compliance more concretely reveals Polisan's sustainability-oriented approach in the fields of environmental, social and corporate governance.

Company Policies

Group companies comply with six international management systems requirements, in line with the requirements of national and international legislation. The policies established by Polisan Holding in accordance with its core values and standards are as follows:

Polisan Holding Sustainability Policy

Polisan Holding Energy Policy

Polisan Holding Information Security Policy

Sustainability

Polisan Holding integrates practices that increase its competitive power, and national and international requirements and standards in its activities.



14

The priorities on which stakeholder expectation measurement is based

The ISO 9001 Quality Management System; ISO 14001 Environment Management System; ISO 45001 Occupational Health and Safety Management System; ISO 10002 Customer Satisfaction Management System; ISO 50001 Energy Management System; ISO 27001 Information Security Management System Certifications and Quality, Health, Safety; Environment; Customer Satisfaction, and Major Industrial Accident Prevention Policies of Polisan Kansai Boya, Poliport and Polisan Kimya are shared on their websites.

Apart from common management systems, Group Companies integrate practices that increase their competitive power in their respective sectors, national and international requirements and standards into their activities. These are:

At Polisan Kansai Boya;

- ISO 17025 Laboratory Accreditation
- Authorized Liability Certification,
- LEED Gold Green Building Certification,
- Domestic Goods Certificate,
- Biocidal Product Certifications, TSE and CE Certificates,
- Environmental Product Declaration Type III EPD Product Certifications;

At Polisan Kimya;

- Authorized Liability Certification,
- AdBlue VDA Product Certification,
- TSE and CE Certificates,
- Responsible Care Certificate;

At Poliport;

- International Shipping and Port Security (ISPS) Certification,
- Green Port Certificate,
- Responsible Care Certificate,
- CDI-T Certification, and
- Shore Facility Hazardous Material Conformity Certification.

Communication with Stakeholders

On sustainability issues, Polisan Holding takes into consideration the expectations of its employees, customers and suppliers as well as - in various events it participates in - the expectations of public institutions and organizations, NGOs and international organizations, adopting a management system with stakeholder participation. The Company gathers the views of its stakeholders on sustainability through annual stakeholder dialogue analysis and includes them in the decision-making processes. The importance and performance survey, which the Company has conducted in 2021 with the stakeholder economy approach, and regarding the 14 priority topics determined in line with

its strategies, industry requirements and global trends, has been responded to by 339 participants. The importance attached to 14 priorities by internal and external stakeholders along with Polisan's performance level have been scrutinized from their perspective; additionally, the results of the same evaluation made by Polisan management were compared, whereby the results were produced under three main headings: subjects that need to be included in the Company strategies, subjects that need to be given wider coverage and subjects that require stronger communication. The details of the matters on 14 identified topics are included in the sustainability report.

Senior executives of Polisan Holding and Group Companies steer the work of business organizations both from a sectoral perspective and with a focus on the subject at hand. They also contribute to sustainability issues, by taking part in committees established within NGOs on subject matters that mid-level managers and experts participate in. Collaborations are developed with different sectoral stakeholders such as IKMIB, IMSAD, TKSD, BOSAD, SKD, primarily the TÜSIAD, UN Global Compact Turkey.

SUSTAINABILITY STRATEGIES

The sustainability priorities and Sustainable Development Goals (SDG) are linked in the Sustainability Roadmap, prepared by considering the expectations of the stakeholders and approved by the Board of Directors in 2021.

POLISAN SUSTAINABILITY STRATEGIES:

Environmental, Social and Governance (ESG) Score Borsa İstanbul Sustainability Index - Refinitiv ESG Score

Polisan Holding works to generate common value and establish a co-creation process through sectoral and inter-industry cooperation. The Company has maintained its position for five consecutive years by meeting the requirements in the new evaluation system of the Borsa İstanbul Sustainability

Environmental Topics	Social Topics	Economic and Governance Topics
<ul style="list-style-type: none"> • Development of Environmentally Friendly Products • Effective Use of Natural Resources/ Use of Materials • Combatting Climate Change and Energy Efficiency • Respect For Biological Diversity 	<ul style="list-style-type: none"> • Importance Attached to Occupational Health and Security • Management of Human Resources • Prevention of All Types of Discrimination • Development of Projects Of Use to Society 	<ul style="list-style-type: none"> • Economic Performance • Compliance with Legal Regulations and Other Conditions • Supply Chain Management • Marketing Communication • Customer Confidentiality and Satisfaction • The Fight Against Corruption

Index, thanks to its sustainability oriented efforts. Evaluations are made on behalf of Borsa İstanbul, by Refinitiv - one of the world's largest providers of financial market data and infrastructure - on the basis of international sustainability criteria. The Environmental, Social and Governance (ESG) performance rating of the Company is determined on a sectoral basis. Companies that exceed the threshold value are eligible for inclusion in the Index. As of the reporting date, Polisan Holding was positioned 90th among 314 companies from the chemical industry participating in the assessment.

Ecovadis ESG Score

The sustainability performance of Poliport, one of the Group Companies, has been evaluated by global online rating platform Ecovadis in 2018 and 2019. As a result of the evaluation conducted under the headings of Environment, Social, Ethical and Sustainable Procurement, in the first year of its participation, Poliport received the "Silver Awareness" award by ranking among the top 30% tranche in the general category, and 10% in its sector; and in its second participation, the "Golden Awareness" award by ranking among the top 10% tranche in the general category, and 5% in its own sector. Poliport's declarations regarding the 2021 evaluation have been completed. Polisan Kansai Boya's registration has been completed and its declarations are ongoing.

Sustainability Initiatives Participated in

One of Polisan's strategic goals is to maintain its ESG score above the industry average. The Company continues to participate in the world's most respected sustainability initiatives to continuously improve its ESG Performance, and benefits from the contribution of evaluation of the outcomes of third party Initiatives.

-  UN Global Compact Signatory
-  Borsa İstanbul Sustainability Index
-  Turkish Sustainability Code Implementation Partnership
-  Sustainability Principles Compliance Declaration
-  Global Reporting
-  Business World Sustainability Rating Platform

Sustainability

From product design to renewable resources, Polisan evaluates all of its environmental impacts with a focus on energy, reducing the effects of climate change.

49%

Reduction in Polisan Holding's Scope 1 and 2 emissions since 2012

2020

The year in which Polisan Holding included the emissions in its value chain in its inventory



POLISAN SUSTAINABILITY STRATEGIES:

The Fight Against Climate Change

Polisan Holding's Group Companies - Polisan Kansai Boya, Polisan Kimya and Poliport - have been calculating and publishing Scope 1 and 2 emissions since 2012. Group Companies also evaluate processes that are not under their direct management and control, but which they affect. In 2020, they included Scope 3 emissions in their inventories. The results of the study, which is based on the limits of Scope 1, 2 and 3 in accordance with the ISO 14064 standard 1-2 series and Greenhouse Gas Protocol Corporate Accounting and Reporting Standards, are shared and available to all stakeholders in the sustainability reports and the Greenhouse Gas Corporate Report. In terms of energy, Polisan focuses on all the environmental impacts

it creates, from product design to operational efficiency, and from renewable energy sources to energy supply. The Company continues to decrease its effects on climate change, having reduced its Scope 1 and 2 emissions by 49% since 2012. Absolute emission, emission intensity and other emission reduction targets have been determined in order to minimize the risks identified in connection with climate change and to advance the opportunities of further reductions.

Goals:

- To reduce Scope I and II emissions by 15% in 2025 compared to 2019
- To reduce Scope II emissions by 100% in 2025 compared to 2019
- To reduce Scope I, II, and III emissions by 10% in 2025 compared to 2021

The Carbon Disclosure Project (CDP) 2021 Climate Change and Water Safety Score

Participating in the Carbon Disclosure Project (CDP) since 2017, Polisan Holding, in 2021, continued its reporting 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 in line with its corporate sustainability strategy. The Company has raised its performance rating within Climate Change and Water Safety programs to "B-" - management representation level- and is listed among the 33 companies in Turkey to hold this score.

POLISAN SUSTAINABILITY STRATEGIES:

Investment Criteria

Polisan Holding included among its strategies, in all of its new investments, a commitment to construct buildings that are compatible with the environment throughout their life cycle, and where all energy sources from material selection to indoor air quality, and from electricity to water are used efficiently. Thereby, the investment criteria of Polisan Holding support the ESG Score.

Polisan Kansai Boya GEBKİM Production and Storage Facility, which became operational at the beginning of 2019, was deemed compliant with the "LEED Gold" certificate by the US Green Building Council (USGBC). As of the year it became operational, the facility has become one of the 23 LEED certified production facilities in Turkey.

The project and construction of Polisan Kimya's new resin facility planned for commission in 2022, continues in accordance with "LEED Gold" certification by taking into account the sustainable lands, water efficiency, energy and atmosphere, materials and resources, interior quality, innovation in design and regional priority.



POLISAN SUSTAINABILITY STRATEGIES:

Sustainable Products

Polisan aims to leverage its sustainable ecosystem through its sustainable products and value chain. The Company continues its efforts to reduce carbon and water footprints in its operations and to expand its product life cycle studies within its product range.

With the EPD (Environmental Product Declaration) project, in four products, Polisan Kansai Boya became the first paint manufacturer in Turkey and the third in Europe to have an EPD certified product, in 2015. In 2021, product life cycle and EPD studies were initiated for two new products within Polisan Kansai Boya and for 24 products in eight product groups within Polisan Kimya.

Based on their strategies, Polisan Kansai Boya and Polisan Kimya aim to use 25% bio-based raw materials instead of petroleum derivative raw

materials by 2023; to perform product life cycle analyses (LCA) on all their products with their own internal resources and to see at least 10% of their portfolios with environmentally labeled products achieve international validity by 2030.

Polisan Holding 2020 Sustainability Report

Since 2015, Polisan Holding has been sharing its Sustainability Reports with all its stakeholders, taking "GRI Standards" Reporting Principles prepared by the Global Reporting Initiative (GRI) as a guide. In August 2021, the Company published its 6th GRI-approved Sustainability Report, in which it transparently presents its environmental, social, and economic performance and corporate governance approach to its stakeholders, for the operating period between January 1, 2020 - December 31, 2020.

[Polisan Holding 2020 Sustainability Report](#)

Sustainability

In Polisan Holding and Group Companies, environmental impacts are constantly measured in operations approached from a sustainability perspective, and strategies are established to eliminate or minimize these impacts.



Green Port Status

Poliport, has successfully completed the Green Port Certification audit.

Zero Waste

Polisan Holding Group Companies have obtained the Zero Waste Certificate for their environmentally-oriented work.

Environmental Principles

Activities carried out in Polisan Holding and Group Companies are approached from a sustainability perspective. Environmental impacts resulting from operations are continuously measured, strategies are developed to eliminate these effects and/or minimize them, process optimizations are carried out in addition to legislative requirements, and existing national and international best practices are monitored.

Polisan Holding and Group Companies manage their operations in the manner defined in the Environment Management System Applications Guideline prepared in step with its Sustainability, Energy and Environment Policies.

With the Environment Management System Applications Guideline; Evaluation of Environmental Dimensions; Environmental Impact Control Plans, Identification of Risks and Opportunities; Environmental Accident and Emergency Management; Controlling, Monitoring, Measurement, Analysis and Evaluation of Operations; Operational Planning and Control, and Internal Audit Program, the methods and responsibilities of Nonconformity and Corrective Actions are shared with all stakeholders.

ISO 14001 Environment Management System Applications Guideline

Performance results pertaining to the results and outputs of measurement and monitoring activities are included in the environmental headings of Sustainability Reports published since 2015.

Process Safety Management

Technical and theoretical studies carried out within the scope of SEVESO Directives initiated in 2015 in order to provide effective and continuous protection aimed at preventing major industrial accidents and minimizing the impact of potential accidents on the environment and people, have continued through the Process Safety Management Project since 2018. The Process Safety Project includes organizational and engineering measures taken to avoid the undesired effects of extra-hazardous chemicals. Throughout the project, within the Polisan Holding Group

Companies, process hazard analysis has been generated by determining acceptable risk levels in line with international standards and good practice examples, process safety has been audited, the process safety roadmap has been identified based upon the audit findings, and the process safety system has been strengthened within this road map. The effectiveness of the established Security Management System is reviewed at the periodic Process Safety Board Meetings through measurements and reporting conducted in line with the determined key performance indicators.

Occupational Health and Safety Principles

With a sensitivity towards society, its employees, stakeholders and the environment, Polisan Holding's strategy is to adopt best practices as well as meeting national and international regulations to ensure excellence in occupational health and safety; annually integrate Health, Safety Environment (HSE) Index and Occupational Health and Safety (OHS) development in the targets of Holding and Group Companies; give importance to fostering employees' OHS culture, and aim for a zero accident rate.

In line with this strategy, the HSE Coordination Board, which includes the HSE units of Polisan Holding and Group Companies, was established, with basic principles set out for all employees to internalize.

In this context, Polisan Holding and Group Companies:

- Hold the "fundamental notion" that no task is important or urgent enough to violate occupational health, safety and environmental rules.
- Develop an exemplary leader behavior model for each employee, "That identifies dangerous situations and behavior, and warns and strives to avoid them".

- Ensure that site managers are responsible for any dangerous situations and behavior on their site.
- Instill the idea that from the senior management to the supplier, everyone is authorized to intervene in dangerous situations and behavior on site.
- Audit by monitoring the set targets and performance indicators in order to ensure continuous improvement in HSE and meet the targets.
- Evaluate the opinions and suggestions of employees, contractors and other stakeholders by ensuring their participation and cooperation, and thereby increase the sharing of good practices.
- Systematically monitor technological developments and undertake digitalization studies in every feasible area.
- Work to standardize HSE rule sets in Holding and Group Companies.

Other Ongoing Studies

Poliport Green Port Status

Poliport maintained its status by successfully completing its Green Port Certification audit in 2021.

Polisan Kimya 2020 Greenhouse Gas Emission Report Verification

Polisan Kimya has completed its studies on the greenhouse gas emission calculation, reporting, risk assessment and uncertainty analysis, and delivered its emission report to the Ministry upon verification by an independent institution. The Greenhouse Gas Emission Report for 2021 is being prepared and will be verified by an authorized third party institution within the statutory period.

Polisan Kansai Boya TURQUALITY® Support Program

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. At the program carried out in two phases, Polisan successfully completed the first 5-year phase, and was entitled to receive incentives for the second 5-year phase.

Polisan Holding Group Companies Received TSE Covid-19 Safe Production Certification.

Of the Polisan Holding Group Companies, Polisan Kansai Boya, Polisan Kimya and Poliport in 2020 received the TSE Covid-19 Safe Production Certificate awarded to companies not only focused on tackling the pandemic, but also on the needs of the post-pandemic era by operating in accordance with the "reliable and hygienic production standards, unaffected by the pandemic". In the TSE audit conducted in 2021, compliance has been sustained and the certificate maintained its continuity.

Zero Waste Certification at Polisan Holding Group Companies

Of the Polisan Holding Group Companies; Polisan Kansai Boya, Polisan Kimya and Poliport received the Zero Waste Certificate for their successful studies within the scope of the "Zero Waste Management System" and conduct their operations in accordance with the management system.

Polisan Holding Implementation Partnership of the Turkish Sustainability Code.

Polisan Holding is the implementation partner of the Turkish Sustainability Code based on the indicators of the Global Reporting Initiative (GRI) and the European Federation of Financial Analysts Societies (EFFAS).

SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT

Name of the Principle		Status of Compliance	Implementation	Link
A. GENERAL PRINCIPLES	A1. Strategy, Policy, Targets	Full Compliance	Polisan Holding Policies Sustainability Policy Information Security Policy Energy Management Policy	https://www.polisanholding.com/pdf/en/PolisanHolding_SustainabilityPolicy.pdf https://www.polisanholding.com/pdf/en/PolisanHolding_InformationSecurityPolicy.pdf https://www.polisanholding.com/pdf/en/EnergyManagementPolicy.pdf
			Polisan Kansai Boya Policies Quality, Health, Safety and Environment Policy Customer Satisfaction Policy Laboratory Quality Policy	https://www.polisan.com.tr/Content/Files/ckfinder/userfiles/files/pdf/QualityHealthSafetyandEnvironmentPolicy.pdf https://www.polisan.com.tr/Content/Files/ckfinder/userfiles/files/pdf/CustomerSatisfactionPolicy.pdf https://www.polisan.com.tr/Content/Files/ckfinder/userfiles/files/PolisanKansaiBoya_LaboratoryQualityPolicy.pdf
			Poliport Policies Quality, Health, Safety and Environment Policy Customer Satisfaction Policy Major Accident Prevention Policy Safety Policy	https://www.poliport.com/pdf/Poliport_QualityHealthSafetyandEnvironmentPolicy.pdf https://www.poliport.com/pdf/Poliport_CustomerSatisfactionPolicy.pdf https://www.poliport.com/pdf/Poliport_MajorAccidentPreventionPolicy.pdf https://www.poliport.com/pdf/Poliport_SafetyPolicy.pdf
			Polisan Kimya Policies Quality, Health, Safety and Environment Policy Customer Satisfaction Policy Major Industrial Accident Prevention Policy	https://www.polisankimya.com.tr/pdf/PolisanKimya_QualityHealthSafetyAndEnvironmentPolicy.pdf https://www.polisankimya.com.tr/pdf/PolisanKimya_CustomerSatisfactionPolicy.pdf https://www.polisankimya.com.tr/en/our-policies.html
			Ethical Principles Guideline (available only in Turkish)	https://www.polisanholding.com/pdf/PolisanHolding_EtikilKelerKitapcigi_2020.pdf
			Anti-Bribery and Anti-Corruption Program	https://www.polisanholding.com/pdf/en/PolisanHolding_AntiBriberyandAntiCorruptionProgram.pdf
	A2. Implementation / Monitoring	Full Compliance	Sustainability Report Environment Management System Implementation Guideline	https://www.polisanholding.com/en/our-sustainability-reports.html https://www.polisanholding.com/pdf/en/PolisanHolding_EnvironmentalManagementSystemsApplicationsBooklet.pdf
	A3. Reporting	Full Compliance	Sustainability Report	https://www.polisanholding.com/pdf/en/PolisanHolding_SustainabilityReport_2020.pdf
			Carbon footprint, water footprint report (CDP Program)	https://www.polisanholding.com/pdf/2020_Climate_Change_PolisanHolding.pdf https://www.polisanholding.com/pdf/2020_Water_PolisanHolding.pdf
			UN Global Progress Declaration Report UN Sustainable Development Goals Association	https://www.polisanholding.com/pdf/en/PolisanHolding_UNGC_CommunicationofProgressReport_2020.pdf
	A4. Verification	Full Compliance	The Polisan Holding corporate carbon footprint report 3 rd party verification has been carried out since 2017, and the Polisan Kimya greenhouse gas emission report 3 rd party verification since 2015 by the Ministry of Environment and Urbanization.	https://www.polisanholding.com/pdf/en/PolisanKimya_2019_GHG_VerificationStatement.pdf

Name of the Principle		Status of Compliance	Implementation	Link
B. ENVIRONMENTAL PRINCIPLES		Full Compliance	ISO 14001 Environment Management System Implementation Guideline Declaration made to the CDP - Climate Change and Water Safety Program TSE Covid-19 Safe Production Certificate Zero Waste Certificate	https://www.polisanholding.com/pdf/en/PolisanHolding_EnvironmentalManagementSystemsApplicationsBooklet.pdf
			Polisan Kansai Boya Gebkim Facility LEED Gold Certificate	https://www.polisanholding.com/pdf/PolisanKansai_LEED_GoldSertifkasi.pdf
			Poliport Green Port Certificate	https://www.poliport.com/pdf/YesilLimanSertifkasi.pdf
			Polisan Holding Certificates ISO 27001 Information Security Management System Certificate ISO 50001 Energy Management System Certificate	https://www.polisanholding.com/en/our-certificates.html
			Polisan Kimya Certificates ISO 9001 Quality Management System Certificate ISO 14001 Environment Management System Certificate ISO 45001 Occupational Health and Safety Management System Certificate ISO 10002 Customer Satisfaction Management System Certificate	https://www.polisankimya.com.tr/en/our-certificates.html
			Polisan Kansai Boya Certificates ISO 9001 Quality Management System Certificate ISO 14001 Environment Management System Certificate ISO 45001 Occupational Health and Safety Management System Certificate ISO 10002 Customer Satisfaction Management System Certificate	https://www.polisan.com.tr/en/Content/Detail/7239/our-certificates
C. SOCIAL PRINCIPLES	C1. Human Rights and Employee Rights	Full Compliance	Human Resources Policy	https://www.polisanholding.com/en/hr-policy.html
			Ethical Principles Guidelines Code of Business Ethics and Conduct for Suppliers Quality, Health, Safety and Environment Policy Social Responsibility Projects	https://www.polisanholding.com/pdf/en/PolisanHolding_CodeofBusinessEthicsandConductforSupplier.pdf
D. CORPORATE GOVERNANCE PRINCIPLES	C2. Stakeholders, International Standarts and Initiatives	Full Compliance	Customer Satisfaction Policy Borsa Istanbul Sustainability Index Performance	https://www.polisanholding.com/en/our-projects.html
			Corporate website - communication channels	https://www.polisanholding.com/en/contact-en.html https://www.polisan.com.tr/en/Contact https://www.poliport.com/en/contact.html https://www.polisankimya.com.tr/en/contact.html
			Corporate Governance Principles Compliance Report Anti-Bribery and Anti-Corruption Program	https://www.polisanholding.com/en/annual-interim-reports.html https://www.polisanholding.com/pdf/en/PolisanHolding_AntiBriberyandAntiCorruptionProgram.pdf
		Full Compliance	Social Responsibility Projects; "Every Voice One Breath" In Support of Women's Issues 100,000 Trees on Land of 2,000 Decares in Dilovasi Polisan Schools Polisan Education, Culture and Sports Complex Municipality Joint Projects Store Concept Design Workshop and Exhibition with Mimar Sinan Fine Arts University "Health Security Kit" for Painters From Polisan Kansai Boya During the Pandemic Support to "Turkey's Life" Campaign Conducted by WWF-Turkey (World Wildlife Foundation) Since 2018	https://www.polisanholding.com/en/corporate-social-responsibility.html

Sustainability

Social Responsibility

Polisan Holding addresses social responsibility projects as a concept integrating social and environmental concerns, and carries them out on a voluntary basis.



