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

Polisan Holding A.Ş.

Consolidated financial statements for the year ended December 31, 2022 together with independent auditors' report

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Polisan Holding A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Polisan Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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. Key audit matters were addressed in the context of our independent 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.

Key Audit Matters	How the key audit matter was addressed in the audit
Valuation studies to determine the fair values of investment properties	
Investment properties with a carrying value of TL 1.386.089.000 that have a significant share in the Group's total assets as of 31 December 2022; consists of land, office and commercial units. The accounting policy adopted by the Group management in the accounting of the said investment properties is the fair value method, the details of which are explained in Notes 2 and 13, and the fair values of these assets are determined by an independent valuation firm accredited by the Capital Markets Board and the Group management's evaluations. It is then taken as the basis for carrying value in the balance sheet. In determining the fair values of investment properties, methods such as market value comparison and discounted cash flow are used, and these methods include inputs based on important assumptions such as real discount and inflation that may cause changes during the fair value determination. fair values; market conditions are directly affected by factors such as the detailed characteristics of each real estate. The study on the determination of the fair value of investment properties has been determined as a key audit matter, since the book value of investment properties constitutes a significant part of the Group's total assets, as well as the subjective nature of valuations, important assumptions and judgments.	During our audit, the following audit procedures were applied regarding the fair value of investment properties. • The procedures applied by the Group management in determining the fair value of investment properties have been evaluated. • The following procedures have been carried out by us in relation to the expert institution that carried out the valuation study: - The accredited real estate appraisal accreditation and license of the expert institution was checked. - The competence, capability and impartiality of the expert body were evaluated. • The title deed records and ownership rates of each investment property have been tested. • It is tested whether the appraised values are in an acceptable range by comparing the leasable area square meter information and unit rental values of the inputs in the valuation report, which have a significant impact on the determined real estate value, with the market prices whose consistency can be observed. • Inputs such as rental income, duration of lease agreements, occupancy rates and expenses, which are used in the valuation reports and have a significant impact on the real estate value, have been tested. • The assumptions used by the appraisers in their valuations, whether the appraised values such as inflation and real discount rate are within an acceptable range were evaluated together with our experts. • The compliance of the fair values in the valuation report with the footnotes has been checked, it has been evaluated whether the values in the footnotes are in agreement with the valuation reports and whether the footnote explanations are sufficient in terms of TFRS.

4. Other matters

The audit of the consolidated financial statements of the Group as of 31 December 2021 was performed by another independent audit firm, and a unqualified opinion was given in the independent auditor's report dated 7 March 2022 prepared by the said independent audit firm.

5. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group 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.

6. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

- Assess the 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 independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 1 March 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM
Partner

Istanbul, 1 March 2023

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Polisan Holding A.Ş.

Consolidated statement of financial position as of December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

Assets	Notes	Current period Audited December 31, 2022	Prior period Audited December 31, 2021
Current assets		**1.949.989.723**	**1.518.359.662**
Cash and cash equivalents	4	475.142.944	411.558.634
Financial investments	5	64.819.730	-
Trade receivables	7	765.114.968	631.609.052
- Trade receivables from related parties	31	*33.411.027*	*11.083.740*
- Trade receivables from third parties		*731.703.941*	*620.525.312*
Other receivables	8	26.769.069	35.864.309
- Other receivables from third parties	*31*	*26.769.069*	*35.864.309*
Inventories	9	534.728.068	390.050.880
Prepaid expenses	10	17.673.101	11.365.034
Current income tax assets	11, 29	3.214.037	323.346
Other current assets	21	62.527.806	30.495.937
Sub total		**1.949.989.723**	**1.511.267.192**
Assets held for sale	17	-	7.092.470
Non-current assets		**3.882.341.288**	**2.230.284.001**
Other receivables	8	932.996	771.600
- Other receivables from third parties		*932.996*	*771.600*
Investments accounted using the equity method	12	636.067.190	525.588.374
Investment properties	13	1.386.089.000	432.468.449
Tangible assets	15	1.432.302.104	1.117.109.118
Right of use assets	14	78.830.188	57.925.886
Intangible assets	16	3.070.587	2.832.859
Prepaid expenses	10	40.839.493	55.886.680
Deferred tax assets	29	304.209.730	33.605.146
Other non current assets		-	4.095.889
Total assets		**5.832.331.011**	**3.748.643.663**

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

Polisan Holding A.Ş.

Consolidated statement of financial position as of December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

Liabilities	Notes	Current period Audited December 31, 2022	Prior period Audited December 31, 2021
Current liabilities		**1.576.292.331**	**1.244.957.140**
Short term borrowings	6	176.953.872	185.074.837
Short term portion of long term borrowings	6	306.024.554	305.691.508
Trade payables	7	965.516.336	710.237.993
- Trade payables to related parties	31	*116.193*	*814.737*
- Trade payables to third parties		*965.400.143*	*709.423.256*
Employee benefit obligations	20	14.158.752	6.844.827
Other payables	8	8.680.246	6.503.245
- Other payables to related parties		*170.527*	-
- Other payables to third parties		*8.509.719*	*6.503.245*
Deferred income	10	10.990.356	6.707.749
Current income tax liabilities	29	36.694.099	6.289.029
Short term provisions	18	27.315.078	13.162.107
- Short term provisions for employee benefits		*24.759.205*	*10.210.126*
- Other short term provisions		*2.555.873*	*2.951.981*
Other current liabilities	21	29.959.038	4.445.845
Non-current liabilities		**330.487.043**	**456.805.502**
Long term borrowings	6	265.453.381	342.916.692
Long term provisions	20	31.134.272	16.471.786
- Provisions for employee termination benefits		*31.134.272*	*16.471.786*
Deferred tax liabilities	29	33.899.390	97.417.024
Equity		**3.925.551.637**	**2.046.881.021**
Equity holders of the parent		**3.925.551.637**	**2.046.881.021**
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		34.167.703	23.130.220
Other comprehensive income/expense not to be reclassified to profit or loss		715.506.254	473.513.987
- Revaluation and measurement gain / loss		715.506.254	473.513.987
Defined benefit plans re-measurement gain / (loss)		*(49.710.787)*	*(25.703.357)*
Tangible assets revaluation		*765.217.041*	*499.217.344*
Other comprehensive income or expense to be reclassified to profit/(loss)		(33.477.120)	(40.571.862)
- Currency translation differences		*(30.356.457)*	*(40.571.862)*
- Cash flow hedging losses		*(3.120.663)*	-
Restricted reserves		62.528.345	49.393.564
Other reserves	22	(208.727.832)	(208.727.832)
Retained earnings		963.846.745	710.241.103
Profit for the period		1.631.740.276	279.934.575
Total liabilities and equity		**5.832.331.011**	**3.748.643.663**

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

Polisan Holding A.Ş.

