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POLISAN HOLDING: CEO LETTER



Polisan Holding
CEO
Murat Yıldıran

All countries announced a series of financial measures and monetary policies in order to eliminate the effects on the global economy of the Corona Virus (COVID-19) infection, which has been declared as pandemic as of March 11. The measures and policies, implemented to eliminate the effects of the pandemic, which has noticeably weakened the global economy, are still carried out by being revised according to the conditions in the global markets.

As Polisan Holding, in the second quarter, we continued measures we have taken for the medium and long-term interests of all our stakeholders as of the first day of the declaration of pandemic by prioritizing human health with our approach “focusing on human” to sustain the continuity of our operations and to provide with uninterrupted services to our customers. The Board we have established with the participation of experts, goes on to pursue and implement the statements of the Ministry of Health and related authorities. As Polisan Holding Group Companies, we have taken necessary actions for all identified risk factors in order to minimize the effects of the pandemic. We take actions to prevent a possible liquidity problem and implement measures to reduce costs by managing working capital in an optimum way with a focus on efficiency and profitability. While continuing our ongoing investments without any interruption, we slowed down some of our investment plans with a selective and growth oriented approach. The production, temporarily halted on March 31, in two factories of Polisan Kansai Boya after securing necessary inventories, has been recommenced due to the revival in demand on May 17 at Dilovası Plant and on June 15 at GEBKİM Plant by taking all health-related measures. Our Group Companies continue to conduct the production processes by closely monitoring the market dynamics.

As Polisan Holding, we achieved higher than expected business results in 1H 2020 by minimizing the effects of COVID-19 on our operations as a result of the measures we have taken.

In our paint operations, in the second quarter when international travel was banned, we carried out our operations in the Iraqi, Russian and Israeli markets without any negligence in the scope of limited means. Within the framework of our sales and marketing activities that we carried out by minding health-related and social distance rules, we began to supply products throughout Turkey to various SME and residential projects, industrial facilities as well as to healthcare facilities, including İkitelli Çam - the third largest in Turkey - and Sakura City Hospitals. At Poliport, which carries out our port operations, the total cargo handled increased thanks to the ongoing traffic without any slowdown in logistics and expanding customer portfolio. In our chemical operations in Turkey, sales prices were pressured in parallel to the falling raw material prices while exports were limited. Demand for the products of Polisan Maroc, our foreign subsidiary in Morocco, also declined. In Greece, the pressure on sales prices continued due to the falling oil prices during the pandemic and we were negatively affected by the close down of hotels, cafes and restaurants during the quarantine process.

Consequently, in 1H 2020, our consolidated revenues declined by 8.9% compared to last year to TRY466.1 million while EBITDA margin increased by 2.7 p.p. to 15.0%. In this period, we recorded TRY30.4 million in net income with the rising contribution of Polisan Kansai Boya, which is accounted by using the equity pick up method. As per combined financial results, in which, the unconsolidated Polisan Kansai Boya, 50% Joint Venture with Kansai Paint, is included; our combined revenues increased by 5.2% to TRY990.3 million with to rising revenues of Polisan Kansai Boya. Our combined EBITDA margin grew by 4.4 p.p. to 18.3% due to the efficiency provided by the high automation in our new facility. Our combined net income went up to TRY51.4 million in 1H 2020, mainly due to surging operational profitability and also with the effect of Polisan Kansai Boya’s deferred tax income, which has been recorded in 2Q 2020 related to the new facility investment.

We maintain our focus on profitable growth in our operations. At Polisan Kansai Boya, we are evaluating new markets and segments. At Poliport, while we continue our investments to increase capacity with a selective approach, we take actions to expand our customer portfolio. At Polisan Kimya, which we did not suspend production by arranging shifts, we focus on minimizing price and demand effects by providing maximum efficiency in our operational expenses. At Polisan Hellas where we manage the production processes by closely following the demand and pricing dynamics in global markets, we expect a more positive outlook in the second half of the year with the recovery in petroleum-derived raw material prices.

Sustainability and digital transformation continue to be our most important agenda items as part of our approach focused on creating sustainable value for all our stakeholders and within the scope of our “Polisan of the Future” vision. Polisan Hellas was awarded the Golden Award again this year by increasing its Corporate Social Responsibility success score based on the evaluation conducted by the global rating platform Ecovadis. We go on our digitalization efforts in our operations where we focus on increasing efficiency for profitability.

As Polisan Holding Group Companies, in our base scenarios, we anticipate the measures, which are gradually moderated as of the end of May to positively affect economic activities, yet, with a cautious optimism, our action plans are in place for different scenarios in the second half of the year. While we keep on implementing our measures in the upcoming period, we will focus on deepening our portfolio, evaluating new business lines, increasing our operational efficiency and cash flow-oriented management. On behalf of Polisan Holding, I would like to thank all our stakeholders, primarily our shareholders, employees, business partners and customers, who provided their continued support.

POLİSAN HOLDİNG: CORPORATE PROFILE

Company Name	: Polisan Holding A.Ş.
Address (Headquarters)	: Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Caddesi No : 7 Dilovası – KOCAELİ
Address (Branch)	: Hilltown Ofis, Aydınevler Mh. Siteler Yolu Cd. 28 No: 1/A 34854 Küçükyalı - İSTANBUL
Trade Registry Office and Number	: Gebze Ticaret Odası – 5769 / İstanbul Ticaret Odası – 615757
Subjected Legal Regulations	: Laws of Republic of Turkey
Telephone and Fax Number	: Tel. 00 90 216 578 56 00 ; Fax. 00 90 216 573 77 92
Internet Address	: www.polisanholding.com.tr
Capital	: TRY758,500,000
Registered Capital Ceiling	: TRY1,000,000,000
The Bourse/Market where shares are traded	: Bourse İstanbul (BIST) / Primary Market Group 1
Date of Quotation on the Bourse	: May 24, 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

POLISAN HOLDING: GROWS VIA NEW PARTNERSHIPS AND BUSINESS LINES



FOREIGN PARTNERSHIPS

ROHM AND HAAS 40%

Dow

Polisan HOME COSMETICS 50%

KANSAI PAINT

FOREIGN OPERATIONS

Polisan HELLAS 100%

Polisan MAROC 99%

* The ratios in this graphic show Polisan Holding's direct and indirect share in the related subsidiary.

POLİSAN HOLDİNG: SHAREHOLDER STRUCTURE & OPERATIONS

Polisan Holding has been established in 2000 in order to maintain coordination within the group companies, provide management for them, and ensure the group companies operate using advanced techniques in the area of planning, marketing, financial affairs, financing and fund management, legal affairs, human resources, and information technology; and that the Holding continues its operations in this direction. Holding's Commercial Center is located at Dilovası Organize Sanayi Bölgesi 1.Kısım Liman Cad. No:7 Dilovası – Kocaeli. Holding's İstanbul Branch is located at Hilltown Ofis, Aydınevler Mh. Siteler Yolu Cd. 28 No: 1/A 34854 Küçükyalı, MALTEPE / İSTANBUL.

POLİSAN HOLDİNG'S SHAREHOLDER STRUCTURE:

	Share Amount (TRY)	Share Ratio (%)
Bitlis Family	599,242,936	79.0%
Other	18,920,409	2.5%
Float	140,336,655	18.5%
Total	758,500,000.0	100.0%

POLİSAN HOLDİNG'S OPERATIONS:

Polisan Holding's subsidiaries and Joint Ventures (JVs) are as follows:

Subsidiaries:

- Polisan Kimya Sanayii A.Ş.
- Poliport Kimya Sanayi ve Ticaret A.Ş.
- Polisan Tarımsal Üretim Sanayi ve Ticaret A.Ş.*
- Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş.
- Polisan Hellas SA
- Polisan Maroc SA

JV's:

- Polisan Kansai Boya Sanayi ve Ticaret A.Ş.
- Tintomix Pigment Pasta Sanayi A.Ş.