100,000

The number of trees planted on an area of 2,000 decares in Dilovası

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:

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

The “Every Voice One Breath” corporate social responsibility project that Polisan Kansai Boya has been realizing for nine years, aims to raise solution-oriented social consciousness of women’s issues across Turkey, and 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.

In 2020, the “Every Voice One Breath” Corporate Social Responsibility Project Delivered the “Let’s Cross Out Women’s Problems and Underline Collective Solutions Altogether” Message.

Polisan Kansai Boya supported the association through the project that aims to strengthen the emotional, physical, productive and creative nature of womanhood through technology while emphasizing the superiority of being a woman in every field where technology is involved, covering 15 provinces in Turkey with 1-day events.

A video film, in which women’s problems were crossed out and love, respect, equality, the right to life and education, that is, collective solutions, were underlined, has been specially prepared for March 8, International Women’s Day. The Association for Women in Technology, WTech, which has been established to increase the number of “technology women” who are curious, research-oriented, creative, courageous and self-confident, present in every sector, entrepreneurial, innovative and inspiring, took part in the civil society leg of the Project. Polisan Kansai Boya has been the voice of silent screams with the “Every Voice One Breath” corporate social responsibility project for nine years.

Polisan Kansai Boya “Rallied the Walls” by Coloring the Buildings Determined in the Diliskelesi Neighborhood.

Within the framework of the protocol signed between Polisan Holding and Dilovası Municipality, the painting and application service of the buildings determined in Diliskelesi Neighborhood, 701st Street was provided by Polisan Kansai Boya. A building surface area of over 6,000 m² was colored with around 3,000 kg of exterior paint by expert and meticulous application teams. The source of inspiration for the painting project was a district of Muğla; namely Bodrum; a tourism paradise with its world-famous blue-white houses. In the project, Polisan Kansai Boya’s blue and white exterior paints and primers, which are water-based, UV-resistant, high-quality, self-cleaning with rain water and water-repellent due to their silicone content, were used with the aim of turning the region into an attraction center.

Polisan Kansai Boya Distributed the “Health Safety Kit” to Painters During the Pandemic Process.

Polisan Sports, Education and Culture Complex, Kocaeli’s largest sports and training facility built by Polisan Holding, hosted the manufacturing of masks. With the manufacturing of 20,000 masks provided by the efforts of the women of the region, a “Health Safety Kit” was distributed to 10,000 painters.



Thereby Polisan Kansai Boya said that, “You are valuable to us, and we care about your and customers’ health” to painters, who stayed away from their jobs during the pandemic, but who began to bring hygiene, sanitation, health and color to homes again in the “New Normal” era. The Health Safety Kit consisting of protective masks, overalls, visors and gloves was sent to 10,000 Polisan painters registered in the Policlub Extra Painter Loyalty Program.

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

Our Founder, the late Necmettin Bitlis, who could not remain insensitive to logging around his 50 decare 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 its 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 students fully benefit from the school beyond the classroom setting, Polisan Holding also built a library at the school in 2018 in memory of our Founder, the late Necmettin Bitlis.

Sustainability

Social Responsibility

Polisan Holding prioritizes projects that support children, women and education, and collaborations aimed at protecting the environment and nature.



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, and capable of hosting international competitions, has a closed area of 5,130 m². Within this 3-storey facility, there are volleyball, handball, football and basketball training grounds. The Complex also features table tennis areas, training fields, and photographic and editing facilities, 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 lab, a reading - writing course, handicraft course 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, cities and municipalities 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.

Industrial Quantitative Analysis Laboratory Support to GEBKİM 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 out 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 2020, 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 three 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.



Sustainability

Sponsorships

In 2021, Polisan Holding supported organizations that benefit society from sports to the arts.

The main sponsorship projects realized by Polisan Holding and Group Companies, to improve the quality of life by focusing on people and the environment, are as follows:

International İstanbul Biennial Official Sponsorship

Polisan Kansai Boya has become the Official Paint Sponsor of the International İstanbul Biennial for a 10-year period between 2015 and 2024. In 2019, paint support was provided to the 16th İstanbul Biennial, where natural or cultural wastes are viewed from the perspective of anthropology and archeology.

İstanbul Carbon Summit Sponsorship

Within the context of carbon being among the key problems faced by the world, Polisan Holding, which has been carrying out carbon footprint calculations and reporting studies since 2012, was the "Bronze Sponsor" at the İstanbul Carbon Summit, organized for the sixth time in 2019 by the Sustainable Production and Consumption Association (SPCA) and Energy Efficiency Association.

"Skin of the Universe" Exhibition Sponsorship

A total of 130 artifacts have been collected, including all works of contemporary artist Fatma Tülin, as well as works of art from various periods, 25 of which from collectors. The works of art were exhibited at the Five Domes, Tophane-i Amire Culture and Art Center, under the name of the "Skin of the Universe" with the sponsorship of Polisan Kansai Boya.

Bazaart/Art for Each Home Sponsorship

In 2019, Polisan Kansai Boya sponsored the Bazaart/Art for Each Home Exhibition, which enables young and talented art students studying at fine art faculties, as well as new graduates to showcase their works to art lovers. Mavi Öz, with her video work "Artificial Reality" was the recipient of the Special Award of Polisan Kansai Boya, themed Violence Against Woman.

Turkey's Life Campaign Sponsorship

Polisan Kansai Boya has been supporting "Turkey's Life" campaign conducted by WWF-Turkey (World Wildlife Foundation) since July 2018. Donations are transferred to local projects aimed at protecting the endangered or disappearing species of Anatolia.

Diliskelesi, Amateur League Football Team, Sports Sponsorship

Polisan Holding has been the sponsor of the Diliskelesi Sports football team, which proudly represents its region, giving a successful performance in the super-amateur league, despite limited means.

Polisan Elementary School Sports Club Sponsorship

Since 2001, Polisan Holding has been the sponsor of the Polisan Elementary School Sports Club, established to enable students to socialize and channel their energy into a beneficial area. The club's folk-dance team, where students

honed their talents and took the initial steps towards future success through sharing and teamwork, achieved more than thirty first-place rankings in group contests in numerous Turkish provinces, as well as the national finals.

Turkish Deaf Sports Federation Sponsorship

Polisan Kansai Boya has signed a sponsorship agreement with the Turkish Deaf Sports Federation. Accordingly, Polisan Kansai Boya has assumed the uniform sponsorship of the Hearing-Impaired Volleyball Men's A National Team at the 24th Olympic Games, which were planned to be held in Italy in October 2021, but postponed to May 2022 due to Covid-19.

Sport İstanbul – Paint Sponsorship of "I'm Running İstanbul"

Polisan Kansai Boya became the paint sponsor of the Caddebostan Color Run Leg, the second race of the "I'm Running İstanbul" competition, each stage of which has been organized at notable locations of İstanbul by Spor İstanbul, a subsidiary of İstanbul Metropolitan Municipality (İBB). Polisan Kansai Boya offered supporters the opportunity to color their t-shirts with the X1 Art hobby paints included in the running kit.



AWARDS



Awards

RECIPIENT OF THE PRESTIGIOUS SECTOR AWARDS

Our achievements were deemed worthy of awards in 2021.

2021

Poliport Kimya Has Received the Transport Industry Sector Award.

Poliport Kimya was deemed worthy of the "Transport Industry Sector Award" in the Large-Scale Enterprise category, at the Sectoral Performance Award Ceremony organized by the Kocaeli Chamber of Industry for the 14th time this year.

Polisan Holding's Sustainability Report has Received the Silver Award from the League of American Communication Professionals (LACP).

LACP evaluates sustainability reports that reveal the economic, environmental, social and governance performance of companies under the headings of first impression, language of expression, creativity, clarity of message and accessibility to information. The Polisan Holding Sustainability Report has received the Silver Award in the relevant category at the "2019/2020 Vision Awards," while also being deemed worthy of the "Technical Achievement" honorary award.

The Chairman of the Board of Polisan Holding has Been Included on the Sustainability Leaders List.

Our Board Chairman M. Emin Bitlis has been ranked 32nd on the "Turkey's 50 Sustainability Leaders" list organized by Fast Company Magazine.

Polisan Kimya Received the Occupational Health and Safety Good Practice Award.

Polisan was deemed worthy of the third prize with its "I am aware of risks" study, within the scope of the Occupational Health and Safety Good Practice Awards organized by the Chemical, Petroleum, Rubber and Plastic Industry Employers' Association of Turkey (KIPLAS).

2020

Polisan Kansai Boya has Received the 2020 ÇEVKO Green Dot Incentive Award for its "Waste Reduction Project".

With a focus on social responsibility and sustainability awareness, Polisan Kansai Boya was deemed worthy of an award in the category of "Waste Management System and Applications" during the Green Dot Industry Awards organized for the 9th occasion by the Environmental Protection and Packaging Waste Recovery and Recycling Foundation (ÇEVKO).

Polisan Hellas has Been Deemed Worthy of the Golden Awareness Level Award by Ecovadis.

Polisan Hellas' sustainability performance has been deemed worthy of the "Golden Awareness Level Award" by ranking in the top 2% tranche in the plastic manufacturers sector, based on the results of the evaluation conducted under the headings of Environment, Social, Ethical, and Sustainable Procurement by global rating platform Ecovadis.

Awards

Among the awards received by Polisan Holding in 2021 are the 'Poliport Kimya Transport Industry Sector Award', 'Occupational Health and Safety Good Practice Award', and 'The League of American Communication Professionals Silver Award'.

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 6th 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 the "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.

Poliport was Named the 'Best in the Sector' at the 11th Sectoral Performance Awards.

Poliport Received the Silver Awareness Level Award from Ecovadis.

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

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

Polisan Hellas was Deemed Worthy of the Golden Awareness Level Award by Ecovadis.

2017

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

Polisan Hellas was Deemed Worthy of the Silver Awareness Level Award by Ecovadis.

2016

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

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

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

Polisan Kansai Boya Received an Environmental Award.

2015

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

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

2014

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

2013

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



Other Information

Incentives

The incentive certificates received by Polisan Holding Group Companies for ongoing renovation work are as follows:

Company	Subject of Incentive	Incentive No	Incentive Amount (TRY)	Incentive Expensed (as of 31.12.2021 - TRY)	Date of Incentive Certificate (Including Replacement)
Poliport*	Crane	B/104761	15,092,285	15,092,285	29.03.2013
Poliport*	Tank	D/112076	148,770,416	148,770,416	17.08.2018
Poliport	Tank	C/1377652	167,959,754	167,959,754	03.12.2021
Polisan Kansai Boya*	Gebkim Facility Construction	E/122296	351,850,411	351,850,411	07.07.2020
Polisan Kimya	Samsun Facility	A/131376	2,140,000	2,552,103	21.07.2017
Polisan Kimya*	Oxide Facility	D/112337	16,259,209	16,259,209	21.07.2016
Polisan Kimya	New Resin Facility	515368	81,000,000	1,651,840	29.09.2020
Poliport	Tank	528259	465,000,000	280,541	06.10.2021

* Completed investments

Employee Flow

Polisan Holding and its Group Companies' total number of employees is 1,306 as of December 31, 2021. (December 31, 2019: 1,249). Based on the status of the employee, in addition to the base salary, the Holding provides a bonus, premium, fringe benefits, private health insurance, personal accident insurance, a shuttle service, and lunch, and allocates a vehicle (depending on the defined title structure by the procedure).

Donations Made During the Period

Polisan Holding realized TRY1,183,124 in donations and aid in total as of December 31, 2021 (December 31, 2020: TRY841,825). 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 TRY6,675,385 as of December 31, 2021 (December 31, 2020: TRY6,146,816). Of this, TRY5,719,385 is salary and TRY956,000 is bonuses. The Holding defines Board Members, General Managers and Deputy General Managers as Senior Management.

2021 Declaration of Subsidiaries

01.01.2021 – 31.12.2021 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

9 December 2021 - Poliport's Incentive Certificate

As notified by a Communiqué of The Ministry of Industry and Technology and published in the Official Gazette dated December 5, 2021, an incentive certificate numbered 528259 and dated September 17, 2021, has been granted to our 100% subsidiary Poliport Kimya Sanayi ve Ticaret A.Ş. ("Poliport")

As per the aforementioned incentive certificate, by the expiration of the certificate on September 17, 2024, Poliport plans to have invested a total amount of TRY465,000,000 mainly on the expansion of its capacity and infrastructure, including:

- TRY160,000,000 for jetty construction and pier reinforcement,
- TRY260,315,000 for the construction and infrastructure revision of 19,257 m³ tanks
- TRY44,685,000 for other investments.

Through this certificate, incentives such as a 55% tax deduction, 20% investment contribution ratio, three-year insurance premium employer share support, and VAT exemption will be provided.

17 December 2021 - Announcement of Pendik Project to be Constructed by DAP Yapı – DOP JV

On our public disclosure dated February 5, 2021 concerning Polisan Holding's 100% subsidiary, Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. ("Polisan Yapı"), fully consolidated into the Holding's financials; we announced that DAP Yapı İnşaat Sanayi ve Ticaret A.Ş. ("DAP Yapı") has been awaiting finalization of the revised zoning plans by the municipality and public institutions to obtain the construction permit of the flat for land project to be built by DAP Yapı and DOP Yapı Mimarlık İnşaat Gıda Turizm Hizmetleri Sanayi ve Ticaret Ltd. Şti. ("DOP Yapı") Joint Venture. The aforementioned project is to be built in İstanbul, on land in Pendik with an area of ~173,000 m², owned by Polisan Yapı.

As per the notification of our subsidiary Polisan Yapı, 1/1000 zoning plans of the aforementioned land have been finalized, and zoning implementation studies pursuant to Article 18 of the Zoning Law, are ongoing.

In the event of a development on subject matters disclosed to the public, it will be made public as per the provision of the relevant Communiqué.

4 January 2022 – Change of Human Resources Director

Hilal Gökkaya, who was appointed as the Strategic Human Resources Director of Polisan Holding on January 1, 2021, resigned from her position as of January 3, 2022.

Mahmut Temiz has been appointed to the aforementioned position, effective from January 5, 2022.

1 February 2022 – Change of CFO

Ahmet Çağışan Yılmaz, who was appointed as the CFO of Polisan Holding on September 2, 2019, resigned from his position as of January 31, 2022.

Tolga Üzümcü has been appointed to the aforementioned position, effective from February 1, 2022.

23 February 2022 – Board Committees

Our Company's Board of Directors decided

1) To elect Independent Board Member Şeref Taşkın as the Chairman, Independent Board Members Arif Başer and Esra Yazıcı as the members of the Audit Committee.

2) Not to form a Candidate Nomination Committee and Compensation Committee, with the duties of the aforementioned committees to be fulfilled instead by the Corporate Governance Committee. Within this context, Esra Yazıcı has been elected as the Chairman, and Şeref Taşkın, Varol Ürel (Investor Relations Manager) and Mahmut Temiz as the members of the Corporate Governance Committee.

3) To elect Arif Başer as the Chairman, and Esra Yazıcı and Tolga Üzümcü as the members of the Early Detection of Risks Committee.

CORPORATE GOVERNANCE

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 towards becoming a corporate company. Parallel to that, Polisan Holding has adopted the transparency, fairness, responsibility, and accountability principles of corporate governance. In 2021, Polisan Holding continued its studies, initiated along with its IPO, into the compliance of Corporate Governance Principles in line with Capital Markets Board ("CMB") regulations.

Polisan Holding has complied with the mandatory principles of the CMB's Corporate Governance Principles, and paid ultimate attention to complying with the principles whose implementation are not mandatory, while continuously working on compliance efforts.

The principles, yet to be complied with, have not led to any conflict of interest among the stakeholders to date.

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 regarding Corporate Governance Principles in the annexes of the CMB's Communiqué are provided for the operating period ended on December 31, 2021, 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	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors on the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - 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.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					

Corporate Governance Compliance Report

COMPANY COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				The reason for the partial compliance with Article 1.3.11. of the CMB's Corporate Governance Principles is that there is no open invitation to the media in the Company's call for the General Assembly Meeting. However, it is possible for the media to attend the General Assembly meetings, provided that they inform the Company officials.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - 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.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - 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 reason for the noncompliance with Article 1.5.2. of the CMB's Corporate Governance Principles is that the scope of minority rights has not been extended in the Company's Articles of Association. It has been regulated that representation of five percent of the capital will be sufficient for the minority rights to be able to be used as stipulated in the Company's articles of association.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - 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					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.			X			Dividend distribution for the 2020 operating period has been realized upon the decision of the General Assembly dated April 1, 2021.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					

COMPANY COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
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 Communique 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				The information on the Company's Investor Relations pages is largely translated into English.
2.2. ANNUAL REPORT						
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					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
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					
"3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT"						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
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					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					It is evident in the course of business without being bound by any written order and standard. The standard to be applied will be planned in 2022 and presented in written form by the Company.
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					The personnel development plan and the monitoring of progress will be planned in 2022.