Consolidated statement of profit or loss for the period between January 1 - December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited January 1- December 31, 2022	Audited January 1- December 31, 2021
Profit and loss			
Revenue	23	4.196.524.092	1.969.277.074
Cost of sales (-)	23	(3.378.380.042)	(1.557.358.399)
Gross profit from commercial activities		**818.144.050**	**411.918.675**
Research and development expenses (-)	24	(13.840.507)	(6.732.021)
Marketing expenses (-)	24	(23.460.290)	(15.075.972)
General administrative expenses (-)	24	(186.052.007)	(106.007.340)
Other operating income	26	96.016.582	60.406.354
Other operating expenses (-)	26	(156.977.086)	(102.663.005)
Profit from investments accounted using the equity method	12	118.957.556	(15.353.659)
Operating profit		**652.788.298**	**226.493.032**
Income from investment activities	27	1.110.568.476	145.723.858
Expense from investment activities (-)	27	(43.389)	(11.265.761)
Operating profit before financial income/expense		**1.763.313.385**	**360.951.129**
Financial income	28	43.087.564	180.891.962
Financial expenses (-)	28	(181.237.537)	(240.362.071)
Profit before tax from continuing operations		**1.625.163.412**	**301.481.020**
Continuing operations tax income/expense			
- Current tax expense	29	(38.456.950)	(15.911.185)
- Deferred tax income	29	45.033.814	(5.635.260)
Profit for the period from continuing operations		**1.631.740.276**	**279.934.575**
Profit for the period attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		**1.631.740.276**	**279.934.575**
Earnings per share	30	**2,151**	**0,369**
-Earnings per share from continuing operations		2,151	0,369
-Earnings per share from discontinuing operations			-

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

Polisan Holding A.Ş.

Consolidated statement of other comprehensive income for the period between January 1 - December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited January 1- December 31, 2022	Audited January 1- December 31, 2021
Profit for the period		**1.631.740.276**	**279.934.575**
Other comprehensive income/(expenses):			
Items not to be reclassified to profit or loss		**253.029.750**	**14.465.984**
- Defined benefit plans re-measurement loss	20	(13.254.154)	(6.321.145)
- Defined benefit plans re-measurement losses, tax effect	*29*	*2.650.830*	*1.264.230*
- Tangible assets revaluation gain, tax effect (including deferred tax effect) (*)	*29*	*277.037.180*	*21.358.248*
- Defined benefit plans re-measurement loss of investments accounted by equity method	12	(16.755.133)	(2.294.186)
- Shares not to be classified in profit or loss from other comprehensive income of investments accounted by equity method, tax effect	12	3.351.027	458.837
- Defined benefit plans re-measurement loss of investments accounted by equity method, tax effect	12	*3.351.027*	*458.837*
Items to be reclassified to profit or loss		**7.094.742**	**(1.420.041)**
- Currency translation differences losses		2.169.376	(10.520.707)
- Cash flow hedging losses of investments valued by equity method	12	(3.900.829)	1.118.780
- Cash flow hedging losses of investments valued by equity method, tax effect	*12*	*780.166*	*(223.756)*
- Currency translation differences gain/(loss) of investments accounted using equity method	12	8.046.029	8.205.642
Other comprehensive income/(expense)		**260.124.492**	**13.045.943**
Total comprehensive income		**1.891.864.768**	**292.980.518**
Attributable to:			
Non-controlling interest		-	-
Equity holders of the parent		1.891.864.768	292.980.518

(*) 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. Company and group subsidiary Poliport Kimya Sanayi ve Ticaret A.Ş and Polisan Kimya Sanayi A.Ş. 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, 2022, 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.

(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, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

	Notes	Paid in share capital	Adjustment to share capital	Share premium	Other accumulated comprehensive income/ expense not to be classified to profit or loss — Revaluation and measurement gain / loss: Defined benefit plans re-measurement losses	Tangible assets revaluation increase	Other accumulated comprehensive income/ expense to be classified to profit or loss: Currency translation differences	Cash flow hedging losses	Restricted reserves	Other reserves	Accumulated profit: Retained earnings	Net profit	Total equity
Balance at January 1, 2021		**758.500.000**	**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	22	-	-	-	-	-	-	-	-	-	(10.000.000)	-	(10.000.000)
Transfers		-	-	-	-	-	4.000.277	-	-	-	-	-	4.000.277
Subsidiary acquisition or disposal(***)		-	-	-	-	-	-	-	1.095.672	-	125.519.900	(126.615.572)	-
Increase/(decrease) due to other changes (*)		-	-	-	-	(60.184.283)	-	-	-	-	64.015.095	-	3.830.812
Total comprehensive income		-	-	-	(6.892.264)	21.358.248	(2.315.065)	895.024	-	-	-	279.934.575	292.980.518
- Profit for the period		-	-	-	-	-	-	-	-	-	-	*279.934.575*	*279.934.575*
- Other comprehensive expense		-	-	-	*(6.892.264)*	*21.358.248*	*(2.315.065)*	*895.024*	-	-	-	-	*13.045.943*
December 31, 2021 balance		**758.500.000**	**1.467.266**	**23.130.220**	**(25.703.357)**	**499.217.344**	**(40.571.862)**	**-**	**49.393.564**	**(208.727.832)**	**710.241.103**	**279.934.575**	**2.046.881.021**
Balance at January 1, 2022		**758.500.000**	**1.467.266**	**23.130.220**	**(25.703.357)**	**499.217.344**	**(40.571.862)**	**-**	**49.393.564**	**(208.727.832)**	**710.241.103**	**279.934.575**	**2.046.881.021**
Dividends	22	-	-	-	-	-	-	-	-	-	(15.000.000)	-	(15.000.000)
Transfers resulting from the division of subsidiariesl(****)		-	-	11.037.483	-	(11.037.483)	-	-	-	-	1.805.848	-	1.805.848
Transfers to reserves and retained earnings		-	-	-	-	-	-	-	13.134.781	-	266.799.794	(279.934.575)	-
Total comprehensive income		-	-	-	(24.007.430)	277.037.180	10.215.405	(3.120.663)	-	-	-	1.631.740.276	1.891.864.768
- Profit for the period		-	-	-	-	-	-	-	-	-	-	*1.631.740.276*	*1.631.740.276*
-Other comprehensive expense(**)		-	-	-	*(24.007.430)*	*277.037.180*	*10.215.405*	*(3.120.663)*	-	-	-	-	*260.124.492*
December 31, 2022 balance		**758.500.000**	**1.467.266**	**34.167.703**	**(49.710.787)**	**765.217.041**	**(30.356.457)**	**(3.120.663)**	**62.528.345**	**(208.727.832)**	**963.846.745**	**1.631.740.276**	**3.925.551.637**

(*) It is related to reclassification of the revaluation increase amount in tangible assets revaluation fund as a result of the sale of lands (Dilovası OIZ land, Mimarsinan land and Balıkesir İvrindi-Savaştepe land)-property of a subsidiary of the Group, Polisan Kimya Sanayii 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. Company and group subsidiary Poliport Kimya Sanayi ve Ticaret A.Ş and Polisan Kimya Sanayi A.Ş. 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, 2022, 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 subsidiary of the company, Polisan Maroc, was sold on October 5, 2021 for 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.

(****) The subsidiary of the company, Polisan Kimya San. A.Ş.'s construction chemicals activities, with the same partnership structure, Polisan Yapıkim Yapı Kimyasalları San. ve Tic. A.Ş. ,the application made to be carried out under the company was registered by the Gebze Trade Registry Office on 30.09.2022 and the company establishment procedures were completed.

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

Polisan Holding A.Ş.