Associates:

- Rohm and Haas Kimyasal Ürünler Üretim Dağıtım ve Ticaret A.Ş.

The Group's main operations are located in Turkey and it has subsidiaries located in Greece and Morocco. The operations are focused on the:

- Production and sales of chemical materials,
- Production and sales of final, bi-products supporting the planting and agricultural industries – (*AGRICULTURAL ACTIVITIES HAVE BEEN HALTED AS OF APRIL 16, 2019)
- Production and sales of paint,
- Production and sales of construction chemicals,
- Port, storage, and warehousing services,
- Construction, building real estates, trading, imports, and commercial activities on this area,
- Plastic products; containers for beverage, water, drink, and food; production of Polyethylene Terephthalate (PET) resin and preform with a wide usage spectrum such as synthetic fiber,
- Services provided by Polisan Holding to Group companies such as accounting, finance, budgeting, healthcare, repair, maintenance, investment, human resources etc.

POLISAN HOLDING: MISSION, VISION & STRATEGIC PRIORITIES

OUR MISSION

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

OUR VISSION

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

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

OUR STRATEGIC PRIORITIES

Maximizing shareholder value through:

- Sustaining profitable growth of existing businesses
- Maximizing intra-group synergies
- Forming strategic alliances to expand in high margin, new business lines
- Utilizing Holding's other assets in its portfolio
- Exploring New Markets and Becoming a Global Brand through Polisan's Innovative Products, Services and Practices
- Professional management dedicated to have a high level of Corporate Governance

2Q 2020 EVALUATION: POLISAN HOLDING - CONSOLIDATED

STRONG OPERATIONAL PROFITABILITY CONTINUES

TRY million	1H 2019	1H 2020	YoY (%)	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)
Revenue	511.8	466.1	8.9%	277.7	233.6	232.5	-16.3%	-0.5%
EBITDA*	62.8	69.8	11.0%	39.9	34.7	35.1	-12.1%	1.0%
EBITDA Margin	12.3%	15.0%	2.7 p.p.	14.4%	14.9%	15.1%	0.7 p.p.	0.2 p.p.
Net Income/Loss	7.5	30.4	n.m.	26.6	8.3	22.1	-16.9%	n.m.

Consolidated Financial Results

In 1H 2020, the revenues of Polisan Holding's chemical activities in Turkey and Greece have been impacted by the reflection of falling petroleum prices in the pandemic environment, on final prices. However, Poliport's revenues increased due to the ongoing traffic without any slowdown in logistics during this period and expanding customer portfolio. Consequently, in 1H 2020, Polisan Holding's consolidated revenues declined by 8.9% compared to last year, to TRY466.1 million. EBITDA margin rose by 2.7 p.p. to 15.0% due to the economies of scale provided by the rise in cargo handled at Poliport. In this period, with the effect of the improvement in the profit from investments accounted by using the equity pick up method (1H 2019: -TRY15.0 million; 1H 2020: TRY17.3 million) mainly due to the rise in operational profitability of Polisan Kansai Boya as well as the increase in its deferred tax income, net income in 1H 2020 went up to TRY30.4 from TRY7.5 million in 1H 2019.

Compared to 1Q 2020, while revenues and profitability contracted in chemical operations, consolidated revenues and EBITDA margin remained at similar levels on the back of profitable revenue growth recorded by Poliport in the same period. Thanks to Polisan Kansai Boya, the profit from investments accounted by using the equity pick up method (1Q 2020: -TRY5.0 million; 2Q 2020: TRY22.3 million) increased and net income rose to TRY22.1 million in 2Q 2020, from TRY8.3 million in 1Q 2020.

Combined Financial Results

As per combined financial results, in which, the unconsolidated Polisan Kansai Boya, 50% Joint Venture with Kansai Paint, is included; combined revenues increased by 5.2% to TRY990.3 million with Polisan Kansai Boya's rising revenues on all business lines, also supported by the base effect in 1Q 2020. EBITDA margin grew by 4.4 p.p. to 18.3% due to the efficiency provided by the high automation in the new facility. Combined net income went up to TRY51.4 million in 1H 2020 from TRY7.1 million in 1H 2019, mainly due to surging operational profitability and also with the effect of deferred tax income, which has been recorded in 2Q 2020 related to Polisan Kansai Boya's new facility investment.

Compared to 1Q 2020, which was a strong quarter for Polisan Kansai Boya, combined revenues regressed by 9.2% with the effect of the suspend in production in 2Q 2020. EBITDA margin increased by 3.1 p.p. with the contribution of the fall in production and marketing expenses at Polisan Kansai Boya. Combined net income went up to TRY45.1 million with the effect of the deferred tax income originated from the incentives related to the new facility investment.

Actual Results and Forward-Looking Expectations

Polisan Holding recorded higher than expected business results in 1H 2020. Polisan Holding Group Companies continue to closely pursue the statements of the Ministry of Health and related authorities through the Board established within the Holding as of first day of the declaration of pandemic and to implement measures taken for the medium and long-term interests of all its stakeholders, by prioritizing human health. In this context, Group Companies immediately realized actions plans as of the first day, to sustain the continuity of their operations and to provide with uninterrupted services to their customers. The production, temporarily halted on March 31 in two factories of Polisan Kansai Boya after securing necessary inventories, has been recommenced due to the revival in demand on May 17 at Dilovası Plant and on June 15 at GEBKİM Plant by taking all health-related measures. Group Companies, which will continue to conduct the production processes by closely monitoring the market dynamics, take actions to prevent a possible liquidity problem and implement measures to reduce costs, with a focus on managing working capital in an optimum way. While ongoing investments carry on without any interruption, some of the investment plans were slowed down with a selective and growth oriented approach. Taking necessary actions for all identified risk factors in order to minimize the effects of the pandemic, the Group Companies anticipate in their base scenarios that, the measures gradually moderated as of the end of May, will have a positive effect on economic activities. Yet, their action plans are in place for different scenarios in the second half of the year, with a cautious optimism.

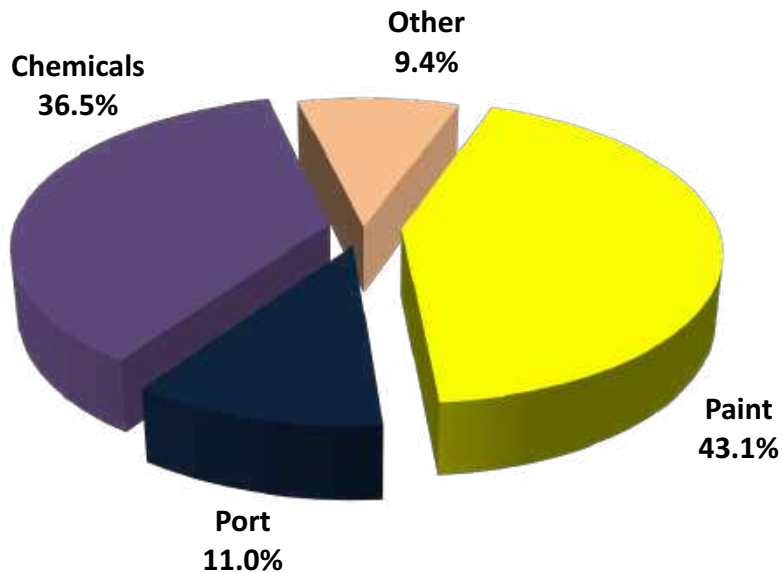
* The EBITDA calculation methodology excludes Other operating income and expense as of 2018 year end.