Corporate Governance Compliance Report

COMPANY COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
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					There is an ethics hotline and an ethical committee in place.
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					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
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					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					https://polisanholding.com/pdf/PolisanHolding_EtikilKelerKitapcigi_2020.pdf
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					https://polisanholding.com/en/ethical-principles.html

COMPANY COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
4.1. ROLE OF THE BOARD OF DIRECTORS						
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					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
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 has a capital of TRY758,000,000 and executive liability insurance of US\$10,000,000 in total. The said amount is less than 25% of the Company's capital. Thus, the Company partially complies with Article 4.2.8. of the CMB's Corporate Governance Principles. No negative incidence has been observed in practice thus far, and the aforementioned amount in question is re-evaluated annually.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
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				A policy has yet to be determined for a target ratio of not less than 25%, as well as a date to achieve such targets for the female members to be included in the Board of Directors. Yet, there are 2 female members (22%) on the Company's Board of Directors, which currently consists of 9 people. Therefore, the Company partially complies with Article 4.3.9. of the CMB's Corporate Governance Principles.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

Corporate Governance Compliance Report

COMPANY COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
4.4. BOARD MEETING PROCEDURES						
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					
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					
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					
4.4.7 - There are limits to the external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			The members of the Company's Board of Directors have been granted permission at the General Assembly to carry out the transactions specified in Articles 395. and 396. of the Turkish Commercial Code. Therefore, the Company does not comply with Article 4.4.7. of the CMB's Corporate Governance Principles. Information regarding the duties held by the members of the Company's Board of Directors outside the Company is included in the General Assembly information document, the Annual Report and on the Public Disclosure Platform. No conflict of interest has been observed regarding this practice of our Company so far, and this is foreseen remaining so for the coming period.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Within the framework of CMB regulations, a number of our board members are appointed to more than one committee as a result of the requirement that committee chairmen and all members of the audit committee should be independent members, and taking into consideration the knowledge and experience of our board members. Therefore, the Company does not comply with Article 4.5.5. of the CMB's Corporate Governance Principles.
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					

COMPANY COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Explanations on whether or not the targets set in previous periods have been achieved are included in the Annual Report of the Board of Directors of the Company. Apart from this, there is no performance evaluation. Therefore, Article 4.6.1. of the CMB's Corporate Governance Principles is not complied with. There was no negative situation regarding the ongoing practice.
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 Company partially complies with Article 4.6.5. of the CMB's Corporate Governance Principles regarding the payments made to the members of the Board of Directors and executives with administrative responsibility due to the fact that the attendance fees paid to the members of the Board of Directors are determined at the General Assembly and disclosed in the Annual Report with the distinction of independent and non-independent members. Additionally, the salaries paid to the executives with administrative responsibility are disclosed to the public in the Annual Report of the Company, not on an individual basis, but rather collectively, in line with general practice.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In 2021, 5 meetings were held with brokerage houses and portfolio companies in addition to the teleconferences organized after the first, second and third quarter financial result announcements.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/916063 and https://www.kap.org.tr/tr/Bildirim/935015
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	The transactions mentioned in the relevant article did not occur.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	Despite the fact that the specified thresholds have not been exceeded, transactions carried out within the scope of this article are included in the footnotes of the financial statements.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	Despite the fact that the specified thresholds have not been exceeded, transactions carried out within the scope of this article are included in the footnotes of the financial statements.
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations - Corporate Governance - Donation and Aid Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/922598
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	There is no article in the Articles of Association regulating the participation of stakeholders in the General Assembly.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Members of the Polisan Holding BoD, the auditor of Polisan Holding, senior management of Polisan Holding, officers responsible for General Assembly preparations, and shareholders attended Polisan Holding's Ordinary General Assembly Meeting on April 1, 2021 and Extraordinary General Assembly Meeting on May 28, 2021.
1.4. Voting Rights	
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	22.72%
1.5. Minority Rights	
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	It has been regulated that representation of five percent of the capital will be sufficient to be able to exercise the minority rights stipulated in the Company's Articles of Association. Therefore, minority rights are not extended in the Company's Articles of Association.
1.6. Dividend Right	
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	The dividend distribution decision was resolved at the 2020 Ordinary General Assembly Meeting dated April 1, 2021.
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

General Assembly Meetings	Ordinary General Assembly Meeting	Extraordinary General Assembly Meeting
General Assembly Meeting Date	April 1, 2021	May 28, 2021
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0	0
Shareholder participation rate to the General Shareholders' Meeting	67.1912%	64.1185%
Percentage of shares directly present at the GSM	32.9594%	0.0015%
Percentage of shares represented by proxy	34.2318%	64.1170%
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	Corporate Governance - General Assembly	Corporate Governance - General Assembly
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	No questions were raised.	No questions were raised.
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	Article 12	Since the agenda item of the Extraordinary General Assembly Meeting is the resolution and approval of the abolition of the Share Buyback Program through the cancellation of the authorization granted to the Board of Directors for this Share Buyback Program, there is no item regarding the related parties in the meeting minutes.
The number of declarations by insiders received by the board of directors	0	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/tr/Bildirim/917279	https://www.kap.org.tr/tr/Bildirim/935015

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
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
2.2. Annual Report	
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	The "Corporate Governance Information Form" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
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	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
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	The "Structure and Composition of the Polisan Holding BoD" and "Corporate Governance Information Form" subtitles under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
ç) 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, in the Annual Report of the Board of Directors published on the Public Disclosure Platform
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	Information in regards to ongoing lawsuits and disputes is provided in the Auditor Reports.

Corporate Governance Information Form

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
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
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	0
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	E-mail: etikhat@polisan.com.tr; Tel: 0216 578 5678
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	The participation is supported yet there is no systematic study.
Corporate bodies where employees are actually represented	Human Resources and Syndicate
3.3. Human Resources Policy	
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 have been presented to 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	Human Resources Policy and Ethical Rules
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.	Human Resources Policy and Ethical Rules
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Ethical Rules may be found under the Human Resources tab
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
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	Explanations on whether or not the targets set in the previous periods have been achieved, are included in the Annual Report of the Board of Directors of the Company. Apart from this, there is no performance evaluation.
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	As a result of the delegation of duties made by the Board of Directors among the members of the Board of Directors elected at the Company's Ordinary General Assembly meeting dated April 1, 2021, it was decided to elect Mehmet Emin Bitlis as the Chairman of the Board of Directors and Ahmet Ertuğrul Bitlis as the Vice Chairman of the Board of Directors.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
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	Mehmet Emin Bitlis
Name of the CEO	Mehmet Hacıkamiloğlu
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	Damage to be caused by the faults of members of the Board of Directors in executing their duties has been insured, yet there is no link to the announcement on the Public Disclosure Program, since the insurance amount is less than 25% of the Company's capital.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no Diversity Policy on the Company website to increase the ratio of female board members.
The number and ratio of female directors within the Board of Directors	2 - 22%

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	13.06.2000			Not Applicable	No
Ahmet Ertuğrul Bitlis	Non-executive	Not Independent	13.06.2000			Not Applicable	No
Ahmet Faik Bitlis	Non-executive	Not Independent	13.06.2000			Not Applicable	No
Fatma Nilgün Kasrat	Non-executive	Not Independent	13.06.2000			Not Applicable	No
Murat Yıldırım	Executive	Not Independent	1.10.2019			Not Applicable	Yes
Mehmet Hacıkamiloğlu	Executive	Not Independent	1.04.2021			Not Applicable	Yes
Esra Yazıcı	Non-executive	Independent	16.04.2019	https://www.polisanholding.com/en/annual-interim-reports.html	Considered	No	Yes
Şeref Taşkın	Non-executive	Independent	8.06.2018	https://www.polisanholding.com/en/annual-interim-reports.html	Considered	No	Yes
Arif Başer	Non-executive	Independent	8.06.2018	https://www.polisanholding.com/en/annual-interim-reports.html	Considered	No	Yes

* The Declaration of Independence of the independent members has been included in the Annual Report since 2018.

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)	26
Director average attendance rate at board meetings	84%
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	There is no policy that restricts members from taking on other duties outside the company.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/931394

Corporate Governance Information Form

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	Esra Yazıcı	No	Independent Board Member
Corporate Governance Committee	Corporate Governance Committee	Esra Yazıcı	Yes	Independent Board Member
Corporate Governance Committee	Corporate Governance Committee	Şeref Taşkın	No	Independent Board Member
Corporate Governance Committee	Corporate Governance Committee	Mahmut Temiz	No	Not Board Member
Corporate Governance Committee	Corporate Governance Committee	Varol Ürel	No	Not Board Member
Committee of Early Detection of Risk	Committee of Early Detection of Risk	Arif Başer	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	Tolga Üzümcü	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)	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
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)	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
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)	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
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)	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
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)	The "Structure and Independence of Board Committees" subtitle under the Corporate Governance heading of the Annual Report of the Board of Directors published on the Public Disclosure Platform
4.6. Financial Rights	
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)	2021 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

Composition of Board Committees-II					
Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage of Non- executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	Audit Committee	100%	100%	4	4
Corporate Governance Committee	Corporate Governance Committee	50%	50%	2	2
Committee of Early Detection of Risk	Committee of Early Detection of Risk	67%	67%	6	6

Board Member Name-Surname	Duties Within the Group	Duties Outside the Group
Mehmet Emin Bitlis	Chairman of Polisan Holding BoD Chairman of Polisan Kimya BoD Chairman of Rohm and Haas BoD Vice Chairman of Poliport Kimya 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 İstanbul Rotary Club Member of Malatya Education Fund Member of Polar Teknoloji Yatırımları BoD
Ahmet Ertuğrul Bitlis	Vice Chairman of Polisan Holding BoD	Chairman of Polar Teknoloji Yatırımları BoD
Ahmet Faik Bitlis	Member of Polisan Holding BoD	Member of İstanbul Chemicals and Chemical Products Exporters' Association (İKMİB) Member of Malatya Education Fund Member of Deutsche High School Culture and Education Fund Member of Polar Teknoloji Yatırımları BoD
Fatma Nilgün Kasrat	Member of Polisan Holding BoD	Chairman of Şark Mensucat BoD Member of Polar Teknoloji Yatırımları BoD
Murat Yıldırım	Member of Polisan Holding BoD Member of Polisan Yapı BoD	Vice Chairman of Şark Mensucat BoD Member of the Corporate Board of Belgin Yağları Advisory Member of the Board of Onurcan Ambalaj Advisory Member of the Board of BTM
Mehmet Hacıkamiloğlu	Polisan Holding CEO Member of Polisan Holding BoD Chairman of Polisan Kansai Boya BoD Chairman of Polisan Hellas BoD Member of Polisan Kimya BoD Member of Poliport Kimya BoD Member of Polisan Yapı BoD Member of Rohm and Haas BoD	Member of Polar Teknoloji Yatırımları BoD Member of Şark Mensucat BoD
Esra Yazıcı	Independent Member of Polisan Holding BoD	Bahçeşehir University Consultancy Services
Şeref Taşkın	Independent Member of Polisan Holding BoD	Consultancy Services
Arif Başer	Independent Member of Polisan Holding BoD	Consultancy Services

Investor Relations

Polisan Holding Investor Relations facilitate 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.

Within this context, Investor Relations:

- Coordinates all transactions with the Central Registry Agency to ensure all records related to shareholders are being kept in a healthy, secure and updated manner,
- Coordinates 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,
- Ensures that General Assembly meetings are being held in line with CMB regulations, Articles of Association and other intra-group regulations,
- Provides 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.

Polisan Holding's Investor Relations Manager is 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: +90.216 578 56 11

Fax: +90.216 573 77 92

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

Burhan Kurt

Investor Relations Officer

Phone: +90.216 578 56 19

Fax: +90.216 573 77 92

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investorrelations@polisanholding.com.tr

In 2021, 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 2020 year-end and three quarterly financial reports were announced to the public within the set deadline. Polisan Holding realized its 2020 Ordinary General Assembly Meeting in April and held an Extraordinary General Assembly in May, actively using the Electronic General Assembly System, and in compliance with CMB regulations. Polisan Holding has complied with public disclosure requirements, by announcing General Assembly documents and 12 material disclosures that may impact investor decisions, on the Public Disclosure Platform ("KAP"). In addition, the website was 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. The website is systematically organized and updated in line with Investor Relations Practices.

As part of its communication activities, Polisan Holding started to organize teleconferences for analysts and portfolio managers after the interim financial results announcements, and the Company held a press conference regarding its operations for the first time in 2021. In addition, a total of 5 meetings were held, one of which was attended by 10 portfolio companies. A brokerage house issued a company note without any investment advice during the year. In addition to investors' oral and written questions, the Company responded to the requests of the CMB, Central Registry Agency, and Borsa İstanbul A.Ş. ("BİST"). Polisan Holding, which became eligible for inclusion in the BIST Sustainability Index for the first time as of November 1, 2017, has maintained its place in the index as a result of the evaluation made for 2021.

The 2021 Investor Relations Annual Activity Report was prepared to inform Polisan Holding BoD and was presented to the BoD on January 24, 2022.

General Assembly Meetings

The setting of Polisan Holding's General Assembly meetings is noted in the "Internal Directive regarding 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 concerning the General Assembly, its Agenda, invitation letters and proxy forms are also published.

Polisan Holding's 2020 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 1, 2021, at 14:00. The meeting invitation, containing the date and agenda as stipulated in law and the Articles of Association, was published in the Turkish Trade Registry Gazette dated March 9, 2021, No: 10283 and in Kocaeli Gazette dated March 9, 2021. 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 on March 8, 2021, Polisan Holding's website at 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 made physically 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 independent 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.

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 2020 Annual Report, Independent Audit Report and Financial Tables; the release of the members of the Board of Directors; the distribution and distribution date of the 2020 profit within the framework of the Dividend Policy; approval of the Independent Audit Company; the election, determination of the terms of office and the annual wages of the Board members and Independent Board members; providing information in regards to the Remuneration Policy for the members of the Board of Directors and the Senior Management and the payments realized within the scope of this policy, related party transactions realized in 2020, donations and aid provided in 2020, and determining an upper limit for the donations to be provided in 2021; submitting the Donation and Aid Policy for the approval of the General Assembly; the approval of the Share Buyback Program prepared by the Board of Directors in accordance with the CMB's Communiqué on Share Buyback (II-22.1) and the authorization of the Board of Directors on the subject matter; 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 informing shareholders regarding the pledges, mortgages, collaterals and guarantees provided by the Company to third parties in 2020.

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.

Dividend Policy and the dividend distribution proposal are presented to the shareholders at the General Assembly and disclosed to the public on the Polisan Holding website. In 2021, Polisan Holding paid out 1.31839% (TRY0.0131839) per share and a TRY10,000,000 gross cash dividend in total out of 2020 profit, corresponding to 1.12063% (TRY0.0112063) per share and TRY8,500,000 net cash dividends.

According to CMB regulations, in 2020, 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 the 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 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.

Additionally, Polisan Holding held an Extraordinary General Assembly Meeting at Polisan Holding Headquarters, addressed at Dilovası Organize Sanayi Bölgesi, 1. Kısım, Liman Caddesi, No: 7, Dilovası-Kocaeli on May 28, 2021, at 14:00 for voting and resolving of the abolition of the Share Buyback Program, which has been approved in accordance with the CMB's Communiqué on Share Buyback (II-22.1) at the General Assembly Meeting dated April 1, 2021, and for the cancellation of the authority given to the Board of Directors in regards to this Share Buyback Program.

The invitation for the Extraordinary General Meeting, containing the date and agenda as stipulated in law and the Articles of Association, was published in the Turkish Trade Registry Gazette dated May 6, 2021, No: 10324, and in Kocaeli Gazette dated May 6, 2021. 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 on May 6, 2021, Polisan Holding's website at www.polisanholding.com.tr, as well as on the e-General Assembly (Electronic General Assembly System) of the Central Registry Agency.

The main agenda items discussed with shareholders and approved during the meeting concerned: the appointment and authorization of the Chairman of the meeting; voting and resolving of the abolition of the Share Buyback Program, which was approved in accordance with the CMB's Communiqué on Share Buyback (II-22.1) at the General Assembly Meeting dated April 1, 2021, and cancellation of the authority given to the Board of Directors in regards to this Share Buyback Program.

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 elected by the General Assembly. Polisan Holding is included in the 2nd Group within the framework of the CMB's "Announcement regarding Groups, to which Companies listed on the Stock Exchange are included in 2021 as per Corporate Governance Communiqué Numbered II-17.1". Therefore, 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 1, 2021, Polisan Holding approved the appointments as Board members of Murat Yıldırım, who has transferred his duty as the CEO and Mehmet Hacıkamiloğlu, who has been assigned by proxy to act as the CEO of Polisan Holding as of the same date. Zafer Kurtul's duty as the member of the Board of Directors has been terminated. Murat Yıldırım and Mehmet Hacıkamiloğlu also hold executive duties.

Polisan Holding Board of Directors:

The duties of the board members within and beyond 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 attending 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 Member	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 2021, the BoD held 26 meetings of physical participation. There was no dissenting opinion in 2021. The shareholders were informed regarding the related party transactions realized in 2020, during the 2020 Ordinary General Assembly Meeting held in 2021. 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 required to be submitted for the approval of the 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 findings and recommendations regarding audit results are regularly shared with the Board Chairman and the Audit Committee. 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.

Risk Management and Internal Control Mechanism

The functioning of the Polisan Holding Internal Control System is the duty of the 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, the 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:

- 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.
- 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.

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 2020 Ordinary General Assembly Meeting of Polisan Holding that commenced on April 1, 2021, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was appointed as the auditor of the 2021 financial statements, in accordance with the Turkish Commercial Code, and this was announced in the Turkish Trade Registry Gazette dated April 7, 2021 and numbered 10304.

- 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.

Board Committees

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.

Audit Committee

On February 23, 2022, Polisan Holding's BoD determined members of the Audit Committee, which was established as per its decision dated May 4, 2012, as follows:

Name - Surname	Duty	Nature of the Board Membership
Şeref Taşkın	Audit Committee Chairman	Independent Board Member
Arif Başer	Audit Committee Member	Independent Board Member
Esra Yazıcı	Audit Committee Member	Independent Board Member

The principles of the Audit Committee studies are stated below. In 2021, the Audit Committee; mainly reviewed the presentations of the Audit Directorate and evaluated the audit studies on information security and the monitoring of third party risk. In addition, the Audit Committee submitted its opinions to the Board of Directors in writing via four 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, suggestions and action plans 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 the management's monitoring of the compliance of Polisan Holding and Group Companies to business conduct and ethical rules, as well as abuse risk assessments, and abuse and rules of business conduct and delivery of 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 2021, the Audit Committee held four meetings.

Corporate Governance Committee

On February 23, 2022, 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	Nature of Board of Directors Membership
Esra Yazıcı	Corporate Governance Committee Chairman	Independent Board Member
Şeref Taşkın	Corporate Governance Committee Member	Independent Board Member
Mahmut Temiz	Corporate Governance Committee Member	Not an Independent Board Member
Varol Ürel	Corporate Governance Committee Member	Not an Independent Board Member

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.

In 2021, the Corporate Governance Committee held two meetings.

Candidate Nomination Committee and Compensation Committee

On February 23, 2022, 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 February 23, 2022, 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	Nature of Board of Directors Membership
Arif Başer	Corporate Governance Committee Chairman	Independent Board Member
Esra Yazıcı	Corporate Governance Committee Member	Independent Board Member
Tolga Üzümcü	Corporate Governance Committee Member	Not an Independent Board Member

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 2021, the Early Detection of Risk Committee held six 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;
 - Developments 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 past 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 past 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 of contributing 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 a board of directors for more than a term of six years in the past ten years.

h) The 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 control the management of corporations, and in more than five corporations in total which are admitted to trading on the stock exchange.

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



Arif Başer

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 past 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 past 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.

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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 a board of directors for more than a term of six years in the past ten years.

h) The 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 control the management of corporations, and in more than five corporations in total which are admitted to trading on the stock exchange.

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



Esra Yazıcı

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 past 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 past 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 of contributing 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.

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h) The 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 control the management of corporations, and in more than five corporations in total which are admitted to trading on the stock exchange.

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



Şeref Taşkın

Corporate Profile

Company Name:	Polisan Holding A.Ş.
Address of Headquarters:	Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Caddesi No : 7 Dilovası – KOCAELİ
Address of Main Branch:	Hilltown Ofis, Aydınevler Mh. Siteler Yolu Cd. 28 No: 1/A 34854 Küçükyalı - İSTANBUL
Trade Registry:	Gebze Ticaret Odası – 5769 / İstanbul Ticaret Odası – 615757
Tax Office and Number:	KOCAELİ - Uluçınar Vergi Dairesi Müdürlüğü - 7320206873
Subjected Legal Regulations:	Laws of the Republic of Turkey
Telephone and Fax Number:	Tel. 0216 578 56 00 ; Fax. 0216 573 77 92
Internet Address:	www.polisanholding.com.tr
E-mail address:	yatirimciiliskileri@polisanholding.com.tr; investorrelations@polisanholding.com.tr
Capital:	TRY758,500,000
Registered Capital:	TRY1,000,000,000
The Bourse Where Shares are Traded:	Borsa İstanbul (BİST) / Star
Indices, in Which the Company is Included:	BİST DIVIDEND / BİST ALL SHARES / BİST KOCAELİ / BİST STARS / BİST FINANCIALS / BİST SUSTAINABILITY / BİST PARTICIPATION ALL SHARES / BİST ALL SHARES-100 / BİST SUSTAINABILITY PARTICIPATION / BİST PARTICIPATION 100 / BİST HOLDING AND INVESTMENT
Date of Quotation on the Bourse:	24 May 2012
Ticker Symbol:	POLHO
Independent Auditor:	Güney Bağımsız Denetim ve SMMM A.Ş.
Independent Auditor's Address:	Eski Büyükdere Cad. Orjin Maslak No: 27 Maslak/Sarıyer 34398 İSTANBUL

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.

Statement of Responsibility

RESOLUTION OF THE BOARD OF DIRECTORS REGARDING THE APPROVAL OF THE FINANCIAL TABLES AND ANNUAL REPORTS

RESOLUTION DATE: 07 March 2022
RESOLUTION NUMBER: 2022/04

STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF COMMUNIQUÉ II-14.1 ON THE PRINCIPLES OF FINANCIAL REPORTING IN THE CAPITAL MARKETS

Our Financial Tables and the Annual Report for the 12-month period ending 31.12.2021; which has been prepared as per the Communiqué II-14.1 on the Principles of Financial Reporting in the Capital Markets, and approved by our Board of Directors are in the attached.