Consolidated statement of cash flows for the period between January 1- December 31, 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Audited January 1 - December 31, 2022	Audited January 1 - December 31, 2021
A. Cash flows from operating activities:		**614.177.868**	**319.519.305**
Profit/loss for the period		**1.631.740.276**	**279.934.575**
- Profit for the period from continuing operations		1.631.740.276	279.934.575
Adjustment for reconciliation of profit/loss for the period		**(893.830.686)**	**246.330.899**
Adjustments for depreciation and amortization expenses	14,15,16	87.457.339	75.353.074
Adjustments related to provisions		34.915.246	11.061.069
- Adjustments related to provisions (cancellations) for benefits provided to employees	*18,20*	*34.351.974*	*10.218.559*
- Adjustments to lawsuits and/or penalty provisions (cancellations)	*18*	*563.272*	*842.510*
Adjustments for profit/loss on sale of tangible assets	27	(26.589.782)	450.939
Adjustmets for profit/loss related to sale of investment property	27	(15.108.127)	(32.103.777)
Adjustments related to impairment *(cancellations)*		22.347.132	9.358.380
- Adjustments related to impairment of trade receivables (cancellations)	*7*	*13.808.357*	*9.561.848*
- Adjustments related to impairment of inventories (cancellations)	*9*	*8.538.775*	*(203.468)*
Adjustments related to undistributed profit/losses of investments accounted using the equity method	12	(118.957.556)	15.353.659
Adjustments to tax expense/income	29	(6.576.864)	21.546.445
Adjustments for interest income and expense		*(1.605.060)*	22.194.652
- Adjustments related to interest income	*27*	*(86.630.350)*	*(7.350.506)*
- Adjustments related to interest expenses	*28*	*86.715.509*	*29.899.206*
- Deferred financial income from deferred payment sale	*26*	*(1.690.219)*	*(354.048)*
Adjustments related for Increase in fair value		(978.873.851)	(105.816.815)
- Adjustments related to fair value loss/(gain) of investment property	*13, 27*	*(978.873.851)*	*(105.816.815)*
Adjustments for gains / losses arising from the disposal of subsidiaries or joint operations	27	-	7.883.305
Adjustments to income/expenses from participation/profit share and other financial instruments	27	-	(408.747)
Adjustment related to unrealized foreign currency translation differences		109.160.837	221.458.715
Changes in working capital		**(87.544.722)**	**(186.250.474)**
Adjustments for increase/decrease in trade receivables		(149.445.577)	(350.260.472)
Adjustments for increase/decrease in financial investments		(64.819.730)	15.525.362
Adjustments for increase/decrease in inventories		(155.641.266)	(244.529.928)
Adjustments for increase in other operational receivables		8.933.844	(21.901.283)
Adjustments for increase/decrease in prepaid expenses		8.739.120	(19.951.502)
Adjustments for increase/decrease in other assets related to operations		(27.935.980)	(14.742.287)
Adjustments for increase/decrease in trade payables		256.968.562	447.771.248
Adjustments for increase in other operational payables		2.177.001	(2.630.240)
Adjustments for increase/decrease in employee benefit obligations		7.313.925	2.532.350
Adjustments for increase/decrease in deferred income		4.282.607	1.016.223
Adjustments for increase/decrease in other operational liabilities		21.882.772	920.055
Cash flows from operating activities		**650.364.868**	**340.015.000**
Employee termination benefits paid	18,20	(19.284.447)	(9.184.997)
Tax payments/refunds		(15.943.173)	(11.310.698)
Other cash outflows	18	(959.380)	-
B. Cash flows from investing activities		**(176.518.348)**	**(37.688.647)**
Purchase of tangible/intangible assets	15,16	(333.179.536)	(117.236.231)
Proceeds from sale of tangible/intangible assets		29.669.411	84.815
Purchase of investment properties	13	(73.700)	(19.684.561)
Proceeds from sale of investment properties		40.435.127	82.013.997
Fixed asset disposal held for sale	17	-	7.863.378
Interest received		86.630.350	7.350.506
Cash inflows related to sales that will result in loss of control of subsidiaries	27	-	1.919.449
C. Cash flows from financing activities		**(374.075.210)**	**(158.743.118)**
Dividends paid	22	(15.000.000)	(10.000.000)
Cash inflows from borrowings obtained	6	628.881.050	487.386.747
Cash outflows related to loan repayment	6	(900.689.007)	(598.062.970)
Interest paid		(62.499.411)	(19.771.724)
Cash outflows from lease agreements	6	(24.767.842)	(18.295.171)
Net increase/decrease in cash and cash equivalents		**63.584.310**	**123.087.540**
Cash and cash equivalents at the beginning of the period	4	411.558.634	288.471.094
Cash and cash equivalents at the end of the period	4	475.142.944	411.558.634

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

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 Yapıkim Yapı Kimyasalları San. ve Tic. A.Ş.*

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

The average number of employees of the Company, it's subsidiaries and joint ventures for the year ended December 31, 2022 is 1.154 (December 31, 2021 – 1.306). 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.

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.

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

(*) Our subsidiary Poliport Kimya Sanayi A.Ş. ("Poliport") has merged with Polisan Yapı İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. ("Polisan Yapı") - another subsidiary within Polisan Holding - in accordance with the provisions of the Articles 136-158 of the Turkish Commercial Code and Articles 18-20 of the Corporate Tax Law on the basis of their financial statements dated January 31, 2022. The merger was realized by the acquisition of Polisan Yapı with all its assets and liabilities as a whole, without liquidation, by Poliport. The registration process has been completed.

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

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

-Polisan Yapıkim Yapı Kimyasalları San. ve Tic. A.Ş. ("Polisan Yapıkim"):

Operating activity of Polisan Kimya is construction chemicals.

Polisan Yapıkim was established in 2022 and company's registered office is located in Dilovası Organize Sanayi Bölgesi 1. Kısım Liman Cad. No: 7 Dilovası / Kocaeli.

Polisan Kimya's construction chemicals activities are carried out by Polisan Yapıkim Yapı Kimyasalları San. Ve Tic. A.Ş. with the same partnership structure, as of September 30, 2022.

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. .

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/Istanbul.

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 Içerenköy Mah. Umut Sok. No: 10/12 Kat: 3 Ataşehir/Istanbul. As of December 31, 2022 the average number of personnel employed by Rohm and Haas is 59 (December 31, 2021: 58).

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

Approval of the financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 1, 2023. The General Assembly has the authority to amend the consolidated financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Applicable financial reporting standards

The 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").

The consolidated financial statements prepared as of and for the period ended December 31, 2022 were approved in the Board of Directors meeting dated March 1, 2023. General assembly has the right to amend the financial statements prepared in accordance with the legal regulations and these consolidated financial statements.

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.

The consolidated financial statements are presented in accordance with the formats specified in the "Announcement on TMS Taxonomy" published by the POA on April 15, 2019, and the Financial Table Examples and User Guide published by the CMB.

2.1.2 Functional and presentation currency

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

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

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

The 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. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

2.1.3 Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiary operating abroad Turkey are adjusted to the TAS/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, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2022. 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 2022 are as follows.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021); As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from annual periods beginning on or after 1 January 2022.

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

2. Basis of presentation of financial statements (continued)

2.2 The new standards, amendments and interpretations (continued)

- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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 interim 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.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

- Amendment to IFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- Amendment to IAS 1 – Non current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

- IFRS 17, 'Insurance Contracts', as amended in December 2021; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

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

2. Basis of presentation of financial statements (continued)

2.3 Changes in accounting policies, estimates and errors

Any change in accounting policies resulting from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively.

As of 31 December 2022, provisions for unused vacation pay amounting to TL 2.354.195, which were classified under long-term provisions in the statement of financial position for the period ended 31 December 2021, were reclassified to short-term provisions in order to ensure consistency with the presentation of the current period financial statements.