2Q 2020 EVALUATION: POLISAN HOLDING - COMBINED

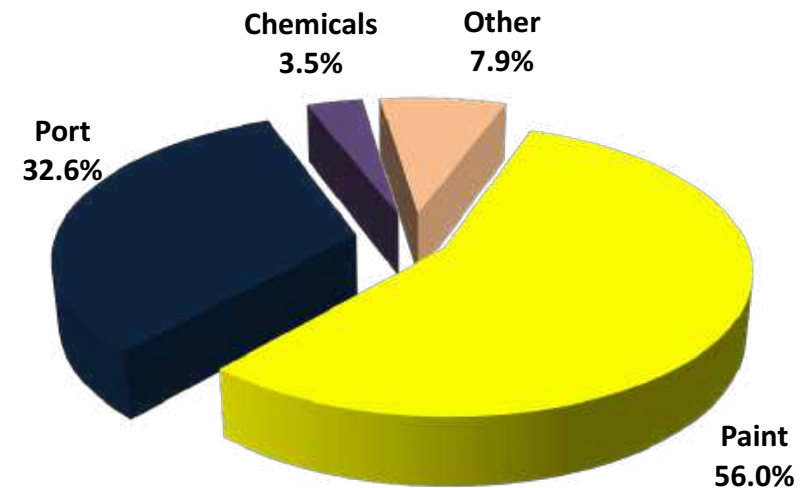
REVENUE AND EBITDA INCREASE ALSO WITH THE CONTRIBUTION OF PAINT OPERATIONS

TRY million	1H 2019	1H 2020	YoY (%)	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)
Revenue	941.3	990,3	5.2%	549.5	519.2	471.2	-14.3%	-9.2%
EBITDA	131.1	181,0	38.1%	90.5	87.2	93.8	3.7%	7.6%
EBITDA Margin	13.9%	%18,3	4.4 p.p.	16.5%	16.8%	19.9%	3.4 p.p.	3.1 p.p.
Net Income/Loss	7.1	51,4	n.m.	33.0	6.3	45.1	36.8%	n.m.

▶ 1H 2020 Combined Revenue Breakdown



▶ 1H 2020 Combined EBITDA Breakdown



2Q 2020 EVALUATION: POLİPORT

OPERATIONAL PROFITABILITY RISES WITH THE INCREASE IN CARGO HANDLED

TRY million	1H 2019	1H 2020	YoY (%)	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)
Revenue	83.5	108.9	30.5%	45.9	51.1	57.9	26.0%	13.4%
EBITDA	43.4	59.0	35.9%	26.3	25.4	33.5	27.5%	31.8%
EBITDA Margin	52.0%	54.1%	2.1 p.p.	57.3%	49.8%	57.9%	0.6 p.p.	8.1 p.p.
Net Income/Loss	23.5	14.5	-38.5%	17.7	11.7	2.7	-84.5%	-76.7%

Poliport was founded in 1971 on the land rented from Kocaeli Revenue Office, General Directorate of National Real Estate. With its jetty, pier, embarkment, and warehousing facilities; Poliport is one of the largest ports, which is also the closest to Istanbul on the Anatolian side in Turkey. Kocaeli Gulf Region is one of the ten largest ports in the European Union. Located in the industrial zone where ~45% of Turkey's GDP is generated, Kocaeli Gulf Region is the largest port in Turkey and it is ranked in the first place, capturing a 17.2% share in Turkey's foreign trade and 14.9% share in the total cargo handled in Turkey in 2019. Having spread on a 160,000 m² land, Poliport is one of the limited numbers of independent chemical storage terminals, which do not carry out merchandising activities, but providing storage and handling services for the products of the third parties. It is also among the few liquid storage terminals. Poliport is very close to strategic gateways as it is only 30 minutes away from Istanbul, 25 minutes from Sabiha Gökçen Airport, 400 meters from the new bridge, 1 kilometer from TEM (Trans-Europe) Motorway, 1.8 kilometers from D-100 Highway, and crossed by a railway. Operating on an area with a customs and eligible for import and every kind of transit trade practices, Poliport is the leader terminal of Kocaeli Port. Poliport has 3 main operational activities. In Bulk Liquid Services business line, the annual handling capacity is 2.5 million tons. Since 1990s, the world's largest manufacturers such as Dow, BASF, Bayer, and Shell are among the clients of Poliport. Total cargo handled in 2019 stood at 1.6 million tons, 39% composed of chemicals and 61% petroleum products. In Dry Bulk and General Cargo Services business line, annual handling capacity is 5 million tons and the products mainly handled are various bulk and general cargo such as coal, aluminum, different types of tin, iron, shaped tube, urea, grains, silica, and forestry products. Cargo handled at the Dry Bulk Terminal totalled 2.2 mln tons in 2019. As for warehouse services, through its website, Poliport provides with the opportunity to track the inventory and delivery of the products stored in A Type General Warehouses where it offers storage and logistic services located on a 40,430 square meter area. In 2019, cargo stored in A type warehouses was 351,673 tons.

Based on the data released by the Directorate General of Merchant Marine as of June 2020, cargo handled at Turkish Ports increased by 2.9% compared to the same period of previous year, to 243.4 million tons despite the slowdown in global trade caused by Covid-19. In the same period, with 37.1 million tons on a 3.9% year on year rise, Kocaeli Gulf Region maintained its leadership as the port where the most cargo was handled in Turkey. At Poliport, 1,435,256 tons (1H 2019: 1,128,609 tons) handled at the dry bulk pier and 789,026 tons (1H 2019: 776,599 tons) handled at the terminal totalled 2,224,282 tons (1H 2019: 1,905,208 tons) in 1H 2020, representing a 16.7% increase compared to the cargo handled last year. During the same period, 171,869 tons (1H 2019: 127,632 tons) of cargo were stored in A type warehouses. Based on a ranking of operational profitability, starting with the highest margin, the share of bulk liquid storage, dry bulk, and warehouse services in revenues realized at 61%, 26% and 13%, respectively.

In 1H 2020, due to the rise in cargo handled on all business lines and depreciation of TRY against US dollar, revenues increased by 30.5% compared to last year to TRY108.9 million. In line with the savings in service expenses provided by the cost focused approach, EBITDA margin increased by 2.1 p.p. to 54.1%. As a result of net financial expenses, which went up to TRY23.0 million from TRY0.7 million in 1H 2019 on the back of the loan received for the financing of ongoing investment, Poliport's net income decreased by 38.5% to TRY14.5 million.

Compared to 2Q 2020, due to the rise in dry bulk cargo handled and fx impact, revenues increased by 13.4%. EBITDA margin surged by 8.1 p.p. to 57.9% with falling EBIT service expenses. Net income shrank by 84.5% to TRY2.7 million, due to the TRY7.5 million deferred tax expense recorded in 2Q 2020 as opposed to a TRY4.9 million deferred tax income in 1Q 2020.

Poliport commenced its capacity increase in the beginning of 2020, raising it to 271,000 m³ from 237,000 m³ in 2017, through investment expenditure of US\$13.5 million in 2018 and US\$15.0 million in 2019. Weighing on sales and marketing activities upon the condition of prioritizing human health in its facilities, Poliport focuses on continuing its services without interruption by expanding its customer portfolio.