We hereby declare that:

a) The balance sheet, income statement, table of changes in the shareholders' equity, cash flow statement, and footnotes of the financial tables, as well as the BoD's Annual Report for the period between 01.01.2021 and 31.12.2021, which have been audited by the independent auditors and approved by the Polisan Holding A.Ş. BoD with the resolution dated 07.03.2022 and numbered 2022/04, have been reviewed by us.

b) Within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company; the financial tables and the annual report do not contain any inaccuracy in any material respects and are free of omissions that may be regarded as misleading as of the issue date.

c) Within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company; the financial tables prepared in accordance with the effective financial reporting standards fairly present the assets, liabilities, financial position and the facts in regards to the profit/loss of the Company; and the annual report fairly reflects the progress and performance of the business, and the financial position of the Company together with the material risks and uncertainties to which the Company is exposed.

Regards,

Polisan Holding A.Ş.

Mehmet Hacıkamiloğlu
Board Member

Tolga Üzümcü
CFO

Independent Auditor's Report on the System and Committee of Early Detection of Risk



**Building a better
working world**

Güney Bağımsız Denetim ve ŞMİM A.Ş.
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ey.com
Ticaret Sicil No: 479920
Mersis No: 01435030326000017

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

To the Board of Directors of Polisan Holding AŞ.,

We have audited the Early Identification of the Risk System and Committee established by Polisan Holding A.Ş..

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These Principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 3 members. For the period between January 1 – December 31, 2021, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Independent Auditor's Report on the System and Committee of Early Detection of Risk



Conclusion

Based on our audit, we have reached the conclusion that except for the matter(s) stated in the paragraph below, the early identification of the risk system and committee of ABC is, in all material respects, in compliance with article 378 of the TCC. The Early Identification of the Risk Committees have to submit their report to the Board of Directors at least bimonthly in accordance with Article 378 of TCC. The Early Identification of the Risk Committee of the Company has submitted their report 6 times during the year to the Board of Directors.

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



Istanbul, 7 March 2022

A member firm of Ernst & Young Global Limited

Independent Auditor's Report on the Annual Report of Board of Directors



Güney Bağımsız Denetim ve SMMM A. Ş.
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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Polisan Holding A.Ş.,

1) Opinion

We have audited the annual report of Polisan Holding A.Ş. ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2021-31/12/2021.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

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 Annual Report 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) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 7 March 2022 on the full set consolidated financial statements of the Group for the period of 1/1/2021-31/12/2021.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

Independent Auditor's Report on the Annual Report of Board of Directors



(Convenience translation of a report originally issued in Turkish)

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Tolga Kirelli.

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



Tolga Kirelli, GMMM
Partner

7 March 2022
Istanbul, Turkey

Polisan Holding A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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



Genel Bağımsız Denetim ve ŞİMMT A.Ş.
 Maslak Mah. Eski Büyükdere Cad.
 Ortan Maslak İş Merkezi No. 27
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 Faks: +90 212 300 8221
 ey.com
 Ticaret Sic. No: 475926
 Mersis No: 043703925000017

(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, 2021, 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, 2021, 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
Valuation of investment properties	
<p>In accordance with the related provisions of TAS 40 "Investment Property" in the consolidated financial statements, the Group carries amounting to TL 432.468.449 its investment properties with their fair values.</p> <p>As stated at note 13, the valuation of the investment properties are 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 were evaluated the comparison of the data and assumptions used by the management and in the reports of the valuation institutions with the market data and the interpretation of the increase according to the previous period values by including the valuation experts of another institution included in the same audit network.</p> <p>We have checked the accuracy of the valuation method used by evaluating the relevant real estate's together with their intended use.</p> <p>We have examined the information about the legal status of the real estate, legal permissions, etc. shared in the valuation report.</p> <p>We have considered the objectivity, independence and expertise of the external appraisers.</p> <p>We have validated the mathematical accuracy of works.</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>



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Trade receivables- Impairment	
<p>Trade receivables are considered as a significant balance sheet item since they represent 17% 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, 2021, there is impairment amounting to TL 55.047.681 in total on the trade receivables amounting to TL 631.609.052 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>Deferred tax assets recognized under investment incentives</p>	<p>The Group has received investment incentive certificates amounting to TL 896.221.664 within the scope of "Council of Ministers Decision on State Aid in Investments". As of December 31, 2021, TL 350.014.045 of investment expenditure was incurred within the scope of these investment incentives.</p> <p>As of 31 December 2021, deferred tax asset amounting to TL 83.001.073 in which TL 36.676.972 in the current period has been capitalized. As of 31 December 2021, 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 matter.</p> <p>Explanations on deferred tax assets are disclosed in Note 19 and 29.</p>
<p>Recoverability of Polisan Kansai Boya Sanayi ve Ticaret A.Ş. ("Polisan Kansai")</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>As of 31 December 2021, 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 509.338.825 (14% of total assets). Polisan Kansai has profit in the years 2021 and 2020. 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.</p> <p>The business plans approved by management were questioned in light of macroeconomic data and sector explanations.</p> <p>Reasonableness of cash flow estimations were tested through comparison with previous year.</p> <p>Tested whether the discount rates used were reasonable and also tested the mathematical accuracy of the valuation studies was tested.</p> <p>In addition, we reviewed the accuracy of the information in the footnotes related to the financial statements.</p>



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

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.

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.



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- 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.

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 7 March 2022.
- 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 2021 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 Tolga Kirelli.

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



7 March 2022
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, 2021

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

	Notes	Current period	Prior period
		Audited	Audited
		December 31, 2021	December 31, 2020
Assets			
Current assets		1.518.359.662	794.710.375
Cash and cash equivalents	4	411.558.634	288.471.094
Financial investments	5	-	15.116.615
Trade receivables	7	631.609.052	291.243.042
- Trade receivables from related parties	31	11.083.740	8.516.384
- Trade receivables from third parties		620.525.312	282.726.658
Other receivables	8	35.864.309	14.203.624
- Other receivables from related parties		-	-
- Other receivables from third parties	31	35.864.309	14.203.624
Inventories	9	390.050.880	146.766.056
Prepaid expenses	10	11.365.034	6.453.539
Current income tax assets	11, 29	323.346	213.296
Other current assets	21	30.495.937	17.287.261
Sub total		1.511.267.192	779.754.527
Assets held for sale	17	7.092.470	14.955.848
Non-current assets		2.230.284.001	2.011.868.729
Trade receivables	7	-	781.613
- Trade receivables from related parties		-	781.613
Other receivables	8	771.600	531.002
- Other receivables from third parties		771.600	531.002
Investments accounted using the equity method	12	525.588.374	533.676.716
Investment properties	13	432.468.449	356.877.293
Tangible assets	15	1.117.109.118	1.009.499.442
Right of use assets	14	57.925.886	50.904.345
Intangible assets	16	2.832.859	2.087.326
Prepaid expenses	10	55.886.680	40.846.673
Deferred tax assets	29	33.605.146	14.102.041
Other non current assets		4.095.889	2.562.278
Total assets		3.748.643.663	2.806.579.104

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, 2021

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

	Notes	Current period	Prior period
		Audited	Audited
		December 31, 2021	December 31, 2020
Liabilities			
Current liabilities		1.242.602.945	623.329.852
Short term borrowings	6	185.074.837	113.824.875
Short term portion of long term borrowings	6	305.691.508	217.672.601
Trade payables	7	710.237.993	262.820.793
- Trade payables to related parties	31	814.737	126.132
- Trade payables to third parties		709.423.256	262.694.661
Employee benefit obligations	20	6.844.827	4.312.477
Other payables	8	6.503.245	9.133.485
- Other payables to related parties		-	-
- Other payables to third parties		6.503.245	9.133.485
Deferred income	10	6.707.749	5.691.526
Current income tax liabilities	29	6.289.029	1.578.492
Short term provisions	18	10.807.912	4.769.813
- Short term provisions for employee benefits		7.855.931	2.660.342
- Other short term provisions		2.951.981	2.109.471
Other current liabilities	21	4.445.845	3.525.790
Non-current liabilities		459.159.697	427.179.838
Long term borrowings	6	342.916.692	314.049.787
Long term provisions	20	18.825.981	15.596.825
- Provisions for employee termination benefits		18.825.981	15.596.825
Deferred tax liabilities	29	97.417.024	97.533.226
Equity		2.046.881.021	1.756.069.414
Equity holders of the parent		2.046.881.021	1.756.069.414
Paid-in share capital	22	758.500.000	758.500.000
Adjustment to share capital	22	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		473.513.987	519.232.286
- Revaluation and measurement gain / loss		473.513.987	519.232.286
- Defined benefit plans re-measurement loss		(25.703.357)	(18.811.093)
- Tangible assets revaluation		499.217.344	538.043.379
Other comprehensive income or expense to be reclassified to profit/(loss)		(40.571.862)	(43.152.098)
- Currency translation differences		(40.571.862)	(42.257.074)
- Cash flow hedging losses		-	(895.024)
Restricted reserves		49.393.564	48.297.892
Other reserves	22	(208.727.832)	(208.727.832)
Retained earnings		710.241.103	530.706.108
Profit for the period		279.934.575	126.615.572
Total liabilities and equity		3.748.643.663	2.806.579.104

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, 2021
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

	Notes	Audited January 1- December 31, 2021	Audited January 1- December 31, 2020
Profit and loss			
Revenue	23	1.969.277.074	1.051.326.440
Cost of sales (-)	23	(1.557.358.399)	(846.905.525)
Gross profit from commercial activities		411.918.675	204.420.915
Research and development expenses (-)	24	(6.732.021)	(5.038.553)
Marketing expenses (-)	24	(15.075.972)	(13.042.733)
General administrative expenses (-)	24	(106.007.340)	(71.252.688)
Other operating income	26	60.406.354	30.328.620
Other operating expenses (-)	26	(102.663.005)	(24.149.131)
Profit from investments accounted using the equity method	12	(15.353.659)	63.787.012
Operating profit		226.493.032	185.053.442
Income from investment activities	27	145.723.858	21.524.789
Expense from investment activities (-)	27	(11.265.761)	(11.236.965)
Operating profit before financial income/expense		360.951.129	195.341.266
Financial income	28	180.891.962	55.239.379
Financial expenses (-)	28	(240.362.071)	(128.021.190)
Profit before tax from continuing operations		301.481.020	122.559.455
Continuing operations tax income/expense			
- Current tax expense	29	(15.911.185)	(8.500.517)
- Deferred tax expense/income	29	(5.635.260)	12.556.634
Profit for the period from continuing operations		279.934.575	126.615.572
Profit for the period attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		279.934.575	126.615.572
Earnings per share	30	0,369	0,167
-Earnings per share from continuing operations		0,369	0,167
-Earnings per share from discontinuing operations		-	-

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, 2021
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)**

	Notes	Audited January 1- December 31, 2021	Audited January 1- December 31, 2020
Profit for the period		279.934.575	126.615.572
Other comprehensive income/(expenses):			
Items not to be reclassified to profit or loss		14.465.984	212.957.829
- Defined benefit plans re-measurement loss	20	(6.321.145)	(1.677.996)
- <i>Defined benefit plans re-measurement losses, tax effect</i>	29	1.264.230	335.599
- Tangible assets revaluation gain	15	-	225.406.710
- <i>Tangible assets revaluation gain, tax effect (*)</i>	29	21.358.248	(43.414.846)
- Defined benefit plans re-measurement loss of investments accounted by equity method	12	(2.294.186)	(2.217.025)
- Tangible assets revaluation gain of investments accounted by equity method	12	-	38.826.540
- Shares not to be classified in profit or loss from other comprehensive income of investments accounted by equity method, tax effect	12	458.837	(4.301.153)
- <i>Defined benefit plans re-measurement loss of investments accounted by equity method, tax effect</i>	12	458.837	443.405
- <i>Tangible assets revaluation gain of investments accounted by equity method, tax effect</i>	12	-	(4.744.558)
Items to be reclassified to profit or loss		(1.420.041)	(15.271.789)
- Currency translation differences losses		(10.520.707)	(18.830.223)
- Cash flow hedging losses of investments valued by equity method	12	1.118.780	(1.118.780)
- Cash flow hedging losses of investments valued by equity method, tax effect	12	(223.756)	223.756
- Currency translation differences gain/(loss) of investments accounted using equity method	12	8.205.642	4.453.458
Other comprehensive income		13.045.943	197.686.040
Total comprehensive income		292.980.518	324.301.612
Attributable to:			
Non-controlling interest		-	-
Equity holders of the parent		292.980.518	324.301.612

(*) Law No. 7236, within the framework of the new regulations made in the temporary article 31 of the Tax Procedure Law (TPL), the revaluation of immovables and depreciable assets has been allowed. Poliport Kimya Sanayi ve Ticaret A.Ş., a subsidiary of the Company, has revalued its depreciable assets in accordance with the TPL. Valued depreciable assets are followed at fair value in the Group's consolidated financial statements within the scope of TAS 16 Tangible Fixed Assets Standard. As of December 31, 2021, the deferred tax effect calculated over the temporary difference arising from the cancellation of the effect of the valuation increase in the legal records has been accounted for as "Tangible Fixed Assets Revaluation Increases, Tax Effect" in the other comprehensive income/expense statement.

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, 2021
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Paid in share capital	Adjustment to share capital	Share premium	Defined benefit plans re-measurement losses	Tangible assets revaluation increase	Currency translation differences	Cash flow hedging losses	Restricted reserves	Other reserves	Retained earnings	Net profit	Total equity	Accumulated profit	
														Other accumulated comprehensive income/expense not to be classified to profit or loss	Other accumulated comprehensive income/expense to be classified to profit or loss
Balance at January 1, 2020		755.500.000	1.467.266	23.130.220	(15.695.076)	321.969.533	(27.860.309)	-	47.455.147	(208.727.832)	471.801.876	65.328.823	1.437.349.648		
Dividends		-	-	-	-	-	-	-	-	-	(6.000.000)	-	(6.000.000)		
Transfers	22	-	-	-	-	-	-	-	842.745	-	64.486.078	(65.328.823)	(65.328.823)		
Subsidiary acquisition or disposal (**)		-	-	-	-	-	-	-	-	-	418.154	-	418.154		
Total comprehensive income		-	-	-	(3.116.017)	216.073.846	(14.376.765)	(895.024)	-	-	-	126.615.572	324.301.612		
- Profit for the period		-	-	-	(3.116.017)	216.073.846	(14.376.765)	(895.024)	-	-	-	126.615.572	126.615.572		
- Other comprehensive expense		-	-	-	-	-	-	-	-	-	-	-	197.686.040		
December 31, 2020 balance		755.500.000	1.467.266	23.130.220	(18.811.093)	538.043.379	(42.257.074)	(895.024)	48.297.892	(208.727.832)	530.706.108	126.615.572	1.756.069.414		
Balance at January 1, 2021		755.500.000	1.467.266	23.130.220	(18.811.093)	538.043.379	(42.257.074)	(895.024)	48.297.892	(208.727.832)	530.706.108	126.615.572	1.756.069.414		
Dividends		-	-	-	-	-	-	-	-	-	(10.000.000)	-	(10.000.000)		
Subsidiary acquisition or disposal (**)	22	-	-	-	-	-	4.000.277	-	-	-	125.519.900	(126.615.572)	4.000.277		
Transfers		-	-	-	-	-	-	-	1.095.672	-	64.015.095	-	3.830.812		
Increase/(decrease) due to other changes (**)		-	-	-	-	(60.184.283)	-	-	-	-	-	-	292.980.518		
Total comprehensive income		-	-	-	(6.892.264)	21.358.248	(2.315.065)	895.024	-	-	-	279.834.575	279.834.575		
- Profit for the period		-	-	-	(6.892.264)	21.358.248	(2.315.065)	895.024	-	-	-	279.834.575	279.834.575		
- Other comprehensive expense (**)		-	-	-	(6.892.264)	-	(2.315.065)	895.024	-	-	-	-	13.045.943		
December 31, 2021 balance		755.500.000	1.467.266	23.130.220	(25.703.357)	499.217.344	(40.571.862)	-	49.393.564	(208.727.832)	710.241.103	279.834.575	2.046.881.021		

(*) It is related to reclassification of the revaluation increase amount in tangible assets revaluation fund as a result of the sale of lands (Dilovasi OSB land, Mimarisan land and Balikesir Ivinol-Savaştepe land)-property of a subsidiary of the Group, Polisan Kimya Sanayi A.Ş. Law No. 7236, within the framework of the new regulations made in the temporary article 31 of the Tax Procedure Law (TPL), the revaluation of immovables and depreciable assets has been allowed. Polipor Kimya Sanayi ve Ticaret A.Ş., a subsidiary of the Company, has revalued its depreciable assets in accordance with the TPL. Valued depreciable assets are followed at fair value in the Group's consolidated financial statements within the scope of TAS 16 Tangible Fixed Assets Standard. As of December 31, 2021, the deferred tax effect calculated over the temporary difference arising from the cancellation of the effect of the valuation increase in the legal records has been accounted for as "Tangible Fixed Assets Revaluation Increases, Tax Effect" in the other comprehensive income/expense statement.

(**) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021 for a consideration of TL 1,919,749. Since the sale of Polisan Maroc on 5 October 2021 and the income statement for the 30 September - 5 October 2021 period is insignificant, the 9-month 2021 income statement has been consolidated. Net assets of Polisan Maroc at the time of sale is TL 3,682,477. The Group has recognized a loss of TL 3,683,028 from the sale of Polisan Maroc. In addition, the foreign currency translation difference earned from Polisan Maroc amounting to TL 4,000,277 in the consolidated financial statements has been cancelled. From the sale of the related subsidiary, TL 7,863,309 loss on the sale of the subsidiary has been recognized, including the cancellation of the foreign currency translation difference in the consolidated financial statements.

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

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

Polisan Holding A.Ş.

Consolidated statement of cash flows
for the period between January 1- December 31, 2021
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited	Audited
		January 1 - December 31, 2021	January 1 - December 31, 2020
A. Cash flows from operating activities		319.519.305	224.414.890
Profit for the period		279.934.575	126.615.572
- Profit for the period from continuing operations		279.934.575	126.615.572
Adjustment for reconciliation of profit for the period		246.330.899	137.984.079
Adjustments for depreciation and amortization expenses	14, 15, 16	75.353.074	60.597.166
Adjustments related to provisions		11.061.069	6.061.442
- Adjustments related to provisions (cancellations) for benefits provided to employees	18, 20	10.218.559	6.061.442
- Adjustments to lawsuits and/or penalty provisions (cancellations)	18	842.510	-
Adjustments for profit/loss on sale of tangible assets	27	450.939	(522.325)
Adjustments for profit/loss related to sale of investment property	27	(32.103.777)	(285.000)
Adjustments related to impairment (cancellations)		9.358.380	12.302.646
- Adjustments related to impairment of trade receivables (cancellations)	7	9.561.848	34.497
- Adjustments related to impairment of inventories (cancellations)	9	(203.468)	1.217.042
- Adjustments for impairment (cancellation) of fixed assets held for sale	15	-	10.382.830
- Adjustments for impairment (cancellation) of fixed assets held for sale	17	-	668.277
Adjustments related to undistributed profit/losses of investments accounted using the equity method	12	15.353.659	(63.787.012)
Adjustments to tax expense/income	29	21.546.445	(4.056.117)
Adjustments for interest income and expense		22.194.652	25.481.364
- Adjustments related to interest income	27	(7.350.506)	(3.458.638)
- Adjustments related to interest expenses	28	29.899.206	29.090.213
- Deferred financial income from deferred payment sale	26	(354.048)	(150.211)
Adjustments related for increase in fair value		(105.816.815)	(16.830.530)
- Adjustments related to fair value loss/(gain) of investment property	13, 27	(105.816.815)	(16.830.530)
Adjustments for gains / losses arising from the disposal of subsidiaries or joint operations	27	7.883.305	(242.438)
Adjustments to income/expenses from participation/profit share and other financial instruments	27	(408.747)	-
Adjustment related to unrealized foreign currency translation differences		221.458.715	119.264.883
Changes in working capital		(186.250.474)	(24.821.463)
Adjustments for increase/decrease in trade receivables		(350.260.472)	(46.523.278)
Adjustments for increase/decrease in financial investments		15.525.362	(15.116.615)
Adjustments for increase/decrease in inventories		(244.529.928)	(11.814.555)
Adjustments for increase/decrease in other operational receivables		(21.901.283)	6.367.507
Adjustments for increase/decrease in prepaid expenses		(19.951.502)	(11.674.817)
Adjustments for increase/decrease in other assets related to operations		(14.742.287)	(5.486.174)
Adjustments for increase/decrease in trade payables		447.771.248	56.910.352
Adjustments for increase/decrease in other operational payables		(2.630.240)	6.682.062
Adjustments for increase/decrease in employee benefit obligations		2.532.350	(2.152.520)
Adjustments for increase/decrease in deferred income		1.016.223	2.614.317
Adjustments for increase/decrease in other operational liabilities		920.055	(4.627.742)
Cash flows from operating activities		340.015.000	239.778.188
Employee termination benefits paid	18, 20	(9.184.997)	(4.172.212)
Tax payments/refunds	29	(11.310.698)	(7.990.335)
Other cash outflows	18	-	(3.200.751)
B. Cash flows from investing activities		(37.688.647)	(42.546.717)
Purchase of tangible/intangible assets	15, 16	(117.236.231)	(47.128.126)
Proceeds from sale of tangible/intangible assets		84.815	1.746.022
Purchase of investment properties	13	(19.684.561)	(2.511.030)
Proceeds from sale of investment properties		82.013.997	1.300.000
Fixed asset disposal held for sale	17	7.863.378	-
Interest received		7.350.506	3.458.638
Cash inflows related to sales that will result in loss of control of subsidiaries	27	1.919.449	587.779
C. Cash flows from financing activities		(158.743.118)	(72.423.741)
Dividends paid	22	(10.000.000)	(6.000.000)
Cash inflows from borrowings obtained	6	487.386.747	407.288.982
Cash outflows related to loan repayment	6	(598.062.970)	(449.733.355)
Interest paid		(19.771.724)	(17.549.189)
Cash outflows from lease agreements	6	(18.295.171)	(6.430.179)
Net increase/decrease in cash and cash equivalents		123.087.540	109.444.432
Cash and cash equivalents at the beginning of the period	4	288.471.094	179.026.662
Cash and cash equivalents at the end of the period	4	411.558.634	288.471.094

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

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

Polisan Holding A.Ş.
Notes to the consolidated financial statements
for the period between January 1 - December 31, 2021
(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, construction, 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 San. Ve Tic. A.Ş.)*
- *Tintomix Pigment Pasta Sanayi A.Ş.*
- *Polisan Kimya Sanayii A.Ş.*
- *Poliport Kimya Sanayi ve Ticaret 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 Maroc S.A. (*)*

(*) *Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021.*

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 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.