2.4 Summary of significant accounting policies

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

Group accounting

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

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

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

As of December 31, 2022 and 2021 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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Polisan Kimya	100,00	100,00	100,00	100,00
Poliport	100,00	100,00	100,00	100,00
Polisan Hellas	100,00	100,00	100,00	100,00
Polisan Yapı	-	100,00	-	100,00
Polisan Yapıkim	100,00	-	100,00	-

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

(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, 2022 and December 31, 2021:

Title of the ownership	Type of ownership	Shares owned directly and indirectly by the Group (%)		Effective ownership rate (%)	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Polisan Kansai Boya	Joint venture	50,00	50,00	50,00	50,00
Tintomix	*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.

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,

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity),
(vi) The entity is controlled or jointly controlled by a person identified in (a),
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Financial instruments

Classification

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

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

Accounting and Measurement

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

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

Accounting and Measurement (continued)

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

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

(a) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held in banks with maturities of 3 months or less and other short-term liquid investments. Cash and cash equivalents used in consolidated statement of cash flows includes cash and cash equivalents with maturities of less than 3 months less accrued interest income.

(b) Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 1 year). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the provision is credited to other operating income.

If the amount of the impairment subsequently decreases due to partial/full collection, the release of the provision is credited to operating income in the current period.

2. Basis of presentation of financial statements (continued)

2.4 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.

2. Basis of presentation of financial statements (continued)

2.4 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.

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

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.

2. Basis of presentation of financial statements (continued)

2.4 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	3-24

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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

Investment property

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property".

Investment properties are measured at fair value and changes in fair value are recognized under statement of profit or loss. Fair value of an investment property is the price at which the property could be exchanged between or a payment of a debt between knowledgeable and willing parties in a market condition.

Assets held for sale

Non-current assets are classified as "assets held for sale" if their carrying amount will be recovered through a sale transaction rather using them and these assets are not depreciated. Assets held for sale are measured at the lower of carrying values and their fair values less costs to sell.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Impairment of non- financial assets

The carrying amounts of assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). At each reporting date, non-financial assets are reviewed for any possible impairment.

Financial leases

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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

Financial leases (continued)

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.

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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

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.

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

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, 2022	December 31, 2021(*)
USD	18,6983-18,7320	13,3290 - 13,3530
EURO	19,9349-19,9708	15,0867 - 15,1139
GBP	22,4892-22,6065	17,9667 - 18,0604

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

2. Basis of presentation of financial statements (continued)

2.4 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.

2. Basis of presentation of financial statements (continued)

2.4 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.

2. Basis of presentation of financial statements (continued)

2.4 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.

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-rebuilding 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.

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 599.232.052 (December 31, 2021: TL 509.338.825) as of December 31, 2022 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, 2022 are consistent with those applied in the preparation of the consolidated financial statements of December 31, 2021.

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, 2022 are consistent with those used in the preparation of financial statements for the year ended December 31, 2021.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, 2022 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.

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

2. Basis of presentation of financial statements (continued)

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.

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, 2022 and December 31, 2021, total assets and liabilities are as follows:

Assets	**December 31, 2022**	**December 31, 2021**
Chemical products	2.406.172.819	1.815.048.710
Port	2.481.314.702	927.583.095
Services	1.542.172.406	1.064.690.020
Real estate	-	407.673.311
Combined	**6.429.659.927**	**4.214.995.136**
Add: Carrying values of Joint Ventures (Note 12)	636.067.190	525.588.374
Less: Eliminations	(1.233.396.106)	(991.939.847)
Consolidated	**5.832.331.011**	**3.748.643.663**

Liabilities	**December 31, 2022**	**December 31, 2021**
Chemical products	1.559.379.481	1.268.619.697
Port	376.917.524	317.850.303
Services	133.721.560	134.330.381
Real estate	-	99.321.055
Combined	**2.070.018.565**	**1.820.121.436**
Less: Eliminations	(163.239.193)	(118.358.794)
Consolidated	**1.906.779.372**	**1.701.762.642**

(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, 2022:

	Chemical products	Port	Services	Combined	Plus: Joint venture sharing profits and loses	Consolidation adjustments	Consolidated
Revenue	3.655.339.249	616.590.779	486.497.563	**4.758.427.591**	-	(561.903.499)	**4.196.524.092**
- Intra segment revenue	3.550.315.914	604.923.699	35.824.293	**4.191.063.907**	-	5.460.186	**4.196.524.092**
- Inter segment revenue	105.023.335	11.667.080	450.673.270	**567.363.684**	-	(567.363.685)	**-**
Cost of sales (-)	(3.218.848.978)	(265.918.562)	(415.918.107)	**(3.900.685.647)**	-	522.305.605	**(3.378.380.042)**
Gross profit	**436.490.271**	**350.672.217**	**70.579.456**	**857.741.944**	**-**	**(39.597.894)**	**818.144.050**
Operational expenses/income, net	(183.176.336)	(95.068.439)	(3.145.598)	**(281.390.373)**	-	(2.922.935)	**(284.313.308)**
Loss from investments accounted using the equity method	-	-	-	-	118.957.556	-	**118.957.556**
Operating profit	**253.313.935**	**255.603.778**	**67.433.858**	**576.351.571**	**118.957.556**	**(42.520.829)**	**652.788.298**
Income / expenses from investment activities, net	59.043.853	1.010.623.658	443.267.111	**1.512.934.622**	-	(402.409.535)	**1.110.525.087**
Operating profit before financial income/expense	**312.357.788**	**1.266.227.436**	**510.700.969**	**2.089.286.193**	**118.957.556**	**(444.930.364)**	**1.763.313.385**
Financial income/(expenses),net	(67.639.247)	(82.577.167)	1.973.543	**(148.242.871)**	-	10.092.898	**(138.149.973)**
Profit before tax from continuing operations	**244.718.541**	**1.183.650.269**	**512.674.512**	**1.941.043.322**	**118.957.556**	**(434.837.466)**	**1.625.163.412**
Tax income/(expense), net	6.972.210	12.536.181	(21.440.059)	**(1.931.667)**	-	**8.508.531**	**6.576.864**
Profit for the period from continuing operations	**251.690.751**	**1.196.186.450**	**491.234.453**	**1.939.111.654**	**118.957.556**	**(426.328.934)**	**1.631.740.276**
Depreciation and amortization	29.131.260	56.196.185	6.954.926	**92.282.371**	-	(4.825.030)	**87.457.341**
Investment expenditures	171.804.031	238.820.497	(33.100.513)	**377.524.015**	-	(44.344.479)	**333.179.536**
Finance income	18.193.040	57.005.193	16.918.927	**92.117.160**	-	(5.486.810)	**86.630.350**
Finance expense	54.103.117	37.317.658	781.545	**92.202.319**	-	(5.486.810)	**86.715.509**

(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 loses	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**

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

4. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash in hand	30.652	35.100
Banks	475.112.292	411.523.534
- Demand deposits	*45.021.877*	*26.712.454*
- Time deposits	*430.090.415*	*384.811.080*
Total	**475.142.944**	**411.558.634**

No blockage exists on the cash and cash equivalents of the Group as of December 31, 2022 (December 31, 2021 - None).

As of December 31, 2022 details of time deposits are as follows:

Currency	Interest rate	Maturity	Foreign currency amount	TL equivalent
TL	23%-29%	3-32 days	281.790.001	281.790.001
USD	2,25%-3%	3-32 days	6.912.000	129.242.650
EURO	1,25%	3 days	956.000	19.057.764
Total				**430.090.415**

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**

5. Financial investments

	December 31, 2022	December 31, 2021
Currency Protected Deposit Account "CPDA"(*)	64.819.730	-
Total	**64.819.730**	**-**

(*)As of 31 December 2022, the annual average interest rate of currency protected deposits is 16%.