Terminals at the Kocaeli Gulf Region, which has grown at a CAGR of 4.0% between 2009 and 2018, are expected to require a capacity increase over the coming years. Investments for new port facilities and capacity increase projects in the Kocaeli Gulf Region are allowed on a limited scale. Poliport has an idle land for expansion behind the terminal area. Poliport indexes its terminal service price increases to US CPI, records its revenues in US dollar and its costs in TRY while realizing its capacity increase investments based on the fill rate of tanks. Accordingly, it can offer more competitive prices and grow its customer base. Certain terminals handling their own dry bulk cargo in the Kocaeli Gulf Region provide services at competitive prices in order to utilize their idle capacity. However, as these terminals approach full capacity utilization rates, the supply-demand balance is expected to deteriorate in favor of Poliport, which, by then will have completed its capacity increase investments.

2Q 2020 EVALUATION: POLİSAN KANSAI BOYA

Decorative segment captures a 61% share from the Turkish Paint Industry, which has reached an annual production capacity of 875,000 tons in 2018. The main area of activity of Polisan Kansai Boya is paints used in construction and insulation works, insulation materials, thinner, paste as well as special purpose and auxiliary products offered particularly for painters through its widespread distribution channel. The Company also manufactures and sells products such as paint, varnish, primer, and coating to evaluate the potential of marine, furniture and industrial categories.

As its differentiation strategy, Polisan Kansai Boya emphasized the “Polisan does not produce paint, it produces Home Cosmetics” approach, claiming that paint is not all about colors, but that in addition to its functional benefits of maintenance and protection, paint makes an aesthetic contribution to the environment. Within this context, it has registered “Home Cosmetics” concept in 2008 and became the first company introducing “Home Cosmetics” approach to the world. Additionally, it has developed Turkey’s first 7-feature interior, 9-feature exterior paint, water-based oil paint, plastic surface spray paint, water based road marking paint, wood protector spray varnish and anti-carbonization featured exterior paint. Continuously investing in the development of innovative products, the laboratories of Polisan Kansai Boya in Turkey’s 159th R&D Center has obtained International Validity Accreditation Certificate. Polisan Kansai Boya is also the first paint producer in Turkey and one of the three in Europe, which has been granted Environmental Product Declaration (EPD) Certificate for its four products. Besides, Polisan Kansai Boya has been included in the TURQUALITY® Support Program, which was initiated to build up on and solidify the positive image of the Turkish brands in abroad, under the “POLISAN” brand name. In addition to the innovative products, Polisan Kansai Boya offers innovative solutions, too. Its insulation insurance is also a global first in the insurance sector. Polisan Kansai Boya positions its sales channel as the production center and ensures effective inventory management through Turkey’s first water-based mix machines providing products at the factory quality from 3,300 points, and with its 12 Logistic Centers spreading to 46,000 square-meter area. Another first by Polisan Kansai Boya; the loyalty program and collection practice using a single POS, ensure a problem free collection process as well as maintaining loyalty of painters registered in its system. Polisan Kansai Boya serves in more than 2,500 sales points throughout Turkey using “Polisan Shop” concept, which was initiated in 2008 in an attempt to help Polisan Kansai Boya dealers to improve their businesses and plan their future while ensuring comfort for its customers. Producing for the brands of 3 market chains, Polisan Kansai Boya has the most extensive sales network in Turkey with 5,650 dealers, 1,000 of them which are exclusive.

50% of Polisan Boya shares has been transferred to Kansai Paint, one of the world's top 10, and Japan's leading paint producer, for US\$113.5 million as of December 21, 2016. Continuing its activities as Polisan Kansai Boya Sanayi ve Ticaret A.Ş. since then, the JV completed in 2018 the new paint production and warehouse facility investment, which had begun in 2016, and commenced actual production as of 2019. Located on its 142,000 square meter land in Gebze Chemical Specialization Organized Industrial Zone and started production with an annual design capacity of 180,000 tons/shift, the new facility is calibrated for Industry 4.0, EN 1090-2 certified and Turkey's first LEED GOLD certified paint facility, while ranking as the 308th production facility in the world to hold this certificate. In addition to the efficiency it provides, with the potential of tripling its capacity without having to make additional investment just by operating in three shifts, the fully automated facility is the largest and has the highest capacity within Kansai Paint Factories. In this context, the positioning of the new facility as Kansai Paint’s regional production hub, was brought to the agenda and by launching Polisan Kansai Russia Representative Office, infrastructure studies were initiated to become a stronger player in the Russian market. Having chosen to participate in tenders initiated by the government in a limited manner due to the capacity bottleneck at the old facility, Polisan Kansai Boya has overcome this limitation thanks to its new facility in 2019 and supplied paint for the New Airport. The Company also won the Solvent and Water Based Cold Road Marking Paint tender of the General Directorate for Highways for a total of 15.5 thousand tons in exchange for TRY102 million (excluding VAT). Polisan Kansai Boya, which has preferred to keep its export volume at a certain scale due to the capacity bottleneck at the old facility, has nonetheless actively exported to 37 countries from Nigeria to Azerbaijan, and from Iraq to Ghana, as well as neighboring countries such as Russia and the Turkish Republic of Northern Cyprus over the past seven years. The Company has received international brand registrations in the 3 countries penetrated in 2018 out of 43 countries targeted for the long term, and continued sales, distribution and infrastructure installation studies. The marketing activities have started in these countries, and investments have been made in advertisement films, billboards and the Polisan Shop. Among export markets, within the scope of the distribution agreement concluded in France, Israel and Romania, the sales and shipment volume of these markets continued to increase in 2019 as well. In 2019, the establishment of a strong distribution network in overseas markets and restructurings to have a say, particularly in prestigious projects, commenced. The system and infrastructure installation in target markets is incentivized by the government within the scope of the Turquality Program, which the Company participated in 2014.

According to the BOSAD data, production Turkish Paint Market increased by 26% in the first quarter of 2020 compared to last year, due to optimistic sentiment started with the decrease in housing loan rates in the last quarter of 2019. In 1Q 2020, Polisan Kansai Boya performed above the market with early launch of its campaign originally designed for 2020 as well as the base effect. However, Polisan Kansai Boya temporarily halted production after piling up the necessary inventory as of March 31, when the demand in the paint industry started to be affected as the chain stores closed and the construction sites stopped, due to COVID-19. During the quarantine process from April, until the end of May when the measures started to be gradually moderated, the demand for paint in the market exceeded expectations as a result of the tendency of people to beautify their living spaces. Instantly monitoring the trends on-site, thanks to the forecasting ability provided by cyber physical systems with the digitalization in its new facility and delivering its shipments through logistics centers without any delay, Polisan Kansai Boya recommenced production on May 17 at Dilovası Plant and on June 15 at GEBKİM. Despite the suspend in production throughout 2Q 2020, the Company’s revenues and EBITDA margin due to higher efficiency of the facility, increased in 1H 2020. During this period when international travel was banned, Polisan Kansai Boya carried out its operations in the Iraqi, Russian and Israeli markets without any negligence in the scope of limited means. Within the framework of sales and marketing activities carried out by minding health-related and social distance rules, the Company began to supply products throughout Turkey to various SME and residential projects, industrial facilities as well as to healthcare facilities, including İkitelli Çam - the third largest in Turkey - and Sakura City Hospitals.