(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, 2021
(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.

The average number of employees of the Company, it's subsidiaries and joint ventures for the year ended December 31, 2021 is 1.306 (December 31, 2020 – 1.249). In calculating the average numbers, the number of employees of Polisan Kansai Boya was not weighted in proportion to the Group's share, but was taken as an integer.

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 venture 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.

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/İstanbul. As of December 31, 2021 the average number of personnel employed by Rohm and Haas is 58 (December 31, 2020: 58).

Approval of the financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 7, 2022. The General Assembly has the authority to amend the consolidated financial statements.

(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, 2021
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No: 14,1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on June,13 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority (“POA/ASA”), TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”).

In addition, the accompanying consolidated financial statements are prepared in accordance with resolution No, 30 TAS taxonomy published by POA/ASA on June 2, 2016 and in accordance with the TAS taxonomy announced by POA/ASA as current “ 2019 TFRS” including TFRS-15 Revenue from contracts with customers and TFRS-16 Leases on April 15, 2019.

The Company (and its subsidiaries and Joint Ventures registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The subsidiary operating in foreign countries has prepared its statutory financial statements in accordance with the laws and regulations of the country in which it operates. The year end consolidated financial statements are based on the statutory records, and presented in TL, with the required adjustments and reclassifications reflected for the purpose of fair presentation of in accordance with the TAS. Consolidated financial statements have been prepared on the basis of historical cost, except for land, land improvements, buildings, port facility, investment properties and derivative instruments shown at fair value.

2.1.2 Adjustment of the financial statements in high inflation periods

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, consolidated financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

With the “Law Amending the Tax Procedure Law and the Corporate Tax Law”, which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

2.1.3 Going concern

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities of the Company and its consolidated subsidiaries, jointly controlled entities and associates in the normal course of operations and in the foreseeable future.

(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, 2021
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

2.1.4 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. (was sold on October 5,2021) 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.

2.1.5 Financial statements of subsidiaries operating in countries other than Turkey

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

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

The amendments are not applicable for the Group and will not have an 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.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Proceeds before intended use

(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, 2021
(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)

- Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- IFRS 17 - The new Standard for insurance contracts
- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Annual Improvements – 2018–2020 Cycle

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

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

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

As of December 31, 2021 and 2020 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Polisan Kimya	100,00	100,00	100,00	100,00
Poloport	100,00	100,00	100,00	100,00
Polisan Yapı	100,00	100,00	100,00	100,00
Polisan Hellas	100,00	100,00	100,00	100,00
Polisan Maroc (*)	-	99,96	-	99,96

(*) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021.

(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, 2021
(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, 2021 and December 31, 2020:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership rate (%)	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
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.

(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, 2021
(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 or 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.

(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, 2021
(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)

Accounting and Measurement (continued)

When the financial asset is 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 include 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.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of forward foreign exchange purchase and sale transactions. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the financial statements and fair value difference of these derivatives are accounted for under income statements. Derivatives of the Group which qualified for hedge accounting under specific rules are measured using the methods stated as below:

Cash Flow Hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as "Cash Flow Hedging Losses". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gains or losses previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Hedge accounting:

The Group has determined that the transactions subject to hedge accounting that already meet the required criteria will be within the scope of hedge accounting within the framework of TRFS 9. TFRS 9 does not change the general principles of an entity's effective hedge accounting. TFRS 9 does not have a significant effect on the Group's financial statements.

Financial liabilities

The Group'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 Group'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.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

Financial liabilities (continued)

(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.

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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 prorate depreciation for the straight-line depreciation method 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:

	Useful lives
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 revaluated again.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

Property, plant and equipment (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;

	Useful lives
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.

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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.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

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.

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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 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 January,1 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.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

Revenue (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:

	December 31, 2021 (*)	December 31, 2020
USD	13,3290 - 13,3530	7,3405
EURO	15,0867 - 15,1139	9,0079
GBP	17,9667 - 18,0604	9,9438

(*) Pursuant to the announcement published by POA in 2021, monetary assets denominated in foreign currency are converted into Turkish Lira with the buying rate on 31 December and monetary liabilities denominated in foreign currency are converted into Turkish Lira with the selling rate on 31 December, and the exchange gains arising from the translation of assets and liabilities or losses are reflected in the consolidated income statement.

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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.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

Taxes on income (continued)

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.

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 January 1, 2013, the actuarial gain/losses were recognised in the statement of income whereas the amendment, effective as of January 1, 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.

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2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

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.

Government incentive and 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.

Netting / Offsetting

All items that are material in terms of content and amount, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are summed up by items that are similar in terms of principles and functions. Assets and liabilities are shown in net when there is a necessary legal right, there is an intention to make a net use of the assets and liabilities, or when the assets are acquired and the liabilities are fulfilled simultaneously.

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2. Basis of presentation of financial statements (continued)

2.4 Significant accounting 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 20.
- 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.
- 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.

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Polisan Holding A.Ş.

Notes to the consolidated financial statements (continued)

for the period between January 1 - December 31, 2021

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

2. Basis of presentation of financial statements (continued)

2.4 Significant accounting estimates and assumptions (continued)

- 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 509.338.825 (December 31, 2020: TL 508.933.539) as of December 31, 2021 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

Significant changes in the accounting policies are applied to prior periods and financial statements of prior periods are restated. The accounting policies applied in the preparation of the consolidated financial statements as of December 31, 2021 are consistent with those applied in the preparation of the consolidated financial statements of December 31, 2020.

2.6 Restatement and errors in the accounting policies and estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the period ended December 31, 2021 are consistent with those used in the preparation of financial statements for the year ended December 31, 2020, except that the depreciation method and lifetime of tangible fixed assets are reassessed by the technical team.

Material changes in accounting policies or material errors are applied, retrospectively by restating the prior period consolidated financial statements.

2.7 Comparatives and restatement of prior periods financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified where necessary, to conform to changes in presentation in the current period consolidated financial statements.

2.8 Statement of compliance to TAS

The Group prepared the accompanying consolidated financial statements as of December 31, 2020 in accordance with Communiqué Serial II, No: 14,1 and the related announcements. The accompanying consolidated financial statements and explanatory notes were disclosed in compliant with reporting formats recommended by Capital Markets Board (CMB), including the compulsory explanations.

2.9 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.

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Polisan Holding A.Ş.

Notes to the consolidated financial statements (continued)

for the period between January 1 - December 31, 2021

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3. Segment reporting

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

As of December 31, 2021 and December 31, 2020, total assets and liabilities are as follows:

	December 31, 2021	December 31, 2020
Assets		
Chemical products	1.815.048.710	1.122.806.729
Port	927.583.095	797.748.946
Services	1.064.690.020	950.550.356
Real estate	407.673.311	302.529.271
Combined	4.214.995.136	3.173.635.302
Add: Carrying values of Joint Ventures (Note 12)	525.588.374	533.676.716
Less: Eliminations	(991.939.847)	(900.732.914)
Consolidated	3.748.643.663	2.806.579.104
Liabilities		
Chemical products	1.268.619.697	679.725.020
Port	317.850.303	294.058.901
Services	134.330.381	35.051.920
Real estate	99.321.055	79.026.591
Combined	1.820.121.436	1.087.862.432
Less: Eliminations	(118.358.794)	(37.352.742)
Consolidated	1.701.762.642	1.050.509.690

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Polisan Holding A.Ş.
Notes to the consolidated financial statements (continued)
for the period between January 1 - December 31, 2021
(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, 2021:

	Chemical products	Port	Services	Real estate	Combined	Plus: Joint venture sharing profits and losses	Consolidation adjustments	Consolidated
Revenue	1.686.997.641	292.539.312	94.559.185	1.285.834	2.075.381.972	-	(106.104.898)	1.969.277.074
- Intra segment revenue	1.667.945.156	286.428.051	13.618.033	1.285.834	1.969.277.074	-	-	1.969.277.074
- Inter segment revenue	19.052.485	6.111.261	80.941.152	-	106.104.898	-	(106.104.898)	-
Cost of sales (-)	(1.430.375.325)	(154.316.328)	(79.447.875)	-	(1.664.139.528)	-	106.781.129	(1.557.358.399)
Gross profit	256.622.316	138.222.984	15.111.310	1.285.834	411.242.444	-	676.231	411.918.675
Operational expenses/income, net	(132.909.874)	(33.474.464)	2.584.272	(2.026.005)	(165.826.071)	-	(4.245.913)	(170.071.984)
Loss from investments accounted using the equity method	(16.699.270)	-	-	-	(16.699.270)	1.345.611	-	(15.353.659)
Operating profit	107.013.172	104.748.520	17.695.582	(740.171)	228.717.103	1.345.611	(3.569.682)	226.493.032
Income/expenses from investment activities, net	28.327.975	3.608.821	8.720.259	100.555.906	141.212.961	-	(6.754.864)	134.458.097
Operating profit before financial income/expense	135.341.147	108.357.341	26.415.841	99.815.735	369.930.064	1.345.611	(10.324.546)	360.951.129
Financial income/expenses, net	(33.505.033)	(40.065.038)	10.277.602	(6.251.074)	(69.543.543)	-	10.073.434	(59.470.109)
Profit before tax from continuing operations	101.836.114	68.292.303	36.693.443	93.564.661	300.386.521	1.345.611	(251.112)	301.481.020
Tax income/expense, net	(11.663.391)	17.599.319	(8.817.516)	(18.715.080)	(21.596.668)	-	50.223	(21.546.445)
Profit for the period from continuing operations	90.172.723	85.891.622	27.875.927	74.849.581	278.789.853	1.345.611	(200.889)	279.934.575
Depreciation and amortization	18.238.781	52.373.771	6.244.945	-	76.857.497	-	(1.504.423)	75.353.074
Investment expenditures	35.133.003	15.358.664	85.432.320	2.752.341	138.676.328	-	(1.755.536)	136.920.792
Finance income	4.510.519	2.850.844	6.739.282	4.726	14.105.371	-	(6.754.865)	7.350.506
Finance expense	5.621.186	22.774.462	2.001.942	6.256.481	36.654.071	-	(6.754.865)	29.899.206

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Notes to the consolidated financial statements (continued)
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3. Segment reporting (continued)

Statement of profit or loss reporting for the period between January 1 - December 31, 2020:

	Chemical products	Port	Services	Real estate	Combined	Plus: Joint venture sharing profits and losses	Consolidation adjustments	Consolidated
Revenue	827.080.986	237.394.053	138.527.330	679.594	1.203.681.963	-	(152.355.523)	1.051.326.440
- Intra segment revenue	810.819.529	233.066.522	6.760.795	679.594	1.051.326.440	-	-	1.051.326.440
- Inter segment revenue	16.261.457	4.327.531	131.766.535	-	152.355.523	-	(152.355.523)	-
Cost of sales (-)	(746.185.422)	(123.266.782)	(123.108.558)	-	(992.560.762)	-	145.655.237	(846.905.525)
Gross profit	80.895.564	114.127.271	15.418.772	679.594	211.121.201	-	(6.700.286)	204.420.915
Operational expenses/income, net	(49.176.252)	(24.310.759)	(4.780.386)	(2.189.652)	(80.457.049)	-	(2.697.436)	(83.154.485)
Loss from investments accounted using the equity method	9.649.784	-	-	-	9.649.784	54.137.228	-	63.787.012
Operating profit	41.369.096	89.816.512	10.638.386	(1.510.058)	140.313.936	54.137.228	(9.397.722)	185.053.442
Income/expenses from investment activities, net	(9.866.773)	4.355.967	4.694.253	16.309.515	15.492.962	-	(5.205.138)	10.287.824
Operating profit before financial income/expense	31.502.323	94.172.479	15.332.639	14.799.457	155.806.898	54.137.228	(14.602.860)	195.341.266
Financial income/expenses, net	(26.806.716)	(57.005.012)	8.455.683	(2.626.364)	(77.982.409)	-	5.200.598	(72.781.811)
Profit before tax from continuing operations	4.695.607	37.167.467	23.788.322	12.173.093	77.824.489	54.137.228	(9.402.262)	122.559.455
Tax income/expense, net	15.220.398	(5.241.495)	(5.393.575)	(2.434.716)	2.150.612	-	1.905.505	4.056.117
Profit for the period from continuing operations	19.916.005	31.925.972	18.394.747	9.738.377	79.975.101	54.137.228	(7.496.757)	126.615.272
Depreciation and amortization	15.378.755	43.278.704	4.990.689	-	63.648.148	-	(3.050.982)	60.597.166
Investment expenditures	9.060.264	49.642.905	2.204.450	2.511.030	63.418.649	-	(13.779.493)	49.639.156
Finance income	1.155.519	3.789.450	3.714.268	-	8.659.237	-	(5.200.599)	3.458.638
Finance expense	13.705.741	14,186.334	3,775.149	2,623.587	34,290.811	-	(5,200,598)	29,090,213

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4. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash in hand	35.100	14.755
Banks	411.523.534	288.456.339
- Demand deposits	26.712.454	14.934.421
- Time deposits	384.811.080	273.521.918
Total	411.558.634	288.471.094

No blockage exists on the cash and cash equivalents of the Group as of December 31, 2021 (December 31, 2020 - None).

As of December 31, 2021 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
USD	0,90%	3 days	15.364.000	204.786.756
EURO	0,50%	3 days	7.720.000	116.469.324
TL	25,00%	3 days	63.555.000	63.555.000
Total				384.811.080

As of December 31, 2020 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
EURO	1,00%	1-4 days	13.262.000	119.462.770
USD	2,20%-3,50%	4-32 days	14.238.000	104.514.039
TL	19,10%	4 days	49.545.109	49.545.109
Total				273.521.918

5. Financial investments

	December 31, 2021	December 31, 2020
Financial investments-time deposits (*)	-	15.116.615
Total	-	15.116.615

(*) The relevant balance consist of the Group's time deposits with a maturity of more than three months.

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6. Financial borrowings

	Interest rate	December 31, 2021	Interest rate	December 31, 2020
Short-term borrowings				
Bank borrowings				
- TL	15,75% - 24,60%	151.129.762	6,50% - 17,50%	22.394.690
- Euro	2,25% - 4,00%	33.945.075	2,25% - 3,95%	91.430.185
Total		185.074.837		113.824.875

	Interest rate	December 31, 2021	Interest rate	December 31, 2020
Short term portion of long term borrowings				
Bank borrowings				
- Euro	2,25% - 4,00%	278.279.474	2,25% - 3,95%	201.158.022
- TL	17,00%	18.755.551	17,00%	8.284.935
Financial leasings				
-TL	22,50%	8.266.433	22,50%	7.520.970
-Euro	2,25% - 3,00%	390.050	3,00%	273.993
-MAD	-	-	2,20%	434.681
Total		305.691.508		217.672.601

	Interest rate	December 31, 2021	Interest rate	December 31, 2020
Long-term borrowings				
Bank borrowings				
- Euro	2,25% - 4,00%	265.429.814	2,25% - 3,95%	231.636.937
- TL	17,00%	31.476.282	17,00%	41.962.088
Financial leasing obligations				
-TL	22,50%	45.959.943	22,50%	40.268.218
-Euro	2,25% - 3,00%	50.653	3,00%	182.544
Total		342.916.692		314.049.787

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

Maturity	December 31, 2021	December 31, 2020
0 - 3 months	163.730.112	142.636.944
Between 3 - 6 months	127.052.539	62.872.489
Between 6 - 12 months	191.327.211	117.758.399
Between 1 - 2 years	209.217.906	166.982.576
More than 2 years	87.688.190	106.616.449
Total	779.015.958	596.866.857

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6. Financial borrowings (continued)

Maturity- financial leasing obligations	December 31, 2021	December 31, 2020
0 - 3 months	1.638.196	1.229.100
Between 3 - 6 months	1.425.207	1.563.988
Between 6 - 12 months	5.593.080	5.436.556
Between 1 - 2 years	5.635.315	5.286.180
More than 2 years	40.375.281	35.164.582
Total	54.667.079	48.680.406

Mortgages, guarantees and etc. given for financial borrowings are as follows:

Type of guarantee	December 31, 2021			
	TL	USD (TL equivalent)	Euro (TL equivalent)	Total
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayii A.Ş.	1.045.704.530	1.352.893.500	543.121.200	2.941.719.230
-Polisan Hellas	115.550.000	854.589.364	1.587.875.175	2.558.014.539
-Poliport Kimya San. A.Ş.	569.459.489	1.261.589.850	372.358.614	2.203.407.953
-Polisan Holding A.Ş.	338.210.000	666.450.000	-	1.004.660.000
-Polisan Yapı İnşaat	17.000.000	113.296.500	-	130.296.500
	2.085.924.019	4.248.819.214	2.503.354.989	8.838.098.222

Type of guarantee	December 31, 2020			
	TL	USD (TL equivalent)	Euro (TL equivalent)	Total
Guarantees given by the related companies to other related companies				
-Polisan Kimya Sanayii A.Ş.	870.701.405	855.168.250	324.284.400	2.050.154.055
-Polisan Hellas	115.550.000	470.526.050	961.593.325	1.547.669.375
-Poliport Kimya San. A.Ş.	364.459.489	694.778.325	222.326.232	1.281.564.046
-Polisan Holding A.Ş.	338.210.000	477.132.500	-	815.342.500
-Polisan Yapı İnşaat	17.000.000	62.394.250	-	79.394.250
	1.705.920.894	2.559.999.375	1.508.203.957	5.774.124.226

	December 31, 2021	December 31, 2020
Total financial liabilities as of January 1	596.866.857	480.118.232
Cash inflows from borrowing	487.386.747	407.288.982
Cash outflow from borrowing	(598.062.970)	(449.733.355)
Interest accrual	214.290	1.833.595
Foreign exchange and currency translation differences	292.611.034	157.359.403
Total financial liabilities as of December 31	779.015.958	596.866.857

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6. Financial borrowings (continued)

	December 31, 2021	December 31, 2020
Total financial leasing as of January 1	48.680.406	44.990.240
Additions	15.718.947	181.974
Payments	(18.295.171)	(6.430.179)
Disposal from the scope of consolidation (*)	(147.359)	-
Effect of change in interest expenses	9.913.192	9.707.428
Changes in rental agreements	(1.202.937)	230.943
Total financial leasing as of December 31	54.667.078	48.680.406

(*) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021.