31 As of December 31, 2022 details of financial investments are as follows:

	Nominal value	Interest accruals	Fair value
CPDA	57.706.520	7.113.210	64.819.730
Total	**57.706.520**	**7.113.210**	**64.819.730**

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

6. Financial borrowings

	Interest rate	December 31, 2022	Interest rate	December 31, 2021
Short-term borrowings				
Bank borrowings				
- TL	15,75% - 24%	116.551.125	15,75% - 24,60%	151.129.762
- Euro	2,45% - 5,02%	60.402.747	2,25% - 4,00%	33.945.075
Total		**176.953.872**		**185.074.837**

	Interest rate	December 31, 2022	Interest rate	December 31, 2021
Short term portion of long term borrowings				
Bank borrowings				
- Euro	1,85% - 5,13%	277.052.004	2,25% - 4,00%	278.279.474
- TL	17,00%	16.690.282	17,00%	18.755.551
Financial leasings				
-TL	22,50%	12.032.849	22,50%	8.266.433
-Euro	2,25% - 3,00%	249.419	2,25% - 3,00%	390.050
Total		**306.024.554**		**305.691.508**

	Interest rate	December 31, 2022	Interest rate	December 31, 2021
Long-term borrowings				
Bank borrowings				
- Euro	2,25% - 4,00%	177.327.728	2,25 - 4,00%	265.429.814
- TL	17,00%	20.989.237	17,00%	31.476.282
Financial leasing obligations				
-TL	22,50%	66.170.387	22,50%	45.959.943
-Euro	1,9% - 5,13%	966.029	2,25% - 3,00%	50.653
Total		**265.453.381**		**342.916.692**

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

Maturity-Total bank borrowings	December 31, 2022	December 31, 2021
0 - 3 months	258.294.831	163.730.112
Between 3 - 6 months	74.174.823	127.052.539
Between 6 - 12 months	138.226.504	191.327.211
Between 1 - 2 years	153.203.626	209.217.906
More than 2 years	45.113.339	87.688.190
Total	**669.013.123**	**779.015.958**

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

6. Financial borrowings (continued)

Maturity- financial leasing obligations	December 31, 2022	December 31, 2021
0 - 3 months	2.761.496	1.638.196
Between 3 - 6 months	4.779.871	1.425.207
Between 6 - 12 months	4.740.901	5.593.080
Between 1 - 2 years	10.962.303	5.635.315
More than 2 years	56.174.113	40.375.281
Total	**79.418.684**	**54.667.079**

	December 31, 2022	December 31, 2021
Total bank borrowings as of January 1	**779.015.958**	**596.866.857**
Cash inflows from borrowing	628.881.050	487.386.747
Cash outflow from borrowing	(900.689.007)	(598.062.970)
Interest accrual	6.192.657	214.290
Foreign exchange and currency translation differences	155.612.465	292.611.034
Total bank borrowings as of December 31	**669.013.123**	**779.015.958**

	December 31, 2022	December 31, 2021
Total financial liabilities as of January 1	**54.667.079**	**48.680.406**
Additions	20.543.717	15.718.948
Disposals	(1.854.603)	-
Payments	(24.767.842)	(18.295.171)
Disposal from the scope of consolidation (*)	-	(147.359)
Effect of change in interest expenses	18.023.441	9.913.192
Changes in rental agreements	8.045.781	(1.202.937)
Translation difference	4.761.111	-
Total financial leasing as of December 31	**79.418.684**	**54.667.079**

(*)The subsidiary of the company, Polisan Maroc, was sold on October 5, 2021.

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

7. Trade receivable and payables

As of December 31, 2022 and December 31, 2021 the Group's trade receivables are as follows:

Trade receivables	**December 31, 2022**	**December 31, 2021**
Trade receivables	553.735.570	512.603.361
Notes and cheques receivables	248.955.713	162.969.632
Receivables from related parties (Note 31)	33.411.027	11.083.740
Sub total	**836.102.310**	**686.656.733**
Allowance for doubtful receivables (-)	(70.987.342)	(55.047.681)
Total	**765.114.968**	**631.609.052**

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, 2022 and December 31, 2021 are as follows:

	2022	**2021**
January 1	**55.047.681**	**44.371.606**
Provisions for doubtful receivables (Note 26)	26.714.992	13.560.414
Provisions no longer required (Note 26)	(12.906.635)	(3.998.566)
Effect of currency translation difference	2.131.304	2.613.972
Disposal from the scope of consolidation(*)	-	(1.499.745)
December 31	**70.987.342**	**55.047.681**

(*) The amount consisting of the sale of Polisan Maroc, a subsidiary of the company, on 5 October 2021.

As of December 31, 2022 and December 31, 2021 the aging of trade receivables are as follows:

Maturity	**December 31, 2022**	**December 31, 2021**
Past due	124.233.058	85.513.639
0-3 months	571.000.422	467.611.418
3-6 months	64.968.989	77.625.331
6-9 months	4.912.499	858.664
9-12 months	-	-
1-2 years	-	-
Total	**765.114.968**	**631.609.052**

As of December 31, 2022 letter of guarantees amounting to TL 124.233.058 (December 31, 2021: TL 85.513.639) has been received for the past due but not impaired trade receivables amounting to TL 79.363.475 (December 31, 2021: TL 31.654.875). Doubtful receivables are not included into the maturity details.

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

7. Trade receivable and payables (continued)

As of December 31, 2022 and December 31, 2021 the aging of the overdue but not impaired trade receivables are as follows:

	December 31, 2022	December 31, 2021
1-30 days past due	83.506.295	68.350.735
1-3 months past due	32.056.608	4.818.751
3-12 months past due	6.865.361	11.771.360
1-5 years past due	1.804.794	572.793
Total	**124.233.058**	**85.513.639**

Trade payables	December 31, 2022	December 31, 2021
Trade payables	967.317.697	709.650.591
Payables to related parties (Note 31)	116.193	814.737
Deferred financial expenses (-)	(1.917.554)	(227.335)
Total	**965.516.336**	**710.237.993**

8. Other receivable and payables

Short term other receivables	December 31, 2022	December 31, 2021
VAT and SCT receivable	26.506.274	5.137.965
Receivables from employees	166.738	44.816
Deposits and guarantees given	96.057	24.616.833
Other receivables from unrelated parties	-	6.064.695
Total	**26.769.069**	**35.864.309**

Long term other receivables	December 31, 2022	December 31, 2021
Deposits and guarantees given	932.996	771.600
Total	**932.996**	**771.600**

Short term other payables	December 31, 2022	December 31, 2021
Taxes and funds payable	8.245.479	6.343.506
Deposits and guarantees taken	264.240	159.739
Due to unrelated parties	170.527	-
Total	**8.680.246**	**6.503.245**

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

9. Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	119.814.273	99.867.927
Work in process	22.317.046	19.598.385
Finished goods	215.067.847	53.529.395
Merchandise	1.367.831	876.413
Goods in transit	178.561.852	213.229.054
Other inventories	12.734.216	7.120.625
Sub total	**549.863.065**	**394.221.799**
Provision for impairment of inventories (-)	(15.134.997)	(4.170.919)
Total	**534.728.068**	**390.050.880**

Movement of provision for impairment of inventories for the year ended December 31, 2022 and December 31, 2021 are as follows:

	2022	2021
January 1	**4.170.919**	**2.925.815**
Provisions booked during the period (Note 26)	11.005.362	774.263
Provisions no longer required (-)(Note 26)	(2.466.587)	(977.731)
Currency translation difference	2.425.303	1.448.572
December 31	**15.134.997**	**4.170.919**

As of December 31, 2022, the Group has no pledged inventory against its liabilities (December 31, 2021: None).