Prioritizing human health in its operations, Polisan Kansai Boya continues its studies aimed at new segments and markets with a focus on simplifying processes in all its functions through digitalization; working with minimum inventory by weighing on production on-site with mix machines; managing the working capital requirement in the most efficient way possible through days receivables and payables. The facility investment is expected to finance itself through savings

11 obtained in the new facility in areas such as raw material procurement, labor and packaging, as well as corporate tax exemption within the scope of investment incentive. Polisan Kansai Boya does not have a large-scale investment plan in the near future.



2Q 2020 EVALUATION: CHEMICAL ACTIVITIES

TURKEY



POLISAN KİMYA (Chemicals)

- Formaldehyde
- Urea Formaldehyde Resin
- Urea Formaldehyde Concentrate
- Phenol Formaldehyde Resin
- Concrete, cement additives and underground chemicals
- Aus-32/AdBlue©

FOREIGN PARTNERSHIP



ROHM & HAAS (DOW)

- Polisan Kimya - a subsidiary of Polisan Holding – is Turkey's 1st emulsion polymer producer
- In 2004, a JV was formed with Rohm & Haas
- Partnership continues with Dow Chemicals since Rohm & Haas' acquisition in 2009
- Buying, selling and marketing of emulsion polymers, additives and their raw materials

INTERNATIONAL INVESTMENT



POLISAN MAROC (Construction Chemicals)

- International investment in Morocco
- Positioned as a gateway to the African market
- Production and sales of concrete, cement admixtures
- Adblue sales
- Facility commenced trial production in November 2017 and began generating revenue in 1Q 2018



POLISAN HELLAS

- Operational in Greece
- The sole Polyethylene Terephthalate (PET) resin and preform producer in Greece and the Balkans
- r-PET sales began in 2019

2Q 2020 EVALUATION: POLİSAN KİMYA

FOCUS CONTINUES ON COST MEASURES AND WORKING CAPITAL MANAGEMENT

TRY million	1H 2019	1H 2020	YoY (%)	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)
Revenue	174.5	156.0	-10.6%	91.2	80.4	75.6	-17.2%	-6.1%
EBITDA	21.7	17.2	-20.5%	13.8	9.1	8.1	-41.1%	-10.9%
EBITDA Margin	12.4%	11.0%	-1.4 p.p.	15.1%	11.3%	10.7%	-4.4 p.p.	-0.6 p.p.
Net Income/Loss	-10.3	3.4	n.m.	1.8	2.6	0.8	-55.1%	-68.3%

The operating activity of Polisan Kimya is the production and sales of formaldehyde and formaldehyde resins, construction chemicals (concrete, cement and underground chemicals), and AUS 32-AdBlue®. Polisan Kimya is Turkey's first producer of formaldehyde resin, which can be used in the production of chip board, paper impregnation, MDF, and plywood. Turkey is the 5th largest consumer in the World's Board Industry, in which Formaldehyde Resin is used. Polisan Kimya is ranked in the 1st place in resin production, with a 40% market share. The concrete additives market in Europe has a volume of approximately 1.2 million tons/year. With 480,000 tons/year, Turkey represents 40% of this market. Based on 2018 data released by the European Ready Mixed Concrete Association (ERMCO), while the total production volume of all European Union member countries stood at 250.4 million cubic meters, Turkey's production alone was 100 million cubic meters. This production amount ranks Turkey 1st in Europe and the 3rd in the world in ready mixed concrete market. Besides, it is the 4th largest cement producer in the world with an annual production capacity of 66 million tons following, China, India and the United States. With an approximately 20% market share, Polisan Kimya became one of the three leading companies in the construction chemicals market, which has 7 foreign and close to 20 domestic companies. Additionally, Polisan Kimya is one of Turkey's first AdBlue® manufacturers for the global giants such as Lukoil, BP, OMV, and Total. AdBlue® contributes to the environmental cleaning by decreasing NOx exhaust gas emission by 80%. In 2019, the share of revenues stemming from formaldehyde and resins, construction chemicals, Adblue and raw material sales in total revenues amounted to 46%, 31%, 4%, and 19%, respectively.

At Polisan Kimya, while demand for formaldehyde resins and construction chemicals product groups have been adversely affected by economic volatility in 2019, the falling petroleum prices with the effect of pandemic in the first quarter of 2020, resulted in up to a 50% decrease in raw material prices, pressuring sales prices. In the second quarter of the year, particularly the formaldehyde product group exports contracted, with the perceivable impact of the pandemic. In 1H 2020, the sales volume of formaldehyde and resins, which capture the largest share in revenues, remained at previous year's levels while revenues declined by 12.3%. While mining and tunnel projects were suspended within the scope of measures applied during pandemic; thanks to cement additives sales, the contraction in the sales volume of construction chemicals was limited with 2.8%. In this product group, revenues increased by 5.5% with rising sales prices compared to a year ago. The revenues of Adblue, which the Company continues to keep in its portfolio in the interests of sustaining brand awareness, continued to increase in parallel to the sales volume. The revenues of Other product group decreased by 31.3% despite of a 26.2% rise in sales volume. Consequently, the revenues of Polisan Kimya decreased by 10.6% in 1H 2020 compared to the previous year to TRY156.0 million. As a result of the fall in revenues, and rising General Administrative Expenses due to the services received from the Holding, the EBITDA margin decreased by 1.4 p.p. to 11.0%. Polisan Kimya's net financial expenses of TRY22.4 million in 1H 2019 regressed to TRY8.8 million in 1H 2020 and the Company recorded a net income of TRY3.4 million in 1H 2020, compared to a net loss of TRY10.3 million a year ago.

Compared to 1Q 2020, sales prices prevailed at low levels. In this period, Polisan Kimya's revenues contracted by 6.1% particularly due to the setback in sales of formaldehyde resins and AUS32. In parallel, EBITDA margin fell by 0.6 p.p. to 10.7% and net income by 68.3% to TRY0.8 million.

Arranging its shifts according to social distancing rules with a priority on human health, Polisan Kimya started to supply formaldehyde products to companies, which previously produced their own resins but began to outsource resin purchases during COVID-19 process, as a response to falling exports in this product group. Polisan Kimya managed to maintain its profitability to a great extent within the framework of financial measures it has taken while focusing on managing its working capital requirement in the optimum efficiency possible. Polisan Kimya continues its studies in the area of formaldehyde resins and underground chemicals for the products planned to be launched in 2021. The Company monitors opportunities in exports and steers its production processes by closely following the market dynamics.

The new construction chemicals have been established in Adana and Samsun in Turkey, and Morocco in abroad (Polisan Maroc SA) with the aim of a more effective process in the sales and marketing of concrete and cement admixtures, domestically and internationally. Polisan Maroc established its Sales, Production and R&D teams and started to raise awareness in the market by becoming the concrete chemicals additives supplier of large cement factories such as Votorantim Cimentos, Ciment Du Maroc and Heilderberg CEMENT Group. Additionally, Polisan Kimya started to produce specific concrete additives used in underground railways, tunnels, and mines; developed by Polisan Kimya's R&D Center, which was certified in June 2017. According to the Regulation on the Protection of Buildings from Fire, issued by the Council of Ministers, exterior facades should be made of hard combustible 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" feature in the A1 fire category, and increasing rock wool demand is expected to result in a surge in phenol resin demand.