7. Trade receivable and payables

As of December 31, 2021 and December 31, 2020 the Group's trade receivables are as follows:

Trade receivables	December 31, 2021	December 31, 2020
Trade receivables	512.603.361	240.567.877
Notes and cheques receivables	162.969.632	86.530.387
Receivables from related parties (Note 31)	11.083.740	8.516.384
Sub total	686.656.733	335.614.648
Allowance for doubtful receivables (-)	(55.047.681)	(44.371.606)
Total	631.609.052	291.243.042

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 32.

Foreign currency balances of trade receivables are explained in Note 32.

Movement of provision for doubtful receivables for the years ended December 31, 2021 and December 31, 2020 are as follows:

	2021	2020
January 1	44.371.606	43.207.742
Provisions for doubtful receivables (Note 26)	13.560.414	5.745.898
Provisions no longer required (Note 26)	(3.998.566)	(5.711.401)
Written offs	2.613.972	1.129.367
Disposal from the scope of consolidation (*)	(1.499.745)	-
December 31	55.047.681	44.371.606

(*) The amount consisting of the sale of Polisan Maroc which is a subsidiary of the Company on 5 October 2021.

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7. Trade receivable and payables (continued)

The long-term trade receivables of the Group as of December 31, 2021 and December 31, 2020 are as follows:

Trade receivables	December 31, 2021	December 31, 2020
Checks and notes received	-	781.613
Total	-	781.613

As of December 31, 2021 and December 31, 2020 the aging of trade receivables are as follows:

Maturity	December 31, 2021	December 31, 2020
Past due	85.513.639	42.803.959
0-3 months	467.611.418	200.553.448
3-6 months	77.625.331	46.264.456
6-9 months	858.664	413.215
9-12 months	-	426.351
1-2 years	-	781.613
Total	631.609.052	291.243.042

As of December 31, 2021 letter of guarantees amounting to TL 85.513.639 (December 31, 2020: TL 42.803.959) has been received for the past due but not impaired trade receivables amounting to TL 31.654.875 (December 31, 2020: TL 20.376.555). Doubtful receivables are not included into the maturity details.

As of December 31, 2021 and December 31, 2020 the aging of the overdue but not impaired trade receivables are as follows:

	December 31, 2021	December 31, 2020
1-30 days past due	68.350.735	27.903.916
1-3 months past due	4.818.751	4.918.902
3-12 months past due	11.771.360	9.867.209
1-5 years past due	572.793	113.932
Total	85.513.639	42.803.959

Trade payables	December 31, 2021	December 31, 2020
Trade payables	709.650.591	260.844.872
Notes and cheques payables	-	2.000.000
Payables to related parties (Note 31)	814.737	126.132
Deferred financial expenses (-)	(227.335)	(150.211)
Total	710.237.993	262.820.793

The average payments days for the Group's trade payables is 112 days, the average discount rate for TL is 15,25%, for USD is 0,21% (December 31, 2020: 101 days, TL - 17%, USD - 0,20%).

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8. Other receivable and payables

Short term other receivables	December 31, 2021	December 31, 2020
Deposits and guarantees given (*)	24.616.833	1.647.983
Other receivables from unrelated parties (**)	6.064.695	-
VAT and SCT receivable	5.137.965	12.547.914
Receivables from employees	44.816	7.727
Total	35.864.309	14.203.624

(*) It is the deposit amount given to the contractor Company by Polisan Hellas which is the subsidiary of the Group.
(**) The amount to be received from Polican Maroc.

Long term other receivables	December 31, 2021	December 31, 2020
Deposits and guarantees given	771.600	531.002
Total	771.600	531.002

Short term other payables	December 31, 2021	December 31, 2020
Taxes and funds payable	6.343.506	1.749.945
Deposits and guarantees taken	159.739	8.724
Due to third parties	-	7.374.816
Total	6.503.245	9.133.485

9. Inventories

	December 31, 2021	December 31, 2020
Raw materials and supplies	99.867.927	47.637.270
Work in process	19.598.385	6.186.589
Finished goods	53.529.395	33.150.326
Merchandise	876.413	726.356
Goods in transit	213.229.054	57.565.967
Other inventories	7.120.625	4.425.363
Sub total	394.221.799	149.691.871
Provision for impairment of inventories (-)	(4.170.919)	(2.925.815)
Total	390.050.880	146.766.056

Movement of provision for impairment of inventories for the year ended December 31, 2021 and December 31, 2020 are as follows:

	2021	2020
January 1	2.925.815	1.187.192
Provisions booked during the period (Note 26)	774.263	1.479.422
Provisions no longer required (-)	(977.731)	(262.380)
Currency translation difference	1.448.572	521.581
December 31	4.170.919	2.925.815

As of December 31, 2021, the Group has no pledged inventory against its liabilities (December 31, 2020: None).

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10. Prepaid expenses and deferred income

Prepaid expenses:

	December 31, 2021	December 31, 2020
Short term prepaid expenses		
Prepaid expense for the following months	10.142.578	5.405.297
Advances given for inventories	1.222.456	1.048.242
Total	11.365.034	6.453.539
	December 31, 2021	December 31, 2020
Long term prepaid expenses		
Advances given for tangible and intangible assets ^(*) (^{**})	55.868.050	40.835.033
Prepaid expense for the following years	18.630	11.640
Total	55.886.680	40.846.673

(*) It is EURO 9.000.000 with the transfer/sale price determined by the parties for the immovable property of 31.810,00 m² area registered in the Kocaeli province, Dilovası district, Muallim village, 50LIA-B section, 185 island, 15 parcel number and the price are 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.

(**) The Group has given an advance payment of TL 15.057.517 to Bayrak Proje İnşaat ve Otomotiv Ticaret A.Ş. due to the investments of its subsidiary Poliport.

Deferred income:

	December 31, 2021	December 31, 2020
Short term deferred income		
Advances taken	4.795.967	2.030.090
Short term deferred income	1.911.782	3.661.436
Total	6.707.749	5.691.526

11. Current income tax assets

As of December 31, 2021 and December 31, 2020 the Group's current income tax assets are as follows:

	December 31, 2021	December 31, 2020
Current income tax assets		
Prepaid taxes	323.346	213.296
Total	323.346	213.296

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12. Investments accounted using the equity method

As of December 31, 2021 and 2020, the Group's investments accounted using equity the method are as follows:

	December 31, 2021		December 31, 2020	
	%	TL	%	TL
Joint venture				
Polisan Kansai Boya	50	509.338.825	50	508.933.539
Associate				
Rohm And Haas	40	16.249.549	40	24.743.177
Total		525.588.374		533.676.716

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, 2021 and 2020, the movements of the investments accounted using the equity method are as follows:

	2021	2020
January 1	533.676.716	434.022.908
Profit from investments accounted using the equity method	(15.353.659)	63.787.012
Effect of tangible asset valuation effect	-	34.081.982
Effect of cash flow hedge	895.024	(895.024)
Effect of losses from defined benefit plans	(1.835.349)	(1.773.620)
Currency translation difference	8.205.642	4.453.458
December 31	525.588.374	533.676.716

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12. Investments accounted using the equity method (continued)

The summary financial statements of the Group's investments accounted using the equity method as of December 31, 2021 and 2020 prepared in accordance with TFRS are as follows:

December 31, 2021 - Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	1.356.937.547	305.473.955
Cash and cash equivalents	238.483.274	26.205.667
Non-current assets	978.983.380	110.308.071
Total assets	2.335.920.927	415.782.026
Short term liabilities	1.228.906.160	371.162.706
Financial borrowings	845.821.062	153.283.500
Long term liabilities	294.814.117	3.995.447
Financial borrowings	201.953.082	-
Total liabilities	1.523.720.277	375.158.153
Net assets	812.200.650	40.623.873
Reconciliation of carrying value:		
Ownership of the Group	50%	40%
Net asset share of the Group	406.100.325	16.249.549
Goodwill carried at Group level	103.238.500	-
Carrying value	509.338.825	16.249.549
December 31, 2020 - Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	897.307.159	122.589.394
Cash and cash equivalents	142.553.914	2.721.160
Non-current assets	952.280.550	73.658.972
Total assets	1.849.587.709	196.248.366
Short term liabilities	544.152.614	131.120.373
Financial borrowings	331.359.219	82.109.057
Long term liabilities	494.045.018	3.270.052
Financial borrowings	402.034.919	-
Total liabilities	1.038.197.632	134.390.425
Net assets	811.390.077	61.857.941
Reconciliation of carrying value:		
Ownership of the Group	50%	40%
Net asset share of the Group	405.695.039	24.743.177
Goodwill carried at Group level	103.238.500	-
Carrying value	508.933.539	24.743.177

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12. Investments accounted using the equity method (continued)

December 31, 2021 - Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	1.482.423.338	556.585.714
Depreciation and amortization	(60.982.878)	(14.026.539)
Interest income	6.108.840	-
Interest expense	(118.459.591)	5.310.178
Net profit/loss for the period	2.691.221	(41.748.176)
Ownership of the Group	50%	40%
Net profit share of the Group	1.345.611	(16.699.270)
December 31, 2020 - Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	972.076.136	287.983.711
Depreciation and amortization	(62.098.546)	(11.086.973)
Interest income	3.476.813	15.615
Interest expense	(58.226.976)	(3.685.778)
Net profit/loss for the period	108.274.455	24.124.459
Ownership of the Group	50%	40%
Net profit share of the Group	54.137.228	9.649.784

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 509.338.825 as of December 31, 2021 (December 31, 2020 TL 508.933.539) 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, 2022 and December 31, 2026. In order to predict (infinite) cash flows that will occur in the future, 10,00%, 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 25,10% was used as the after-tax discount rate. The ratio of the company's working capital to net sales has been 56,30% for the 2020 period, and it is expected to gradually improve from 47,20% in 2021 to 45% during the projection period. The company achieved an EBITDA margin of 23,40% and 16,50% in 2020 and 2021, respectively, and the EBITDA margin forecast for the 2022-2026 period was used as 21,30% on average.

The sensitivity table for valuation assumptions is as follows:

Weighted average cost of capital				
		(0,50%)	0%	0,50%
Ongoing Growth Rate	Base-0,50%	1,30%	(2,30%)	(5,70%)
	Base	3,80%	0,00%	(3,50%)
	Base+0,50%	6,50%	2,50%	(1,20%)

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12. Investments accounted using the equity method (continued)

Weighted average cost of capital				
		(0,50%)	0%	0,50%
Net Working Capital	Base-0,50%	5,60%	1,70%	(1,80%)
	Base	3,80%	0,00%	(3,50%)
	Base+0,50%	2,00%	(1,70%)	(5,20%)
Weighted average cost of capital				
		(0,50%)	0%	0,50%
EBITDA Margin	Base-0,50%	(1,60%)	(5,20%)	(8,50%)
	Base	3,80%	0,00%	(3,50%)
	Base+0,50%	9,10%	5,20%	1,50%

13. Investment properties

	January 1, 2021	Additions	Disposals	Fair value increase	December 31, 2021	
Cost						
Land	299.990.293	16.943.028	(49.910.220)	84.775.348	351.798.449	
Buildings	56.887.000	2.741.533	-	21.041.467	80.670.000	
Total	356.877.293	19.684.561	(49.910.220)	105.816.815	432.468.449	
	January 1, 2020	Additions	Disposals	Transfers	Fair value increase	December 31, 2020
Cost						
Land	233.592.733	2.500.000	(1.015.000)	49.750.000	15.162.560	299.990.293
Buildings	55.208.000	11.030	-	-	1.667.970	56.887.000
Total	288.800.733	2.511.030	(1.015.000)	49.750.000	16.830.530	356.877.293

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, 2021	December 31, 2020
Pendik plant	Sales price comparison	2	329.738.449	248.386.101
Kağıthane Z Office Building	Sales price comparison	2	80.485.000	56.735.970
DOSB (*)	Sales price comparison	2	-	49.750.000
Gebze-Tavşanlı	Sales price comparison	2	19.850.000	-
Other	Sales price comparison	2	2.395.000	2.005.222
			432.468.449	356.877.293

(*) It is related to the sale of Dilovası OSB land in Polisan Kimya Sanayii A.Ş. which is the subsidiary of the Group.

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13. Investment properties (continued)

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 2021. Sales price comparison method is applied during determination of fair value of investment properties (Level 2).

Sales price comparison method is the determination of fair value of a property by applying necessary adjustments on the prices of similar properties sold recently. This comparison method contains the market price of the similar properties value them with a comparison approach. Generally, revaluated property is compared with the sale prices of its' similarly in an open market. Asked and bid prices can also be taken into consideration.

14. Right of use asset

The movement of right-of-use assets as of December 31, 2021 and December 31, 2020 is as follows:

	January 1, 2021	Additions	Changes in rental agreements	Disposals	Disposal from the scope of consolidation (*)	Currency translation differences	December 31, 2021
Cost							
Buildings and storage	9.668.994	194.954	1.025.420	(2.655.035)	(1.435.165)	74.160	6.873.328
Site rent	52.508.863	7.879.345	(1.889.990)	-	-	-	58.498.218
Vehicles	4.751.769	7.644.648	(338.367)	(3.028.246)	-	607.900	9.637.704
Total	66.929.626	15.718.947	(1.202.937)	(5.683.281)	(1.435.165)	682.060	75.009.250
Accumulated Depreciation							
Buildings and storage	5.853.430	1.959.914	-	(2.655.035)	(1.102.002)	8.185	4.064.492
Site rent	6.997.191	3.158.773	-	-	-	-	10.155.964
Vehicles	3.174.660	2.189.683	-	(3.028.246)	-	526.811	2.862.908
Total	16.025.281	7.308.370	-	(5.683.281)	(1.102.002)	534.996	17.083.364
Net Value	50.904.345						57.925.886

(*) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021.

	1 January 2020	Additions	Changes in rental agreements	Disposals	Currency translation differences	December 31, 2020
Cost						
Buildings and storage	8.992.602	-	239.349	-	437.043	9.668.994
Site rent	42.073.134	-	10.435.729	-	-	52.508.863
Vehicles	4.495.804	181.974	-	(161.746)	235.737	4.751.769
Total	55.561.540	181.974	10.675.078	(161.746)	672.780	66.929.626
Accumulated Depreciation						
Buildings and storage	2.492.841	3.101.561	-	-	259.028	5.853.430
Site rent	3.044.635	3.952.556	-	-	-	6.997.191
Vehicles	1.542.240	1.628.361	-	(79.856)	83.915	3.174.660
Total	7.079.716	8.682.478	-	(79.856)	342.943	16.025.281
Net Value	48.481.824					50.904.345

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15. Property, plant and equipment

The movement of property, plant, equipment and related accumulated depreciations for the periods ended December 31, 2021 and December 31, 2020 are as follows:

	January 1, 2021	Addition	Disposal	Foreign currency translation differences	Transfers	Disposal from the scope of consolidation ^(**)	December 31, 2021
Cost							
Land	233.156.179	831.518	-	8.425.216	-	-	242.412.913
Land improvements	3.459.523	-	(818.128)	-	-	-	2.641.395
Buildings	97.653.017	1.357.480	(106.837)	37.919.555	-	-	136.823.215
Machinery, equipment and moulds	127.566.140	7.844.337	(80.680)	28.361.815	1.187.363	(2.597.713)	162.281.262
Port facility ^(*)	588.300.000	4.032.746	-	-	5.920.990	-	598.253.736
Motor vehicles	5.608.377	72.618	(8.033)	224.338	-	-	5.897.300
Furniture and fixtures	20.125.850	3.227.141	(194.968)	2.689.385	-	(75.159)	25.772.249
Other tangible assets	3.141.496	1.097.318	(20.400)	-	-	(914.216)	3.304.198
Leasehold improvements	17.783.451	-	(320.399)	-	-	(620.610)	16.842.442
Construction in progress ^(**)	9.140.330	97.200.365	-	-	(7.175.853)	-	99.164.842
Total	1.105.934.363	115.663.523	(1.549.445)	77.620.309	(67.500)	(4.207.698)	1.293.393.552
Accumulated depreciation							
Land improvements	237.382	404.068	(386.753)	-	-	-	254.697
Buildings	24.950	3.705.056	(68.318)	1.072.191	-	-	4.733.879
Machinery, equipment and moulds	73.250.442	10.864.672	(66.904)	11.617.452	-	(1.234.847)	94.430.815
Port facility ^(*)	-	46.256.973	-	-	-	-	46.256.973
Motor vehicles	3.520.458	620.272	(8.033)	220.618	-	432.856	4.786.171
Furniture and fixtures	12.318.950	1.696.535	(142.884)	1.706.878	-	(58.534)	15.520.945
Other tangible assets	2.175.359	808.689	(20.400)	-	-	(187.184)	2.776.464
Leasehold improvements	4.907.380	2.937.509	(320.399)	-	-	-	7.524.490
Total	96.434.921	67.293.774	(1.013.691)	14.617.139	-	(1.047.709)	176.284.434
Net value	1.009.499.442						1.117.109.118

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 I.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.

(*) Assets belonging to the Port are classified as a separate sub-asset group since the use of port facility investments as a group creates the maximum value and the distribution of the calculated total value to the Port facility sub-asset groups is not applicable.

(**) This transfer is related to deducting the accumulated depreciation amount at the date of revaluation from the gross carrying value and bringing it to the net book value.

(***) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021.

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15. Property, plant and equipment (continued)

	January 1, 2020	Addition	Disposal	Foreign currency translation differences	Transfers	Revaluation effect ^(**)	Transfers ^(*)	Impairment ^(****)	December 31, 2020
Cost									
Land	209.592.754	40.852	-	3.168.615	(49.750.000)	70.103.958	-	-	233.156.179
Land improvements	4.754.788	867.004	-	-	716.349	(2.566.433)	(312.185)	-	3.459.523
Buildings	46.623.907	666	(93.380)	5.087.056	2.664.148	55.687.035	(12.316.415)	-	97.653.017
Machinery, equipment and moulds	110.732.333	4.439.196	(158.602)	11.960.818	592.395	-	-	-	127.566.140
Port facility ^(*)	420.465.364	30.183.959	-	-	127.920.886	99.615.717	(89.885.926)	-	588.300.000
Motor vehicles	5.654.243	1.091.929	(1.224.793)	86.998	-	-	-	-	5.608.377
Furniture and fixtures	14.138.227	2.544.490	(524.115)	1.021.850	2.945.398	-	-	-	20.125.850
Other tangible assets	2.287.177	497.226	(268.482)	360.778	264.797	-	-	-	3.141.496
Leasehold improvements	4.276.868	1.015.004	-	157.741	12.333.838	-	-	-	17.783.451
Construction in progress ^(****)	158.763.971	5.905.709	-	-	(147.712.953)	-	-	(7.816.397)	9.140.330
Total	977.289.632	46.586.035	(2.269.372)	21.843.856	(50.025.142)	222.840.277	(102.514.526)	(7.816.397)	1.105.934.363
Accumulated depreciation									
Land improvements	439.983	109.584	-	-	-	-	(312.185)	-	237.382
Buildings	10.495.427	1.849.673	(3.735)	-	-	-	(12.316.415)	-	24.950
Machinery, equipment and moulds	62.523.179	7.335.012	(124.032)	3.516.283	-	-	-	-	73.250.442
Port facility ^(*)	52.181.985	37.703.941	-	-	-	-	(89.885.926)	-	-
Motor vehicles	3.391.702	552.538	(499.291)	75.509	-	-	-	-	3.520.458
Furniture and fixtures	10.871.493	1.370.251	(419.875)	497.081	-	-	-	-	12.318.950
Other tangible non-current assets	2.067.660	86.762	-	20.937	-	-	-	-	2.175.359
Leasehold improvements	2.852.205	2.043.975	-	11.200	-	-	-	-	4.907.380
Total	144.823.634	51.051.736	(1.046.933)	4.121.010	-	-	(102.514.526)	-	96.434.921
Net value	832.465.998								1.009.499.442

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 I.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.

(*) Assets belonging to the Port are classified as a separate sub-asset group since the use of port facility investments as a group creates the maximum value and the distribution of the calculated total value to the Port facility sub-asset groups is not applicable.

(**) This transfer is related to deducting the accumulated depreciation amount at the date of revaluation from the gross carrying value and bringing it to the net book value.

(***) In 2020, the Group's land, underground, above-ground landscapes, buildings and port facilities were appraised by Asal Gayrimenkul Değerleme Company, a real estate appraisal company licensed by the Capital Markets Board.

(****) Following the termination of agricultural activities, the Group management re-evaluated the saplings on the agricultural lands and made provision due to the depreciation of the saplings on the agricultural land in Balıkesir in 2020.