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

10. Prepaid expenses and deferred income

Prepaid expenses:

	December 31, 2022	December 31, 2021
Short term prepaid expenses		
Prepaid expense for the following months	12.283.793	10.142.578
Advances given for inventories	5.389.308	1.222.456
Total	**17.673.101**	**11.365.034**

	December 31, 2022	December 31, 2021
Long term prepaid expenses		
Advances given for tangible and intangible assets (*)	40.771.433	55.868.050
Prepaid expense for the following years	68.060	18.630
Total	**40.839.493**	**55.886.680**

(*) 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 is Polisan Kimya Sanayii A.Ş. paid by the sales promotion contract. Polisan Kimya Sanayii A.Ş. is not liable for the precautionary decision on immovable property. On behalf of the transfer was not possible yet. On the other hand, there is a letter of guarantee corresponding to the claim amount given by the other side of the contract to the Polisan Kimya Sanayii A.Ş, and related immovable is used in this frame.

Deferred income:

	December 31, 2022	December 31, 2021
Short term deferred income		
Advances taken	6.342.612	1.911.782
Short term deferred income	4.647.744	4.795.967
Total	**10.990.356**	**6.707.749**

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

11. Current income tax assets

As of December 31, 2022 and December 31, 2021 the Group's current income tax assets are as follows:

	December 31, 2022	December 31, 2021
Current income tax assets		
Prepaid taxes	3.214.037	323.346
Total	**3.214.037**	**323.346**

12. Investments accounted using the equity method

As of December 31, 2022 and 2021, the Group's investments accounted using equity the method are as follows:

	December 31, 2022		December 31, 2021	
	%	TL	%	TL
Joint venture				
Polisan Kansai Boya	50	599.232.052	50	509.338.825
Associate				
Rohm And Haas	40	36.835.138	40	16.249.549
Total		**636.067.190**		**525.588.374**

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, 2022 and 2021, the movements of the investments accounted using the equity method are as follows:

	2022	2021
January 1	**525.588.374**	**533.676.716**
Profit from investments accounted using the equity method	118.957.556	(15.353.659)
Effect of cash flow hedge	(3.120.663)	895.024
Effect of losses from defined benefit plans	(13.404.106)	(1.835.349)
Currency translation difference	8.046.029	8.205.642
December 31	**636.067.190**	**525.588.374**

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

12. Investments accounted using the equity method (continued)

The summary financial statements of the Group's investments accounted using the equity method as of December 31, 2022 and 2021 prepared in accordance with TFRS are as follows:

December 31, 2022 - Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	2.001.544.282	344.657.087
Non-current assets	1.270.823.444	122.847.850
Total assets	**3.272.367.726**	**467.504.937**
Short term liabilities	2.046.392.277	371.814.492
Long term liabilities	233.988.347	3.602.597
Total liabilities	**2.280.380.624**	**375.417.089**
Net assets	**991.987.102**	**92.087.848**
Reconciliation of carrying value:		
Ownership of the Group	%50	%40
Net asset share of the Group	495.993.552	36.835.138
Goodwill carried at Group level	103.238.500	-
Carrying value	**599.232.052**	**36.835.138**

December 31, 2021 - Condensed balance sheet information	Polisan Kansai Boya	Rohm and Haas
Current assets	1.356.937.547	305.473.955
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
Long term liabilities	294.814.117	3.995.447
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**

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

12. Investments accounted using the equity method (continued)

December 31, 2022 - Condensed income statement information	Polisan Kansai Boya	Rohm and Haas
Revenue	2.429.337.597	912.085.247
Depreciation and amortisation	(64.429.882)	(26.936.544)
Net financial income / (expense)	(163.109.029)	(20.912.918)
Net loss/profit for the period	212.835.991	31.348.901
Ownership of the Group	%50	%40
Net profit share of the Group	**106.417.996**	**12.539.560**

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)
Net financial income / (expense)	(112.350.751)	5.310.178
Net profit 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)**

13. Investment properties

	January 1, 2022	Additions	Disposals	Fair value increase	December 31, 2022
Cost					
Land	351.798.449	-	-	913.562.580	**1.265.361.029**
Buildings	80.670.000	73.700	(25.327.000)	65.311.271	**120.727.971**
Total	**432.468.449**	**73.700**	**(25.327.000)**	**978.873.851**	**1.386.089.000**

	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**

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.

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

13. Investments properties (continued)

	Method used	Level	December 31, 2022	December 31, 2021
Pendik plant	Sales price comparison	2	1.210.980.000	329.738.449
Kağıthane Z Office Building	Sales price comparison	2	120.199.000	80.485.000
Gebze-Tavşanlı	Sales price comparison	2	49.320.000	19.850.000
Other	Sales price comparison	2	5.590.000	2.395.000
			1.386.089.000	**432.468.449**

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 2022. 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 valuate 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, 2022 and December 31, 2021 is as follows:

	January 1, 2022	Additions	Changes in rental agreements	Disposals	Currency translation differences	December 31, 2022
<u>Cost</u>						
Buildings and Storage	6.873.328	3.510.361	1.867.918	(263.810)	157.989	12.145.786
Site rent	58.498.218	12.049.956	7.307.649	-	-	77.855.823
Vehicles	9.637.704	6.129.554	102.109	(1.004.278)	380.489	15.245.578
Total	**75.009.250**	**21.689.871**	**9.277.676**	**(1.268.088)**	**538.478**	**105.247.187**
<u>Accumulated Depreciation</u>						
Buildings and Storage	4.064.492	2.691.754	-	(222.985)	23.807	6.557.068
Site rent	10.155.964	2.547.184	445.923	-	-	13.149.071
Vehicles	2.862.908	4.498.775	-	(944.597)	293.774	6.710.860
Total	**17.083.364**	**9.737.713**	**445.923**	**(1.167.582)**	**317.581**	**26.416.999**
Net Value	**57.925.886**					**78.830.188**

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

14. Right of use asset (continued)

	1 January 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**

(*)The amount to be received from Polican Maroc.

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

15. Property, plant and equipment

The movement of property, plant, equipment and related accumulated depreciations for the periods ended December 31, 2022 and December 31, 2021 are as follows:

	January 1, 2022	Addition	Disposal	Foreign currency translation differences	Transfers(***)	December 31, 2022
Cost						
Land	242.412.913	15.233.869	-	6.554.321	7.216.962	271.418.065
Land improvements	2.641.395	138.116	(51.102)	-	100.710	2.829.119
Buildings	136.823.215	3.153.740	(1.514.670)	30.375.594	2.159.352	170.997.231
Machinery, equipment and moulds	162.281.262	19.709.619	(85.939)	26.407.704	2.303.331	210.615.977
Port facility (*)	598.253.736	172.974.659	-	-	-	771.228.395
Motor vehicles	5.897.300	79.395	(3.295.995)	205.644	-	2.886.344
Furniture and fixtures	25.772.249	3.600.761	(911.472)	2.499.200	-	30.960.738
Other tangible assets	3.304.198	27.500	-	-	-	3.331.698
Leasehold improvements	16.842.442	309.454	-	-	268.615	17.420.511
Construction in progress(**)	99.164.842	116.158.438	-	730.134	(4.956.500)	211.096.914
Total	**1.293.393.552**	**331.385.551**	**(5.859.178)**	**66.772.597**	**7.092.470**	**1.692.784.992**
Accumulated depreciation						
Land improvements	254.697	225.314	(1.498)	-	-	478.513
Buildings	4.733.879	5.706.113	(35.599)	1.718.372	-	12.122.765
Machinery, equipment and moulds	94.430.815	18.391.447	(6.840)	7.317.962	-	120.133.384
Port facility (*)	46.256.973	45.113.414	-	-	-	91.370.387
Motor vehicles	4.786.171	477.892	(2.038.264)	179.217	-	3.405.016
Furniture and fixtures	15.520.945	3.442.148	(697.351)	1.618.834	-	19.884.576
Other tangible assets	2.776.464	291.301	-	-	-	3.067.765
Leasehold improvements	7.524.490	2.495.992	-	-	-	10.020.482
Total	**176.284.434**	**76.143.621**	**(2.779.552)**	**10.834.385**	**-**	**260.482.888**
Net value	**1.117.109.118**					**1.432.302.104**

On the properties registered on Polisan Holding and Polisan Kimya, there is a deed of restriction of rent and right of eminent domain of Türkiye Elektrik Kurumu A.Ş.; a deed of restriction of car park of İ.E.T.T Genel Müdürlüğü; a deed of restriction of expropriation and rent for pipeline construction of Botaş A.Ş. and a deed of restriction of rent and right of eminent domain of Türkiye Elektrik Kurumu Genel Müdürlüğü. The deeds of restrictions registered on Companies are related to the construction of power generation, car park and pipeline projects. Remaining deed of restrictions is arising from land purchase rights.

(*) 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.
(***) Aydın-Karacasu land which is one of the assets held for sale of the group subsidiary Polisan Kimya, is reclassed as fixed assets as of 31.12.2022

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

15. Property, plant and equipment (continued)

	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 İ.E.T.T Genel Müdürlüğü; a deed of restriction of expropriation and rent for pipeline construction of Botaş A.Ş. and a deed of restriction of rent and right of eminent domain of Türkiye Elektrik Kurumu Genel Müdürlüğü. The deeds of restrictions registered on Companies are related to the construction of power generation, car park and pipeline projects. Remaining deed of restrictions is arising from land purchase rights.

(*) 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, a subsidiary of the company, was sold on October 5, 2021

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

15. Property, plant and equipment (continued)

Fair value determination of Port facility

The highest and best use of Port facility is the basis of measurement of the fair value of this asset. The fair value determination of this asset was performed as of December 31, 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.

		If increases	**If decreases**
	Sensitivity analysis	**Equity effect on fair value (TL)**	**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, 2022 and December 31, 2021 is as follows:

	January 1, 2022	**Addition**	**Foreign currency translation differences**	**December 31, 2022**
Cost				
Rights	1.413.383	-	-	**1.413.383**
Other intangible assets (*)	8.273.908	1.793.985	25.052	**10.092.945**
Total	**9.687.291**	**1.793.985**	**25.052**	**11.506.328**
Accumulated amortization				
Rights	659.361	-	-	**659.361**
Other intangible assets (*)	6.195.071	1.576.007	5.302	**7.776.380**
Total	**6.854.432**	**1.576.007**	**5.302**	**8.435.741**
Net Value	**2.832.859**			**3.070.587**

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

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

16. Intangible assets (continued)

		January 1, 2021	Addition	Transfers	Disposals	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.
(**) The subsidiary of the company, Polisan Maroc, was sold on October 5, 2021.

17. Assets held for sale

The movement of assets held for sale for the periods ended December 31, 2022 and December 31, 2021 is as follows:

	December 31, 2022	December 31, 2021
Land (*)	-	7.092.470
Total	**-**	**7.092.470**

(*) Aydın-Karacasu land which is one of the assets held for sale of the group subsidiary Polisan Kimya, is reclassed as fixed assets as of 31.12.2022

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

18. Short-term provisions, contingent assets and liabilities

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

	December 31, 2022	December 31, 2021
Bonus provisions	18.548.733	7.855.931
Provision for vacation pay liability	6.210.472	2.354.195
Lawsuit provisions	2.555.873	2.951.981
Toplam	**27.315.078**	**13.162.107**

As of December 31, 2022 and December 31, 2021, the movement of provision for bonus is as follows:

	2022	2021
January 1	**7.855.931**	**2.660.342**
Write off	(4.640)	(100.002)
Current period provision expenses	18.548.733	7.855.931
Payments (-)	(7.851.291)	(2.560.340)
December 31	**18.548.733**	**7.855.931**

As of December 31, 2022 and December 31, 2021, the movement of provision for vacation pay liability is as follows:

	2022	2021
January 1	**2.354.195**	**1.861.263**
Current period provision expenses	3.856.277	492.932
December 31	**6.210.472**	**2.354.195**

As of December 31, 2022 and December 31, 2021, the movement of provision for litigation is as follows:

	2022	2021
January 1	**2.951.981**	**2.109.471**
Current period provision expenses (Note 26)	563.272	976.509
Write off	(456.011)	(133.999)
Payments (-)	(503.369)	-
December 31	**2.555.873**	**2.951.981**

18.2 Lawsuits and disputes

1) The ongoing lawsuits filed by the Group:

As of December 31, 2022, total amount of ongoing lawsuits and execution proceedings filed by the Group is TL 118.149.083 (December 31, 2021: TL 74.842.161). The Group has booked an allowance amounting to TL 70.987.342 (December 31, 2021: TL 55.047.681) 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, 2022, total amount of the ongoing lawsuits filed against the Group is TL 2.555.873 (December 31, 2021: TL 2.951.981).

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

18.3 Pledges and guarantees given/received:

1) CPMB's given

Collaterals, pledges, mortgages, bills given by the Company (TL)	December 31, 2022	December 31, 2021
A. Total amount of CPMB's given in the name of its own legal personality	669.013.123	779.015.958
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	257.337.854	246.101.616
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.	-	
	926.350.977	**1.025.117.574**

(1) Consists guarantees given for bank loan agreements.

The ratio of other CPMB's given by the Group to its equity is 0%, as of December 31, 2022 (December 31, 2021 - 0%).

As of December 31, 2022 and December 31, 2021 the details of the CPMB's given by the Group is listed below;

					December 31, 2022
	Foreign currency USD Amount	**Foreign currency Euro Amount**	**Foreign currency TL equivalent**	**TL amount**	**Total TL**
Bill of guarantee	-	25.823.178	514.782.478	154.230.645	669.013.123
Letter of guarantee	-	6.031.500	120.237.349	136.860.505	257.097.854
Guarantee checks	-	-	-	240.000	240.000
Total	**-**	**31.854.678**	**635.019.827**	**291.331.150**	**926.350.977**

					December 31, 2021
	Foreign currency USD Amount	**Foreign currency Euro Amount**	**Foreign currency TL equivalent**	**TL amount**	**Total TL**
Bill of guarantee	-	38.288.981	577.654.363	201.361.595	779.015.958
Letter of guarantee	-	8.522.127	128.570.766	117.290.850	245.861.616
Guarantee checks	-	-	-	240.000	240.000
Total	**-**	**46.811.108**	**706.225.129**	**318.892.445**	**1.025.117.574**

2) CPMBs received

					December 31, 2022
	Foreign currency USD Amount	**Foreign currency Euro Amount**	**Foreign currency TL equivalent**	**TL amount**	**Total TL**
Letter of guarantee	20.000	9.083.400	181.450.637	53.671.300	235.121.937
Mortgages	-	-	-	34.990.875	34.990.875
Guarantee notes	100.000	27.300	2.414.053	3.200.000	5.614.053
Total	**120.000**	**9.110.700**	**183.864.690**	**91.862.175**	**275.726.865**

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

18. Short-term provisions, contingent assets and liabilities (continued)

18.3 Pledges and guarantees given/received (continued)

2) CPMBs received (continued)

					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**

The Group has no right to sell or revaluate its CPMBs as a guarantee, pledge or mortgage unless the owner of the guarantee fails to meet its financial obligations (December 31, 2021: None).