2Q 2020 EVALUATION: POLISAN HELLAS

PRICE PRESSURE IN THE DOMESTIC MARKET CONTINUES

TRY million	1H 2019	1H 2020	YoY (%)	2Q 2019	1Q 2020	2Q 2020	YoY (%)	QoQ (%)
Revenue	257.0	205,9	-19.9%	141.3	104.9	101.0	-28.5%	-3.8%
EBITDA	3.4	-10,8	<i>n.m.</i>	2.1	-1.8	-9.0	<i>n.m.</i>	<i>n.m.</i>
EBITDA Margin	1.3%	-5.3%	-6.6 p.p.	1.5%	-1.7%	-8.9%	-10.4 p.p.	-7.2 p.p.
Net Income/Loss	-2.6	-10.6	<i>n.m.</i>	1.3	-4.5	-6.1	<i>n.m.</i>	<i>n.m.</i>

Polisan Hellas SA, which is owned by Polisan Holding, has purchased 100% of the assets owned by Spanish Artenius Hellas; the sole Polyethylene Terephthalate (PET) resin producer in Greece and Balkan region, in September 2013 for €8,675,000 including taxes, all fees and other expenses. Polisan Hellas is located on a 15 hectare closed area and 75 hectare land in total and its facility is approximately worth of €70 million. Polisan Hellas has all the certificates such as ISO 9001, ISO 14001, OHSAS 18001, and ISO 22000 required by the major beverage companies. The Company completed all the periodic maintenance of the integrated facility and processed with advanced technology manufacturing modules right after the transaction. The facility with an annual production capacity of 84,000 tons has been rapidly integrated with Polisan Holding for the production of Polyethylene Terephthalate (PET) granule and preform, which has a wide range of usage area such as soft drink, water, food and beverage bottles, and synthetic fiber. After the completion of the necessary certification processes, the client portfolio has been set up and the Company started to record meaningful revenues by April 2014. Polisan Hellas' land is eligible to use for different investment purposes and the Company is to provide synergies for Polisan Holding Companies by using Polisan Kimya's technologic know-how and marketing capabilities in the area of polymerization, Polisan Kansai Boya's sales network, and Poliport's logistic and storage advantages in raw material procurement. The PET resin manufactured is marketed to carbonated and non-carbonated beverage manufacturers engaged in production on a global scale; drinking water sector; preform producers; entire Balkans including Greece and Italy. Polisan Holding started to consolidate Polisan Hellas into its financials by the end of 2013.

The pressure on sales prices in the Greek Market caused by the competition from the low priced, imported products primarily from China, continued in the first quarter of 2020. Polisan Hellas had to pursue the price policy in the market in an attempt to ensure continuity of production. In 1H 2020, Polisan Hellas saw a decline in its sales volume by 1.7%, revenues by 19.9% and EBITDA margin by 6.6 p.p. to -5.3%. Having recorded a net financial expense of TRY3.9 million and a deferred tax expense of TRY2.7 million, the Company recorded a net loss of TRY10.6 million in this period.

Compared to 1Q 2020, demand was also adversely affected due to the close down of hotels, cafes and restaurants during the quarantine process in 2Q 2020 and sales volume of Polisan Hellas contracted by 9.1%. In the same period, imported products in the market diminished, leading to an increase in prices, and thus the decrease in revenues of Polisan Hellas was limited at 3.8%. The share of exports in revenues in the second quarter of the year shrank to 23% levels. EBITDA margin went down to -8.9% on a 7.2 p.p. fall particularly due to the contraction in higher value-added r-PET exports. Adding to that, the Company recorded a deferred tax expense in the second quarter, resulting in a net loss of TRY6.1 million.

Despite the fact that petroleum prices have seen \$43 levels along with the health measures moderated against the pandemic, the pressure on PET prices continues due to the low demand for raw materials. Polisan Hellas maintains the health measures in its facilities with a cautious approach. The Company focuses on balancing raw material purchases with sales volumes by studying on scenarios to minimize inventory risk. Polisan Hellas will manage its production processes in the upcoming period by closely monitoring the demand and pricing dynamics in global markets.

2Q 2020 EVALUATION: POLİSAN YAPI

THERE ARE REAL ESTATES IN POLİSAN HOLDİNG'S PORTFOLIO TO BE UTILIZED FOR DIFFERENT PURPOSES.

KAGITHANE Z OFFICE BUSINESS CENTER



KURTKOY PROJECT



Polisan Yapı had realized a flat for land basis project with DAP Yapı on its land in Kağıthane, which is İstanbul's 6. most densely populated district, going through a rapid urbanization process. The expertise value of 73 offices and 26 shops remaining from sales as of 2019 year end is ~TRY55 million.

Polisan Yapı signed an agreement on March 5, 2015 with DOP Yapı-DAP Yapı Joint Venture, for a project to be built on the land in Kurtköy. The land spreads on an approximately 180,000 m² area and it is very close to the TEM Motorway, E-5 Highway, Sabiha Gökçen Airport, and Ankara-Istanbul high-speed railway route.

OTHER ASSETS

Except for the Kağıthane and Pendik projects and including the land, which is not engaged in agricultural operations anymore, the value of the other assets that can be used for investment is ~TRY296 million.

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 and records the proceeds from the sale of the projects as net profit. The total expertise and market value of all real estates under Holding operations, except for the leased land, which is not owned by Poliport, is approximately TRY743* million.

KAGİTHANE "Z OFFICE" BUSINESS CENTER PROJECT:

Situated on a total gross area of 10,683 m², 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. TURİYAP Holding A.Ş. continue activities to sell and lease these offices and shops. As of June 30, 2020, there are 26 shops and 73 offices available for sale at the Z Office Project.

KURTKOY PROJECT:

DAP Yapı-DOP Yapı Joint Venture will own 66% of the land in Kurtköy, however will not pay any cash. But 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 easy access to be provided by the planned Kartal – Pendik – Kurtköy metro route is expected to increase the demand for the houses and the 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 2019 year end is approximately TRY231 million. Regarding the abandonment required to be made to the municipality for the grant of the permits of this project, 5,740 m² of land was abandoned to the Municipality free of charge, and TRY4.9 million has been recorded as a negative on 1Q 2018 financials. DAP Yapı continues its studies to receive necessary permits for the project.

2Q 2020 EVALUATION: POLİSAN TARIM



WALNUT

- ✓ On 4.4 million square meter land in Balıkesir



OLIVE

- ✓ On 2.5 million square meter land in Karacasu



STEVIA

- ✓ Cooperation with Atatürk University, Faculty of Agriculture
- ✓ Development of 100% native variety including highly useful glycoside

← AGRICULTURAL ACTIVITIES HAVE BEEN HALTED AS OF APRIL 16, 2019 →

POLİSAN HOLDİNG: BOARD OF DIRECTORS

Holding's business and administration is being conducted by the Board of Directors consisting of nine members that were elected by the General Assembly and there are three independent members at the Board. Holding Board of Directors, perform and observe the duties that were assigned to them by the Turkish Commercial Code, Holding's Articles of Association, and the decisions taken on the Holding's General Assembly on these matters. As per the Holding's Articles of Association and pursuant to the related articles of the Turkish Commercial Code, the Board of Directors may partially transfer its duties, authorities, and power of attorney to a committee to be formed among its members or to an executive director or directors or to a manager or managers. The members of the Board of Directors elected and their duties assigned during the Ordinary General Assembly dated April 1, 2020 for 1 year until the next General Assembly commences, are as follows:

Name - Surname	Duty
Mehmet Emin Bitlis	Chairman
Ahmet Ertuğrul Bitlis	Vice Chairman
Ahmet Faik Bitlis	Member
Fatma Nilgün Kasrat	Member
Murat Yıldırım	Member
Zafer Kurtul	Member
Şeref Taşkın	Independent Member
Arif Başer	Independent Member
Esra Yazıcı	Independent Member

POLİSAN HOLDİNG: BOARD COMMITTEES

AUDIT COMMITTEE

As per the Board of Directors resolution dated October 25, 2019, the members of the Audit Committee established by the Board of Directors resolution dated May 4, 2012, has been determined as follows:

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

CORPORATE GOVERNANCE COMMITTEE

As per the Board of Directors resolution dated October 25, 2019, the members of the Corporate Governance Committee established by the Board of Directors resolution dated May 4, 2012, has been determined as follows:

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

EARLY DETECTION OF RISKS COMMITTEE

As per the Board of Directors resolution dated October 25, 2019, the members of the Early Detection of Risks Committee established by the Board of Directors resolution dated May 4, 2012, has been determined as follows:

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

CANDIDATE NOMINATION COMMITTEE AND COMPENSATION COMMITTEE

On October 25, 2019; the 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.