(*****) The majority of the Group's construction on progress investments consist of tanks used in the port facility. When the tanks are completed and ready for use, the "Port facility" is capitalized in the fixed asset group.

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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, 2020 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 rates used to discount the cash flows is 10%, 10,5% and 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.

	Sensitivity analysis	If increases Equity effect on fair value (TL)	If decreases Equity effect on fair value (TL)
Discount rate	0,25%	(6.731.177)	6.903.209

Valuation of land and buildings

As of December 31, 2020, 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 discount rate is 17.5% by adding the CDS Premium to the 10-year government bond yield and the capitalization rate is 5,5% and/or 7%.

16. Intangible assets

The movement of intangible assets and related amortizations for the periods ended December 31, 2021 and December 31, 2020 is as follows:

	January 1, 2021	Addition	Transfers	Disposal from the scope of consolidation (*)	Foreign currency translation differences	December 31, 2021
Cost						
Rights	1.413.383	-	-	-	-	1.413.383
Other intangible assets (**)	6.889.304	1.572.708	67.500	(271.524)	15.920	8.273.908
Total	8.302.687	1.572.708	67.500	(271.524)	15.920	9.687.291
Accumulated amortization						
Rights	565.174	94.187	-	-	-	659.361
Other intangible assets (**)	5.650.187	656.743	-	(116.224)	4.365	6.195.071
Total	6.215.361	750.930	-	(116.224)	4.365	6.854.432
Net Value	2.087.326					2.832.859

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

(**) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021.

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16. Intangible assets (continued)

	January 1, 2020	Addition	Transfers	Disposals	December 31, 2020
Cost					
Rights	1.413.383	-	-	-	1.413.383
Other intangible assets (*)	6.093.280	542.091	275.142	(21.209)	6.889.304
Total	7.506.663	542.091	275.142	(21.209)	8.302.687
Accumulated amortization					
Rights	470.987	94.187	-	-	565.174
Other intangible assets (*)	4.901.373	768.765	-	(19.951)	5.650.187
Total	5.372.360	862.952	-	(19.951)	6.215.361
Net Value	2.134.303				2.087.326

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

17. Assets held for sale

The movement of assets held for sale for the periods ended December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
Land (*)	7.092.470	14.955.848
Total	7.092.470	14.955.848

(*) 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.

The movement of fixed assets classified as held for sale for the years ending on December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
January 1	14.955.848	15.624.125
Disposal	(7.863.378)	-
Impairment (Note 27)	-	(668.277)
December 31	7.092.470	14.955.848

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18. Provisions for employee benefits, contingent assets and liabilities

18.1 Short-term provisions and short-term provisions for employee benefits

	December 31, 2021	December 31, 2020
Bonus provisions	7.855.931	2.660.342
Lawsuit provisions ⁽²⁾	2.951.981	2.109.471
Total	10.807.912	4.769.813

As of December 31, 2021 and December 31, 2020, the movement of provision for litigation is as follows:

	2021	2020
January 1	2.109.471	5.310.222
Current period provision expenses (Note 26)	976.509	-
Write off	(133.999)	-
Payments (-)	-	(3.200.751)
December 31	2.951.981	2.109.471

As of December 31, 2021 and December 31, 2020, the movement of provision for bonus is as follows:

	2021	2020
January 1	2.660.342	1.604.864
Write off	(100.002)	(629.494)
Current period provision expenses	7.855.931	2.660.342
Payments	(2.560.340)	(975.370)
December 31	7.855.931	2.660.342

18.2 Lawsuits and disputes

1) The ongoing lawsuits filed by the Group:

As of December 31, 2021, total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 74.842.161 (December 31, 2020: TL 71.708.500). The Group has booked an allowance amounting to TL 55.047.681 (December 31, 2020: TL 44.371.606) 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, 2021, total amount of the ongoing lawsuits filed against the Group is TL 2.951.981 (December 31, 2020: TL 2.109.471).

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18. Provisions for employee benefits, contingent assets and liabilities (continued)

18.3 Pledges and guarantees given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given by the Company (TL)	December 31, 2021	December 31, 2020
A. Total amount of CPMB's given in the name of its own legal personality	8.838.098.222	5.774.124.226
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	246.101.616	224.497.450
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.	-	-
	9.084.199.838	5.998.621.676

The ratio of other CPMB's given by the Group to its equity is 0%, as of December 31, 2021 (December 31, 2020 - 0%).

(1) Consists guarantees given for bank loan agreements.

As of December 31, 2021 and December 31, 2020 the details of the CPMB's given by the Group is listed below;

	December 31, 2021				
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantee	318.765.040	165.931.250	6.752.174.208	2.085.924.014	8.838.098.222
Letter of guarantee	-	8.522.127	128.570.766	117.290.850	245.861.616
Guarantee checks	-	-	-	240.000	240.000
Total	318.765.040	174.453.377	6.880.744.974	2.203.454.864	9.084.199.838
	December 31, 2020				
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Bill of guarantee	348.750.000	167.431.250	4.068.203.332	1.705.920.894	5.774.124.226
Letter of guarantee	10.000.000	4.631.500	115.125.089	109.132.361	224.257.450
Guarantee checks	-	-	-	240.000	240.000
Total	358.750.000	172.062.750	4.183.328.421	1.815.293.255	5.998.621.676

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18. Provisions, contingent assets and liabilities (continued)

18.3 Pledges and guarantees given/received: (continued)

2) CPMBs received

December 31, 2021					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Letter of guarantee	20.000	9.051.000	136.816.302	46.633.674	183.449.976
Mortgages	-	-	-	16.730.875	16.730.875
Guarantee notes	100.000	27.300	1.744.767	3.200.000	4.944.767
Total	120.000	9.078.300	138.561.069	66.564.549	205.125.618

December 31, 2020					
	Foreign currency USD Amount	Foreign currency Euro Amount	Foreign currency TL equivalent	TL amount	Total TL
Letter of guarantee	-	9.051.000	81.530.503	9.276.874	90.807.377
Mortgages	-	-	-	14.217.555	14.217.555
Guarantee notes	100.000	27.300	979.966	3.200.000	4.179.966
Total	100.000	9.078.300	82.510.469	26.694.429	109.204.898

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 (December 31, 2020: None).

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18. Provisions, contingent assets and liabilities (continued)

18.3 Pledges and guarantees given/received: (continued)

The annotations and restrictions on the real estates of the Group as of December 31, 2021 are as follows:

Endorsee	Real estate	Annotation Description	Date
Polisan Kimya:			
Gebze Magistrates Court	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Magistrates Court	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1st Civil Court of Peace	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	12.11.2015
Gebze 2nd Civil Court of Peace	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	29-07-2021
Gebze 2nd Civil Court of Peace	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	27.08.2013
Gebze 2nd Civil Court of Peace	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	17.07.2014
Gebze 2nd Civil Court of Peace	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	06.09.2018
Gebze 3rd Civil Court of Peace	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	05.03.2021
Gebze 1st Civil Court of First Instance	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	25.07.2017
Gebze 1st Civil Court of First Instance	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	30.11.2016
Gebze 2nd Civil Court of First Instance	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	30.11.2016
Gebze 5th Civil Court of First Instance	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	18.02.2020
Kocaeli Metropolitan Municipality	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	21.04.2016
Kocaeli Metropolitan Municipality	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	18.07.2014
Kocaeli Metropolitan Municipality	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of protection area	04.05.2021
İzmit Water and Sewerage Administration	Land- Tavşanlı Köyü Gebze/Kocaeli	Servitude	27.04.2017
Turkey Electricity Transmission Inc.	Land- Tavşanlı Köyü Gebze/Kocaeli	Servitude	27.05.2008
General Directorate of Highways	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	19.01.2017
General Directorate of Highways	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	06.12.2018
Dilovasi Municipality	Land-Muallim-2 Mah.Dilovasi/Kocaeli	Deed of restriction of expropriation	21.04.2008
Dilovasi Municipality	Land-Muallim-2 Mah.Dilovasi/Kocaeli	Expropriation annotation renewal	30.01.2009
Dilovasi Municipality	Truck park	Confiscation	-
Rohm and Haas Kimya Sanayi Ltd. Şti.	Factory building and land - Muallim-2 Mah.Dilovasi/Kocaeli	Servitude	05.10.2007
Polisan Yapı:			
Istanbul Water and Sewerage Administration	Building-Kağıthane ilçesi Kağıthane/İstanbul	Servitude - Indefinite, Free of charge	17.07.2014
Turkish Electricity Authority General Manager	Building -Kağıthane ilçesi Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
Turkish Electricity Authority General Manager	Building -Kağıthane ilçesi Kağıthane/İstanbul	Deed of restriction of rent	06.08.2012
Turkish Electricity Authority General Manager	Building -Kağıthane ilçesi Kağıthane/İstanbul	Deed of restriction of rent	03.04.2014
Istanbul Anatolian 11 Civil Court of First Instance	Land- Şeyhli Mahallesi, Pendik/İstanbul	Annotation, Final	18.07.2017
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land- Şeyhli Mahallesi, Pendik/İstanbul	Decision of the Court	30.03.2015
TOKİ	Land- Şeyhli Mahallesi, Pendik/İstanbul	Construction right in return for flat	09.02.2010
TOKİ	Land- Şeyhli Mahallesi, Pendik/İstanbul	Pre-emptive purchase right	09.02.2010
Poliport:			
İzmir Kimya İhracat ve İthalat Sanayi A.Ş.	Poliport Port	Servitude	01.08.1990
Polisan Kansai Boya:			
Gebze (Chemistry) Specialized OSB	Production Building -Demirciler Mah. Dilovasi/Kocaeli	Servitude	30.12.2015

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19. Government incentives and grants

In line with the Law on the Support of Research and Developments (R&D) Activities No. 5746 on the basis of new technology and research and development activities in search of information, 100% of the expenditures made in the R&D centers within the scope of the enterprises are considered as R&D discounts in determining the corporate income until December 31, 2023. On the basis of the provisions of the law no 5746. The amount of R&D reduction that cannot be deducted in the relevant accounting period due to insufficient earnings is transferred to the next accounting period. Amounts transferred shall be taken into consideration by increasing the revaluation rate determined every year according to Tax Procedure Law No: 213 without any time limit in the following years.

Polisan Kansai Boya, which is the joint venture of the Group and consolidated with equity method, has a tax advantage obtained from R&D discounts amounting to TL 8.029.638.

Reduced corporate tax application

In the line with the article 32/A of the Corporate Tax Law No.5520, the Group receives tax support for the profits obtained from investments connected to the incentive certificate by Ministry of Economy. The amount of corporate tax to be paid each year until the amount of investment contribution calculated according to the investment contribution rate determined by the Council of Ministers is reached, corporate tax to be paid each year is also utilized by deducting the corporate tax discount rate determined by the Council of Ministers, VAT and customs tax incentives are also utilized according to the investment incentive documents obtained within the scope of the same decision.

The Group has 8 investment incentive certificates as of December 31, 2021. Closing visas of 5 investment incentive certificates have been completed. The transferred amounts from closed investment incentives are taken into account by increasing the revaluation rate determined every year according to the Tax Procedure Law No. 213 without any time limitation in the following years. The Group's subsidiaries which are Polisan Kimya and Poliport, respectively, have a tax advantage of TL 10.078.414 and TL 72.922.659 from investment incentives. The investment incentive tax advantage that the Group has accounted in the total consolidated financial statements is TL 83.001.073 (Note 29).

Polisan Kansai Boya, which is the joint venture of the Group and consolidated with equity method, has an investment incentive tax advantage of TL 202.622.628.

20. Employee benefits

Short term employee benefits obligations

	December 31, 2021	December 31, 2020
Employee benefit obligations		
Social security premiums payable	3.662.522	2.821.347
Taxes and duties payable	1.967.225	1.491.130
Payables to personnel	1.215.080	-
Total	6.844.827	4.312.477

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20. Employee benefits (continued)

Long term provisions for employee benefits

Long term employee benefits	December 31, 2021	December 31, 2020
Provisions for employee termination benefits	16.471.786	13.735.562
Provisions for unused vacation pay	2.354.195	1.861.263
Total	18.825.981	15.596.825

The movements of provision for unused vacation pay are as follows:

	2021	2020
January 1	1.861.263	1.777.134
Provision expense for the current period	492.932	84.129
December 31	2.354.195	1.861.263

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 8.284,51 as of December 31, 2021 (December 31, 2020: TL 7.117,17).

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, 2021, 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, 2020, the provision has been calculated by taking into consideration a real discount rate of 3,95% (December 31, 2020: 3,89% real discount rate) based on the assumption of an annual 16,40% inflation rate and 21% 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 91,01% (December 31, 2020: 94,20%) 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 2,0% and a discount rate of 0,48%.

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20. Employee benefits (continued)

The movement of the severance payment provision of the Group for the periods ended December 31, 2021 and December 31, 2020 is as follows:

	2021	2020
January 1	13.735.562	11.937.437
Payments	(6.624.657)	(3.196.842)
Interest cost	1.497.578	1.585.300
Current year service cost	1.537.463	1.731.671
Actuarial loss	6.321.145	1.677.996
Write off (Note 26)	(1.065.343)	-
Currency translation differences	1.070.038	-
December 31	16.471.786	13.735.562

Sensitivity analysis of significant assumptions used in the calculation of provision for employee termination benefits as of December 31, 2021 is as follows:

	Interest rate	
	1% increase	1% decrease
Changes in provisions for employee termination benefits	1.090.698	(1.260.045)

	Inflation rate	
	1% increase	1% decrease
Changes in provisions for employee termination benefits	(1.301.702)	1.139.818

21. Other assets and liabilities

Other current assets of the Group as of December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
Other current assets		
Deferred VAT	29.701.932	16.861.335
Other assets	794.005	425.926
Total	30.495.937	17.287.261

	December 31, 2021	December 31, 2020
Short term other liabilities		
Accrued expenses	2.706.243	2.032.696
Taxes payable	1.739.602	1.493.094
Total	4.445.845	3.525.790

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22. 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, 2021 and December 31, 2020 the Group's partnership structure is as follows:

	December 31, 2021		December 31, 2020	
	Share (%)	Amount	Share (%)	Amount
Mehmet Emin Bitlis	22,72	172.354.218	23,32	176.854.218
Ahmet Ertuğrul Bitlis	22,72	172.354.465	22,72	172.354.465
A. Melike Bitlis (Bush)	8,56	64.916.770	8,56	64.916.770
Ahmet Faik Bitlis	8,41	63.768.770	8,41	63.768.770
Fatma Nilgün Kasrat	8,41	63.768.770	8,41	63.768.770
Melis Bitlis	1,71	12.974.553	1,71	12.974.553
Güldal Akşit	1,26	9.581.085	1,26	9.581.085
Serdar Demirel	1,23	9.339.324	1,23	9.339.324
Burcu Bitlis	0,91	6.894.284	0,91	6.894.284
Banu Bitlis	0,91	6.894.284	0,91	6.894.284
Alaattin Bitlis	0,82	6.187.618	0,82	6.187.618
Melda Bitlis	0,70	5.314.204	0,70	5.314.204
Halka Açık Kısım (*)	21,64	164.151.655	21,05	159.651.655
	100	758.500.000	100	758.500.000
Adjustment to share capital		1.467.266		1.467.266
Total		759.967.266		759.967.266

(*) As of December 31, 2021, the Group's shareholders hold 5,11% of the shares in the publicly traded shares (As of December 31, 2020 Group's shareholders hold 5,85% of public shares).

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

Restricted Reserves

Restricted reserves comprise of legal reserves. The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Share Premium/discounts

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

Dividend distribution

The companies quoted on the Stock Exchange distribute dividends as per the CMB's Communique Serial II, Number: 19.1 regarding to the dividends, which is effective as of February 1, 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 1 April 2021; it's been decided to make dividend payment amounting to 10.000.000, based on the net distributable profit after deduction of TL 1.095.673 legal reserves calculated over legal records and addition of TL 841.825 donations and contributions into the consolidated profit calculated based on CMB Communique Serial: II, No 14.1. (2020 - TL 6.000.000).

Dividends

In 2021, The Company has distributed dividends amounting to TL 10.000.000 from the distributable profit for the year 2020 to the shareholders. The amount of dividend per share is TL 0,013 (December 31, 2020-0,008 TL).

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

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.

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.

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23. Revenue and cost of sales

Details regarding to sales and cost of sales for the periods ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Domestic sales	1.516.608.063	796.670.511
- Chemical products	1.312.472.796	633.212.212
- Port	189.166.330	153.654.442
- Services	13.677.602	9.090.512
- Real Estate	1.291.335	713.345
Foreign sales	459.313.189	259.448.602
- Chemical products	359.442.131	179.225.321
- Port	99.871.058	80.223.281
Gross sales	1.975.921.252	1.056.119.113
Sales returns	(5.073.365)	(3.866.564)
Sales discounts	(693.861)	-
Other discounts	(876.952)	(926.109)
Sales deductions (-)	(6.644.178)	(4.792.673)
Net sales	1.969.277.074	1.051.326.440
Cost of sales	January 1 - December 31, 2021	January 1 - December 31, 2020
Direct raw material and supply expenses	1.226.523.970	579.371.744
Direct labour expenses (Note 25)	22.356.676	16.083.025
Production overheads	139.927.748	87.951.626
Depreciation and amortization (Note 25)	14.032.128	11.125.519
Changes in work in process inventory		
- Opening inventories	6.186.589	5.009.003
- Closing inventories	(19.598.385)	(6.186.589)
Changes in finished goods inventory		
- Opening inventories	33.150.326	46.202.838
- Closing inventories	(53.529.395)	(33.150.326)
Cost of goods sold	1.369.049.657	706.406.840
- Inventories at the beginning of the period	726.356	632.466
- Purchases during the period	14.720.693	6.226.083
- Inventories at the end of the period	(876.413)	(726.356)
Cost of merchandise sold	14.570.636	6.132.193
Personnel expenses (Note 25)	43.437.918	34.692.773
Other service expenses	73.791.646	53.302.409
Depreciation and amortization (Note 25)	52.633.759	43.341.437
Cost of services rendered	169.863.323	131.336.619
Cost of other sales	3.874.783	3.029.873
Total cost of sales	1.557.358.399	846.905.525

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24. General administrative, marketing, research and development expenses

The Group's operating expenses for the periods ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Research and development expenses		
Personnel expenses (Note 25)	5.602.247	3.962.781
Business development, project expenses	379.276	337.083
Consulting expenses	213.813	75.147
Depreciation expenses (Note 25)	70.489	357.738
Travel expenses	24.900	7.790
Other	441.296	298.014
Total	6.732.021	5.038.553
Marketing expenses		
Personnel expenses (Note 25)	6.529.524	6.416.168
Depreciation expenses (Note 25)	1.850.763	1.435.724
Sample expenses	896.094	484.200
Transport and storage expenses	852.296	1.610.241
Repair and maintenance costs	813.622	465.955
Consulting expenses	761.924	269.491
Travel expenses	631.341	553.874
Vehicle expenses	595.840	423.958
Hospitality expenses	579.481	109.438
Advertising, fairs, organizations, stands and promotion	523.008	377.058
Taxes, duties and charges	347.160	251.251
Insurance expenses	166.112	95.681
Commission expenses	128.332	69.457
Communication expenses	71.729	55.589
Other	328.746	424.648
Total	15.075.972	13.042.733

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24. General administrative, marketing, research and development expenses (continued)

	January 1 - December 31, 2021	January 1 - December 31, 2020
General administrative expenses		
Personnel expenses (Note 25)	56.928.721	40.401.284
Consulting and legal expenses	12.311.141	6.580.234
Insurance expenses	7.085.803	4.291.199
Depreciation expenses (Note 25)	6.765.935	4.336.748
Taxes, duties and charges	4.554.123	2.374.289
Cleaning expenses	2.376.926	665.671
Data processing and communication expenses	2.179.002	1.647.494
Vehicle expenses	1.619.628	1.266.628
Hospitality expenses	1.395.579	460.339
Contributions and donations	1.183.124	841.825
Subscriber fees and expenses	962.615	954.990
Rent expenses	673.687	851.667
Office expenses	426.189	1.722.531
Travel expenses	383.080	217.717
Repair and maintenance costs	236.537	292.050
Other	6.925.250	4.348.022
Total	106.007.340	71.252.688

25. Expenses by nature

	January 1 - December 31, 2021	January 1 - December 31, 2020
Depreciation and amortization		
Cost of goods and services rendered	52.633.759	43.341.437
Cost of products sold	14.032.128	11.125.519
General administrative expenses	6.765.935	4.336.748
Marketing expenses	1.850.763	1.435.724
Research and development expenses	70.489	357.738
Total	75.353.074	60.597.166

	January 1 - December 31, 2021	January 1 - December 31, 2020
Personnel expenses		
General administrative expenses	56.928.721	40.401.284
Cost of goods sold and services rendered	43.437.918	34.692.773
Cost of products sold	22.356.676	16.083.025
Marketing expenses	6.529.524	6.416.168
Research and development expenses	5.602.247	3.962.781
Total	134.855.086	101.556.031

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26. Other income and expenses from operations

The Group's other income / expenses from operations for the periods ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Other operating income		
Foreign exchange gains	42.084.572	7.950.728
Provisions no longer required (Note 7,9,20)	6.041.640	5.973.781
Scrap sales income	4.290.009	1.849.987
Rent income	2.032.294	1.518.440
Insurance indemnity income	1.997.961	664.791
Incentive income	1.136.156	1.027.436
Deferred financial income	354.048	150.211
Litigation income (*)	-	10.394.933
Other	2.469.674	798.313
Total	60.406.354	30.328.620

(*) The lawsuit that was filed by Polisan Hellas for the tax paid for the loans to be used in Turkey in 2020, has been finalized in favor of the company, income amounting to TL 10.394.933 was recorded in the financials.