POLİSAN HOLDİNG: SENIOR MANAGEMENT OF THE HOLDING & GROUP COMPANIES

Polisan Holding's Senior Management is as follows:

Name - Surname	Duty
Murat Yıldırım	Polisan Holding CEO
Ahmet Çağışan Yılmaz	Polisan Holding CFO
Aylin Veliöđlu Çelik	Polisan Holding HR Director
Gözde Gürbüz	Polisan Holding Head of Audit
Selçuk Denizhan	Polisan Holding General Coordinator

The Management of Polisan Holding's Group Companies is as follows:

Name - Surname	Duty
Mehmet Hacıkamilođlu	Polisan Kansai Boya General Manager
Efe Hatay	Poliport General Manager
Selçuk Denizligil	Polisan Kimya and Polisan Maroc General Manager
Çağdaş Saygı	Polisan Hellas Country Manager

The total amount of salaries and side benefits paid to the Senior Management is TRY2,547,044 for the period between January 1 – June 30, 2020 (January 1 – June 30, 2019: TRY2,896,500). Of this, TRY2,391,044 is salary and TRY156,000 is bonus Holding defines Board Members, General Managers and Deputy General Managers as Senior Management.

POLISAN HOLDING: R&D, INCENTIVE, PERSONNEL, DONATIONS

Research and Development Activities

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

Polisan Holding's subsidiary Polisan Kimya, has received Turkey's 507. R&D Center Certification and status as of June 6, 2017. Since 2017, Polisan Kimya has successfully completed five TEYDEB-supported R&D projects, two of which are partnered. In 2019, the Company finalized three equity-financed R&D Center projects. In addition, seven new R&D Center projects have been launched, for the use of existing major products in new sectors, and on the development of value added products for exports, special products for customer application, and products for new sectors. In order to increase cooperation with universities and develop value-added products, three university and industry cooperation projects are being carried out. Having realized R&D spending of TRY4.6 million in 2019, the R&D Center has developed 28 new products for the resin product group, 16 for the underground product group, and 50 for the construction chemicals product group.

Investments and Investment Incentive Utilized for Investments

Polisan Holding's JV Polisan Kansai Boya has been included in the TURQUALITY Support Program as of June 19, 2014 under the "POLISAN" brand name.

Additionally, the incentive certificates received for the ongoing renovation work within the Holding are as follows:

Company	Incentive	Incentive No	Incentive Amount (TRY)	Incentive Expensed (as of June 30, 2020 - TRY)	Incentive Certificate Date (Including replacements)
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	B/137652	130,000,000	155,685,787	20/06/2018
Polisan Kansai Boya*	Gebkim Facility	E/122296	351,850,411	351,850,411	07/07/2020
Polisan Kimya	Adana Facility	A/127763	3,100,000	2,516,127	03/02/2017
Polisan Kimya	Samsun Facility	A/131376	2,140,000	2,030,178	21/07/2017
Polisan Kimya*	Oxide Facility	D/112337	16,259,209	16,259,209	21/07/2016

*Completed investments.

Employee and Worker Flow

Polisan Holding's and its Companies' total number of employees, including Polisan Hellas was realized at 1,151 as of June 30, 2020 as opposed to 1,353 employees in June 30, 2019. The number of employees of Polisan Kansai Boya was taken fully, not pro rata, based on Polisan Group's share in the Company. The Holding pays 12 month salary, private health insurance, personal accident insurance, bus service, lunch to the permanent staff. Additionally, in line with the regulations, personnel of particular titles (such as General Manager, Director, Manager) are allocated vehicles and the vehicles' gas and maintenance expenses are paid.

Donations Realized During the Period

Total donations and aids realized by Polisan Holding as of January 1 – June 30, 2020 was TRY510,447 (January 1 – June 30, 2019: TRY298,169). The aforementioned amount is mainly composed of the donations given to the educational institutions and the institutions carrying out education supporting activities.

POLISAN HOLDING: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

The Balance Sheet and Income Statement are as follows:

	Reviewed	Audited
	30 June 2020	31 December 2019
ASSETS		
Current assets	714.015.200	616.853.795
Cash and cash equivalents	256.954.906	179.026.662
Trade receivables	254.595.444	246.665.241
- Trade receivables from related parties	9.087.285	5.779.078
- Trade receivables from third parties	245.508.159	240.886.163
Other receivables	16.564.624	20.652.153
- Other receivables from related parties	177	15.870
- Other receivables from third parties	16.564.447	20.636.283
Inventories	146.781.199	136.690.124
Prepaid expenses	9.396.930	4.964.152
Current income tax assets	977.913	684.596
Other current assets	13.120.059	12.546.742
Subtotal	698.391.075	601.229.670
Assets held for sale	15.624.125	15.624.125

	Reviewed	Audited
	30 June 2020	31 December 2019
ASSETS		
Non-current assets	1.685.696.150	1.666.526.640
Other receivables	495.354	449.980
- Other receivables from third parties	495.354	449.980
Investments accounted using the equity method	452.759.164	434.022.908
Investment properties	291.300.733	288.800.733
Property plant and equipment	832.590.966	832.465.998
Right of use assets	45.831.332	48.481.824
Intangible assets	1.944.999	2.134.303
Prepaid expenses	40.866.636	41.022.877
Deferred tax assets	17.629.762	17.454.525
Other non-current assets	2.277.204	1.693.492
Total assets	2.399.711.350	2.283.380.435

POLISAN HOLDING: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed	Audited
	30 June 2020	31 December 2019
LIABILITIES		
Current liabilities	620.169.559	467.234.531
Short term borrowings	130.244.648	67.689.569
Short term portion of long term borrowings	214.295.145	165.562.876
Trade payables	238.351.901	206.009.724
- Trade payables to related parties	201.835	1.631.067
- Trade payables to third parties	238.150.066	204.378.657
Employee benefit obligations	8.278.613	6.464.997
Other payables	4.058.316	2.451.423
- Other payables to related parties	1.402.539	-
- Other payables to third parties	2.655.777	2.451.423
Deferred income	7.842.326	3.077.209
Current income tax liabilities	2.570.032	1.539.610
Provisions, contingent assets and liabilities	7.414.894	6.915.086
- Provisions for employee termination benefits	1.957.392	1.604.864
- Other short term provisions	5.457.502	5.310.222
Other current liabilities	7.113.684	7.524.037
Non-current liabilities	324.775.437	378.796.256
Long term borrowings	237.586.741	291.856.027
Long term provisions	14.108.094	13.714.571
- Provisions for employee termination benefits	14.108.094	13.714.571
Deferred tax liabilities	73.080.602	73.225.658

	Reviewed	Audited
	30 June 2020	31 December 2019
LIABILITIES		
Equity	1.454.766.354	1.437.349.648
Equity holders of the parent		
Paid-in share capital	758.500.000	758.500.000
Adjustment to share capital	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	305.310.147	306.274.457
- Revaluation and measurement gain / loss	305.310.147	306.274.457
Defined benefit plans re-measurement gain / (loss)	(16.659.386)	(15.695.076)
Tangible assets revaluation	321.969.533	321.969.533
Other comprehensive income or expense to be reclassified to profit/(loss)	(33.908.843)	(27.880.309)
- Currency translation differences	(33.908.843)	(27.880.309)
Restricted reserves	48.297.892	47.455.147
Other reserves	(208.727.832)	(208.727.832)
Retained earnings	530.287.954	471.801.876
Profit for the period	30.409.550	65.328.823
Non-controlling interests	-	-
Total liabilities and equity	2.399.711.350	2.283.380.435

POLISAN HOLDING: CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>(Reclassified Not 2.5)</i>		<i>(Reclassified Not 2.5)</i>	
	Reviewed	Reviewed		
	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2020	April 1 - June 30, 2019
Profit and loss				
Sales	466.085.506	511.782.489	232.506.862	277.708.288
Cost of sales (-)	(382.420.949)	(426.093.564)	(192.906.164)	(229.731.910)
Gross profit from commercial activities	83.664.557	85.688.925	39.600.698	47.976.378
General and administrative expenses (-)	(34.686.686)	(41.640.989)	(17.616.846)	(18.810.925)
Marketing expenses (-)	(5.886.070)	(6.114.933)	(2.987.512)	(3.207.460)
Research and development expenses (-)	(2.429.091)	(2.230.195)	(1.112.294)	(1.071.763)
Other operating income	20.360.411	6.723.930	15.115.681	1.272.743
Other operating expenses (-)	(10.904.486)	(10.388.142)	(6.713.581)	(2.559.409)
Profit from investments accounted using the equity method	17.346.649	(15.002.833)	22.326.180	1.221.744
Operating profit	67.465.284	17.035.763	48.612.326	24.821.308
Income from investment activities	2.055.188	9.762.518	515.028	7.606.198
Expense from investment activities (-)	(140.553)	(2.305.539)	(130.246)	(1.855.627)
Operating profit before financial income/expense	69.379.919	24.492.742	48.997.108	30.571.879
Financial income	22.638.250	36.536.180	10.466.328	32.095.939
Financial expenses (-)	(55.731.597)	(49.872.202)	(26.575.239)	(37.793.423)
Pre-tax profit from continuing operations	36.286.572	11.156.720	32.888.197	24.874.395
Continuing operations tax income/expense				
- Current tax expense	(5.072.263)	(6.732.902)	(2.151.467)	(3.775.346)
- Deferred tax income/expense	(804.759)	3.052.839	(8.670.687)	5.458.388
Profit of continuing operations for the period	30.409.550	7.476.657	22.066.043	26.557.437
Profit for the period	30.409.550	7.476.657	22.066.043	26.557.437
Attributable to:				
Non-controlling interests	-	1.597.146	-	1.290.880
Equity holders of the parent	30.409.550	5.879.511	22.066.043	25.266.557
Earnings per share	0,040	0,010	0,029	0,035
-Earnings per share for continuing operations	0,040	0,010	0,029	0,035

POLISAN HOLDING: CONSOLIDATED STATEMENT OF OTHER INCOME COMPREHENSIVE INCOME

	<i>Reviewed</i>	<i>Reviewed</i>		
	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2020	April 1 - June 30, 2019
Profit for the period	30.409.550	7.476.657	22.066.043	26.557.437
Other comprehensive income:				
Items not to be reclassified to profit or loss	(1.295.374)	(2.063.899)	(708.660)	1.188.568
- Defined benefit plans re-measurement gain/(loss)	(666.204)	(2.253.845)	(42.209)	1.392.443
- <i>Defined benefit plans re-measurement gain/(loss), tax effect</i>	133.241	450.769	8.442	(278.489)
- Defined benefit plans re-measurement gain/(loss) to investments accounted using the equity method	(953.014)	(326.029)	(843.616)	93.267
- <i>Defined benefit plans re-measurement gain/(loss), tax effect to investments accounted using equity method</i>	190.603	65.206	168.723	(18.653)
Items to be reclassified to profit or loss	(5.697.470)	(2.029.897)	(2.924.874)	(751.528)
- Currency translation differences gain/(loss)	(7.849.488)	(1.909.927)	(3.818.805)	(593.953)
- Currency translation differences gain/(loss) of investments accounted using equity method	2.152.018	(119.970)	893.931	(157.575)
Other comprehensive income/(expense)	(6.992.844)	(4.093.796)	(3.633.534)	437.040
Total comprehensive income	23.416.706	3.382.861	18.432.509	26.994.477
Attributable to:				
Non-controlling interest	-	1.505.879	-	1.321.271
Equity holders of the parent	23.416.706	1.876.982	18.432.509	25.673.206

POLISAN HOLDING: FINANCIAL RATIOS

The profitability and financial ratios, calculated based on the 1H 2020 TFRS financial tables are as follow:

(TRY million)	30 June 2020	30 June 2019
Net Sales	466,085,506	511,782,489
Gross Profit	83,664,557	85,688,925
Gross Profit Margin (%)	18.0%	16.7%
Income Before Interest and Tax (EBIT)	40,662,710	35,702,808
EBIT Margin (%)	8.7%	7.0%
Income Before Interest, Tax, Depreciation and Amortization (EBITDA)	69,761,441	62,837,652
EBITDA Margin	15.0%	12.3%
Net Income	30,409,550	7,476,657
Net Income Margin (%)	6.5%	1.5%

	30 June 2020	30 June 2019
Current Ratio	1.151	1.327
Liquidity Ratio	0.915	1.051
Net Income/Total Equity	0.021	0.005
Net Income/Total Assets	0.013	0.003

POLISAN HOLDING: MATERIAL DISCLOSURES

Material disclosures in regards to the important developments that took place after the 1Q 2020 financial result announcement dated May 8, 2020 are as follows:

For other information, please see [2019 Annual Report](#)

POLISAN HOLDING: START OF PRODUCTION AT POLISAN KANSAI BOYA – 20.05.2020

Is This an Update Announcement?	Yes
Is This an Amendment Announcement?	No
Is This a Postponed Announcement?	No
Summary Information	Start of production of Polisan Kansai Boya at Dilovası Facilities

ADDITIONAL EXPLANATION:

As we had previously announced on April 6, 2020, Polisan Kansai Boya - Polisan Holding's JV – halted production as of 31 March at its production facilities, until a second decision.

In line with the increasing demand in the paint market, Polisan Kansai Boya started full-time production as of May 17, 2020 at the Dilovası Facility by taking all health precautions.

POLISAN HOLDING: START OF PRODUCTION AT POLISAN KANSAI BOYA – 16.06.2020

Is This an Update Announcement?	Yes
Is This an Amendment Announcement?	No
Is This a Postponed Announcement?	No
Summary Information	Start of production of Polisan Kansai Boya at GEBKIM Facilities

ADDITIONAL EXPLANATION:

As per our material disclosure dated April 6, 2020, we announced that Polisan Kansai Boya - Polisan Holding's JV – halted production as of 31 March at its production facilities, until a second decision.

In line with the increasing demand in the paint market, Polisan Kansai Boya started full-time production as of May 17, 2020 at the Dilovasi Facility by taking all health precautions. The Company also started production as of 15 June 2020 in the GEBKIM factory within the framework of same principles.

In this context, production in all the factories in our paint operations commenced and there is no production halt in the facilities in our other business lines.

DISCLAIMER

This Interim Operating 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.



THANK YOU

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