	January 1 - December 31, 2021	January 1 - December 31, 2020
Other operating expenses		
Foreign exchange losses	85.156.929	8.291.745
Allowance for doubtful receivables (Note 7)	13.560.414	5.745.898
Litigation provisions (Note 18)	976.509	-
Provision for inventory impairment (Note 9)	774.263	1.479.422
Provision for emission premium (Note 8, 31)	-	7.374.816
Other	2.194.890	1.257.250
Total	102.663.005	24.149.131

27. Income and expenses from investment activities

The Group's income and expenses from investing activities for the periods ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Income from investment activities		
Gain on revaluation of investment properties (Note 13)	105.816.815	16.830.530
Gain on sale of investment properties	32.103.777	285.000
Interest income	7.350.506	3.458.638
Gain on securities held for trading	408.747	-
Gain on sale of fixed assets	44.013	708.183
Subsidiary share sales profit	-	242.438
Total	145.723.858	21.524.789

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27. Income and expenses from investment activities (continued)

	January 1 - December 31, 2021	January 1 - December 31, 2020
Expenses from investment activities		
Subsidiaries sales loss (*)	7.883.305	-
Commission expenses	2.887.504	-
Fixed asset sales loss	494.952	185.858
Impairment of fixed assets (Note 15)	-	2.566.433
Impairment of fixed assets (Note 15)	-	7.816.397
Impairment of fixed assets held for sale (Note 17)	-	668.277
Total	11.265.761	11.236.965

(*) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021 for a consideration of TL 1.919.449. Since the sale of Polisan Maroc on 5 October 2021 and the income statement for the 30 September - 5 October 2021 period is insignificant, the 9-month 2021 income statement has been consolidated. Net assets of Polisan Maroc at the time of sale is TL 5.802.477. The Group has recognized a loss of TL 3.883.028 from the sale of Polisan Maroc. In addition, the foreign currency translation difference carried from Polisan Maroc amounting to TL 4.000.277 in the consolidated financial statements has been cancelled. From the sale of the related subsidiary, TL 7.883.305 loss on the sale of the subsidiary has been recognized, including the cancellation of the foreign currency translation difference in the consolidated financial statements.

28. Financial income and expenses

The Group's financial income and expenses for the periods ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Financial income		
Foreign exchange gains	180.891.962	55.239.379
Total	180.891.962	55.239.379

	January 1 - December 31, 2021	January 1 - December 31, 2020
Financial expenses		
Foreign exchange losses	205.507.270	95.948.376
Interest expenses	29.899.206	29.090.213
Letters of guarantee commission expenses	2.953.268	1.609.980
Bank charges and pos expenses	2.002.327	1.372.621
Total	240.362.071	128.021.190

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29. 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 25%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 23% corporate tax rate will be applied to the profits of the entities related to 2023 tax periods and after 2023, 20% corporate tax rate will be applied to the profits of the entities. (for the entities with special accounting period, tax periods commenced in the related year) rather than 25%. 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 25% (23% for 2022, %20 for 2023 and after 2023 tax periods) to be calculated based on earnings generated for each quarter. The tax rate for the subsidiaries of the Group in Greece is 22% and in Morocco, which is Polisan Maroc, a subsidiary of the company, was sold on October 5, 2021 is 31% (2020: 24% -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, 2021 and December 31, 2020 is as below:

Current income tax liability	December 31, 2021	December 31, 2020
Provision for corporate taxes	15.911.185	8.500.517
Prepaid taxes and funds	(9.945.502)	(7.135.321)
Corporate tax payable	5.965.683	1.365.196

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29. 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 25% (23% for 2022 tax period) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2021 and 2020, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2020 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.

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29. 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.

	December 31, 2021	December 31, 2020
	Cumulative differences	Cumulative differences
	Asset/ (liability)	Asset/ (liability)
Property, plant and equipment and intangible assets	1.014.977.011	846.982.847
Deferred finance expense	227.335	150.211
Provision for employee termination benefits	(16.471.786)	(13.735.562)
Unused vacation pay liability	(2.354.195)	(1.861.263)
Allowance for doubtful receivables	(18.295.448)	(10.473.525)
Adjustment for inventories	(4.216.718)	(2.899.568)
Available financial losses	(15.467.369)	(95.862.148)
Income from investment incentive and R&D discount (*)	(415.005.365)	(254.619.711)
Litigation provision	(2.951.981)	(2.109.471)
Other	(103.151.102)	(13.484.812)
Deferred tax liability, net	(63.811.878)	(83.431.185)
Deferred tax asset	33.605.146	14.102.041
Deferred tax liability	(97.417.024)	(97.533.226)
Deferred tax liability, net	(63.811.878)	(83.431.185)

(*) The Group's subsidiaries has 7 investment incentive certificates including, Polipoort Kimya crane incentive (B/104761), Polipoort Kimya tank incentive (B/137652), Polipoort Kimya tank incentive (B/112076), Polipoort Kimya tank incentive (528259), Polisan Kimya oxide incentive (D/112337), Polisan Kimya Samsun facilities incentive (A/131376) and Polisan Kimya new Resin Plant incentive (515368).

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

	2021	2020
January 1	(83.431.185)	(55.771.133)
Tax expense of continuing operations	(5.635.260)	12.556.634
Deferred tax effect of revaluation of tangible asset	-	(43.414.846)
Deferred tax effect of actuarial gain/loss	1.264.230	335.599
Deferred tax effect of revaluation of tangible asset (*)	21.358.248	-
Tax effect of fixed asset disposal	3.830.810	-
Exit from the scope of consolidation (**)	(207.476)	-
Currency translation differences	(991.245)	2.862.561
December 31	(63.811.878)	(83.431.185)

(*) Law No. 7236, within the framework of the new regulations made in the temporary article 31 of the Tax Procedure Law (TPL), the revaluation of immovables and depreciable assets has been allowed. Poliport Kimya Sanayi ve Ticaret A.Ş., a subsidiary of the Company, has revalued its depreciable assets in accordance with the TPL. Valued depreciable assets are followed at fair value in the Group's consolidated financial statements within the scope of TAS 16 Tangible Fixed Assets Standard. As of December 31, 2021, the deferred tax effect calculated over the temporary difference arising from the cancellation of the effect of the valuation increase in the legal records has been accounted for as "Tangible Fixed Assets Revaluation Increases, Tax Effect" in the other comprehensive income/expense statement.

(**) Polisan Maroc which is the subsidiary of the Company was sold on October 5, 2021 for a consideration of TL 1.919.449.

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

Tax expense/(income)	January 1 - December 31, 2021	January 1 - December 31, 2020
Tax expense for the period	(15.911.185)	(8.500.517)
Deferred tax income	(5.635.260)	12.556.634
Total	(21.546.445)	4.056.117

The tax reconciliation of the Group as of December 31, 2021 and 2020 is as below;

	January 1 - December 31, 2021	January 1 - December 31, 2020
Profit before tax	301.481.020	122.559.455
Calculated tax expense 25% - 22%		
Tax effect:	(75.370.255)	(26.963.080)
- Effect of non-tax deductible expenses	(5.923.658)	(520.962)
Effect of revenue to be deducted	3.201.423	298.890
Effect of investments accounted using the equity method	(3.838.415)	14.033.143
Investment incentive income	36.576.972	3.250.595
Cash capital discount used in the current period for which no deferred tax asset is recognized	13.294.112	-
Previous year losses used in the current period for which no deferred tax asset is recognized	2.837.716	9.400.536
Current period previous year losses for which no deferred tax asset is recognized	-	(3.334.607)
Effect of financial losses and R&D discount on deferred tax	181.865	9.234.152
Tax rate change effect and other	7.493.795	(1.342.550)
Tax expense	(21.546.445)	4.056.117

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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, 2021 and 2020, earnings per share of the Group are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Profit from continuing operations for the period (TL) (parent)	279.934.575	126.615.572
Weighted average of ordinary shares issued (Note 22)	758.500.000	758.500.000
- Earnings per share from continuing operations	0,369	0,167
Earnings per share (TL)	0,369	0,167

31. Related party disclosures**a) Key management compensation**

The total amount of wage and salaries and similar benefits paid to the key management is TL 6.675.385 for the period January 1 - December 31, 2021. The TL 5.719.385 of related amount is comprised from wage and salaries, TL 956.000 of the related amount is comprised of bonuses (January 1 - December 31, 2020: TL 6.146.816). Key management of the Group is identified as Board members, general manager and vice general managers.

b) Trade receivables from related parties

	December 31, 2021	December 31, 2020
Trade receivables from related parties		
Polisan Kansai Boya (*)	6.296.684	5.144.799
Rohm and Haas (**)	2.701.438	1.776.046
Şark Mensucat Fabrikası A.Ş. (***)	2.081.024	1.595.539
Polar Teknoloji Yatırım A.Ş. (***)	4.594	-
Total	11.083.740	8.516.384

c) Trade payables to related parties

	December 31, 2021	December 31, 2020
Trade payables to related parties		
Polisan Kansai Boya (*)	814.737	126.132
Total	814.737	126.132

(*) Joint venture

(**) Associate

(***) Company owned by main shareholders

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31. Related party disclosures (continued)

d) Sales/purchases transaction with related parties

Purchases:

	January 1 - December 31, 2021			January 1 - December 31, 2020		
	Şark			Şark		
	Polisan Kansai Boya(*)	Mensucat Fabrikası A.Ş.(***)	Rohm and Haas(**)	Polisan Kansai Boya(*)	Mensucat Fabrikası A.Ş.(***)	Rohm and Haas(**)
Services	689.356	-	-	871.273	-	-
Raw material and finished goods	515.984	-	381.365	182.658	-	-
Rent	-	-	-	3.895	-	-
Total	1.205.340	-	381.365	1.057.826	-	-

Sales:

	January 1 - December 31, 2021			January 1 - December 31, 2020		
	Şark			Şark		
	Polisan Kansai Boya(*)	Mensucat Fabrikası A.Ş.(***)	Rohm and Haas(**)	Polisan Kansai Boya(*)	Mensucat Fabrikası A.Ş.(***)	Rohm and Haas(**)
Services	19.624.478	3.402.678	17.077.902	6.994.993	3.712.363	12.661.221
Rent	546.000	19.836	-	478.500	-	-
Raw material and finished goods	98.529	-	-	77.545	175	-
Carrying interest	-	-	32.969	-	11.148	19.684
Total	20.269.007	3.422.514	17.110.871	7.551.038	3.723.686	12.680.905

(*) Joint venture

(**) Associate

(***) Company owned by main shareholders

As of December 31, 2021, there is no impairment on trade receivables from related parties (December 31, 2020: None).

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32. 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. 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.

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

Credit Risk (continued)

The balances of financial instruments of the Group that are exposed to credit risk are as below;

	Receivables				December 31, 2021	
	Trade receivables		Other receivables		Deposits in banks	Financial investments
	Related party	Other party	Related party	Other party		
Maximum exposure to credit risk as of reporting date (A+B+C+D)	11.083.740	620.525.312	-	36.635.909	411.523.534	-
- The portion of the maximum risk secured with guarantees etc.						
A. Net book value of neither past due nor impaired financial assets	-	31.654.875	-	-	-	-
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	11.083.740	528.598.122	-	36.635.909	411.523.534	-
C. Net book value of assets past due but not impaired	-	85.513.639	-	-	-	-
- The portion secured with guarantees etc	-	(31.654.875)	-	-	-	-
D. Net book value of assets impaired	-	6.413.551	-	-	-	-
- Past due (gross book value)	-	61.461.232	-	-	-	-
- Impairment (-)	-	(55.047.681)	-	-	-	-
- The portion secured with guarantees	-	(6.413.551)	-	-	-	-
- 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, 2021 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.

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

Credit Risk (continued)

	Receivables				December 31, 2020	
	Trade receivables		Other receivables		Deposits in banks	Financial investments
	Related party	Other party	Related party	Other party		
Maximum exposure to credit risk as of reporting date (A+B+C+D)	8.516.384	283.508.271	-	14.734.626	288.456.339	15.116.615
- The portion of the maximum risk secured with guarantees etc.						
A. Net book value of neither past due nor impaired financial assets	-	20.376.555	-	-	-	-
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	8.516.384	236.656.899	-	14.734.626	288.456.339	15.116.615
C. Net book value of assets past due but not impaired	-	42.803.959	-	-	-	-
- The portion secured with guarantees etc	-	(20.376.555)	-	-	-	-
D. Net book value of assets impaired	-	4.047.413	-	-	-	-
- Past due (gross book value)	-	48.419.019	-	-	-	-
- Impairment (-)	-	(44.371.606)	-	-	-	-
- The portion secured with guarantees	-	(4.047.413)	-	-	-	-
- 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, 2020 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, 2021 (December 31, 2020: 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.

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32. 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, 2021

Maturities of the contract	Carrying value	Contractual cash-outflows	Less than 3 months	3-6 months	6-12 months	1-5 years
Financial liabilities	833.683.037	913.486.344	161.435.692	125.132.317	193.822.479	433.095.856
Trade payables	710.237.993	710.465.328	435.765.559	274.699.769	-	-
Employee benefit obligations	6.844.827	6.844.827	6.844.827	-	-	-
Other payables	6.503.245	6.503.245	6.503.245	-	-	-

December 31, 2020

Maturity of the contract	Carrying value	Contractual cash-flows	Less than 3 months	3-6 months	6-12 months	1-5 years
Financial liabilities	645.547.263	684.122.728	143.297.865	64.978.067	125.320.408	350.526.388
Trade payables	262.820.793	262.971.004	161.293.876	101.677.128	-	-
Employee benefit obligations	4.312.477	4.312.477	4.312.477	-	-	-
Other payables	9.133.485	9.133.485	9.133.485	-	-	-

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.

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

Foreign exchange risk

The Group's foreign currencies denominated financial instruments are exposed to exchange rate risk as a result of fluctuations on exchange rates. As of December 31, 2021 and December 31, 2020, the foreign currency position of the Group is as follows:

	December 31, 2021			
	TL Equivalent	USD	Euro	GBP
1. Trade receivables	178.332.985	8.227.070	4.551.981	-
2a. Monetary financial assets (including cash, banks)	308.014.870	15.387.041	6.821.807	135
2b. Non-monetary financial assets	-	-	-	-
3. Other	2.440	183	-	-
4. Current assets (1+2+3)	486.350.295	23.614.294	11.373.788	135
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	40.835.033	-	9.000.000	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	40.835.033	-	9.000.000	-
9. Total assets (4+8)	527.185.328	23.614.294	20.373.788	135
10. Trade payables	286.144.602	8.586.279	11.324.711	47.063
11. Borrowings	139.688.934	-	9.259.078	-
12a. Monetary liabilities	-	-	-	-
12b. Non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	425.833.536	8.586.279	20.583.789	47.063
14. Trade payables	141.437.813	-	9.375.000	-
15. Borrowings	-	-	-	-
16 a. Other monetary liabilities	-	-	-	-
16 b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	141.437.813	-	9.375.000	-
18. Total liabilities (13+17)	567.271.349	8.586.279	29.958.789	47.063
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-
19a. Derivative assets	-	-	-	-
19b. Derivative liabilities	-	-	-	-
20. Net foreign currency position (9-18+19)	(40.086.021)	15.028.015	(9.585.001)	(46.928)
21. Net foreign currency position of monetary items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(80.923.494)	15.027.832	(18.585.001)	(46.928)

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

	December 31, 2020				
	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	58.529.297	5.962.840	1.638.458	-	-
2a. Monetary financial assets (Including cash, banks)	191.723.572	16.409.298	7.911.925	130	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	802	110	-	-	-
4. Current assets (1+2+3)	250.253.671	22.372.248	9.550.383	130	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	40.835.033	-	9.000.000	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	40.835.033	-	9.000.000	-	-
9. Total assets (4+8)	291.088.704	22.372.248	18.550.383	130	-
10. Trade payables	75.873.852	4.492.982	4.754.167	6.845	-
11. Borrowings	120.837.792	-	13.414.646	-	-
12a. Monetary liabilities	-	-	-	-	-
12b. Non-monetary liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	196.711.644	4.492.982	18.168.813	6.845	-
14. Trade payables	163.289.496	-	18.127.366	-	-
15. Borrowings	-	-	-	-	-
16 a. Other monetary liabilities	-	-	-	-	-
16 b. Other non-monetary liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	163.289.496	-	18.127.366	-	-
18. Total liabilities (13+17)	360.001.140	4.492.982	36.296.179	6.845	-
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency position (9-18+19)	(68.912.436)	17.879.266	(17.745.796)	(6.715)	-
21. Net foreign currency position of monetary items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(109.748.271)	17.879.156	(26.745.796)	(6.715)	-

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

Sensitivity analysis:

As of December 31, 2021 and December 31, 2020 the Group's profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a 10% increase or decrease in the foreign currency, with all other variables held constant.

As of December 31, 2021	Profit/Loss before tax		Shareholder's equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	20.030.597	(20.030.597)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	20.030.597	(20.030.597)	-	-
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(28.038.633)	28.038.633	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	(28.038.633)	28.038.633	-	-
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(84.313)	84.313	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(84.313)	84.313	-	-
Total (3+6+9)	(8.092.349)	8.092.349	-	-

As of December 31, 2020	Profit/Loss before tax		Shareholder's equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TL				
1- USD net asset/liability	13.124.195	(13.124.195)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	13.124.195	(13.124.195)	-	-
The impact of 10% increase/decrease of EURO against TL				
4- EURO net asset/liability	(24.092.346)	24.092.346	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	(24.092.346)	24.092.346	-	-
The impact of 10% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(6.676)	6.676	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(6.676)	6.676	-	-
Total (3+6+9)	(10.974.827)	10.974.827	-	-

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

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, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
<u>Fixed interest rate financial instruments</u>		
Time deposits	384.811.080	273.521.918
Financial investments	-	15.116.615
Total	384.811.080	288.638.533
<u>Fixed interest rate financial instruments</u>		
Financial liabilities	833.683.037	645.547.263
Total	833.683.037	645.547.263

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.

	December 31, 2021	December 31, 2020
Total financial liabilities	833.683.037	645.547.263
Less: Cash and cash equivalents (Note 4)	(411.558.634)	(288.471.094)
Net financial liabilities	422.124.403	357.076.169
Total equity	2.046.881.021	1.756.069.414
Invested capital	2.469.005.424	2.113.145.583
Net financial liabilities/invested capital ratio	17%	17%

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33. 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.

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

34. Subsequent events

None.

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35. Fees for services received from independent audit firm

The explanation of the services fee provided by independent audit firms prepared by the Group regarding the Board decision of the POA published in the Official Gazette on March 30, 2021 is as follows. The preparation principles are based on the POA letter dated August 19, 2021.

	December 31, 2021	December 31, 2020
Independent audit fee for the reporting period (*)	905.812	805.534
Fee for other assurance services (**)	-	103.430
Fees for tax consultancy services (*) (***)	183.000	128.214
Total	1.088.812	1.037.178

(*) The foreign currency fees of the foreign subsidiary are translated into TL using the annual average rate of the relevant year.

(**) Other assurance services as of 31 December 2020; includes BRSA, CBRT and Turquality services fees. Agreements for assurance services for 31 December 2021 have not been signed yet.

(***) It consists of the tax service fee received from the EY Greece office of Polisan Hellas, a subsidiary of the Group operating in Greece.