The annotations and restrictions on the real estates of the Group as of December 31, 2022 are as follows:

Endorsee	Real estate	Annotation Description	Date
Polisan Kimya:			
Gebze Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.04.2002
Gebze Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	18.05.2004
Gebze 1. Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	12.11.2015
Gebze 2. Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	29-07-2021
Gebze 2. Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	27.08.2013
Gebze 2. Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	17.07.2014
Gebze 2. Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	06.09.2018
Gebze 3. Sulh Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of law the dividing up of an undivided property	05.03.2021
Gebze 1. Asliye Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	25.07.2017
Gebze 1. Asliye Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	30.11.2016
Gebze 2. Asliye Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	30.11.2016
Gebze 5. Asliye Hukuk Mahkemesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of case	18.02.2020
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	21.04.2016
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	18.07.2014
Kocaeli Büyükşehir Belediyesi	Land- Tavşanlı Köyü Gebze/Kocaeli	Dead of protection area	04.05.2021
İzmit Su ve Kanalizasyon İdaresi	Land- Tavşanlı Köyü Gebze/Kocaeli	Servitude	27.04.2017
Türkiye Elektrik İletim A.Ş.	Land- Tavşanlı Köyü Gebze/Kocaeli	Servitude	27.05.2008
Karayolları Genel Müdürlüğü	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	19.01.2017
Karayolları Genel Müdürlüğü	Land- Tavşanlı Köyü Gebze/Kocaeli	Deed of restriction of expropriation	06.12.2018
Dilovası Belediyesi	Land-Muallim-2 Mah.Dilovası/Kocaeli	Deed of restriction of expropriation	21.04.2008
Dilovası Belediyesi	Land-Muallim-2 Mah.Dilovası/Kocaeli	Expropriation annotation renewal	30.01.2009
Dilovası Belediyesi	Land-Muallim-2 Mah.Dilovası/Kocaeli – Truck park	Confiscation	20.10.2022
Rohm and Haas Kimya Sanayi Ltd. Şti.	Factory building and land - Muallim-2 Mah.Dilovası/Kocaeli	Servitude	05.10.2007
Polisan Yapı:			
Istanbul Su ve Kanalizasyon İdaresi	Building-Kağıthane ilçesi Kağıthane/İstanbul	Servitude - Indefinite, Free of charge	17.07.2014
Türkiye Elektrik Kurumu Genel Md	Building -Kağıthane ilçesi Kağıthane/İstanbul	Deed of restriction of rent	03.07.1987
Türkiye Elektrik Kurumu Genel Md	Building -Kağıthane ilçesi Kağıthane/İstanbul	Deed of restriction of rent	06.08.2012
Türkiye Elektrik Kurumu Genel Md	Building -Kağıthane ilçesi Kağıthane/İstanbul	Deed of restriction of rent	03.04.2014
Istanbul Anadolu 11.Asliye Hukuk Mahkemesi	Land- Şeyhli Mahallesi, Pendik/İstanbul	Annotation, Final Decision of the Court	18.07.2017
DAP Yapı İnşaat San. ve Tic. Ltd. Ştd.	Land- Şeyhli Mahallesi, Pendik/İstanbul	Construction right in return for flat	30.03.2015
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. Dilovası/Kocaeli	Servitude	30.12.2015

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

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 22.313.999.

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 9 investment incentive certificates as of December 31, 2022. 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 43.859.244 and TL 203.919.652 from investment incentives. The investment incentive tax advantage that the Group has accounted in the total consolidated financial statements is TL 247.778.896 (Note 29).

20. Employee benefits

Short term employee benefits obligations

	December 31, 2022	December 31, 2021
Employee benefit obligations		
Social security premiums payable	9.317.427	3.662.522
Taxes and duties payable	2.991.516	1.967.225
Payables to personnel	1.849.809	1.215.080
Total	**14.158.752**	**6.844.827**

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

20. Employee benefits (continued)

Long term provisions for employee benefits

Long term employee benefits	December 31, 2022	December 31, 2021
Provisions for employee termination benefits	31.134.272	16.471.786
Total	**31.134.272**	**16.471.786**

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 15.371,40 as of December 31, 2022 (December 31, 2021: TL 8.284,51).

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, 2022, 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, 2021, the provision has been calculated by taking into consideration a real discount rate of 3,95% (December 31, 2021: 3,95% 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 96,06% (December 31, 2021: 91,01%) 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%.

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

20. Employee benefits (continued)

The movement of the severance payment provision of the Group for the periods ended December 31, 2022 and December 31, 2021 is as follows:

	2022	2021
January 1	**16.471.786**	**13.735.562**
Payments	(11.433.156)	(6.624.657)
Interest cost	2.998.179	1.497.578
Current year service cost	8.948.785	1.537.463
Actuarial loss	13.254.154	6.321.145
Write off (Note 26)	-	(1.065.343)
Currency translation differences	894.524	1.070.038
December 31	**31.134.272**	**16.471.786**

Sensitivity analysis of significant assumptions used in the calculation of provision for employee termination benefits as of December 31, 2022 is as follows:

		Interest rate
	1% increase	1% decrease
Changes in provisions for employee termination benefits	2.859.495	(2.517.958)

		Inflation rate
	1% increase	1% decrease
Changes in provisions for employee termination benefits	(2.415.765)	2.777.514

21. Other assets and liabilities

Other current assets of the Group as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022	December 31, 2021
Other current assets		
Deferred VAT	62.017.821	29.701.932
Other assets	509.985	794.005
Total	**62.527.806**	**30.495.937**

	December 31, 2022	December 31, 2021
Short term other liabilities		
Accrued expenses	23.447.484	1.739.602
Taxes payable	6.511.554	2.706.243
Total	**29.959.038**	**4.445.845**

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

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, 2022 and December 31, 2021 the Group's partnership structure is as follows:

	December 31, 2022		December 31, 2021	
	Share (%)	**Amount**	**Share (%)**	**Amount**
Mehmet Emin Bitlis	22,72	172.354.218	22,72	172.354.218
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
Public Shares (*)	21,64	164.151.655	21,64	164.151.655
	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, 2022, the Group's shareholders no hold of the shares in the publicly traded shares (As of December 31, 2021 Group's shareholders hold 5,11% of public shares).

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 01 April 2022; it’s been decided to make dividend payment amounting to 15.000.000, based on the net distributable profit after deduction of TL 936.977,74 legal reserves calculated over legal records and addition of TL 1.183.124 donations and contributions into the consolidated profit calculated based on CMB Communiqué Serial: II, No 14.1. (2021 - TL 10.000.000).

Dividends

In 2022, The Company has distributed dividends amounting to TL 15.000.000 (2021 - TL 10.000.000) from the distributable profit for the year 2021 to the shareholders. The amount of dividend per share is TL 0,020 (December 31, 2021- 0,013 TL).

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.

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

23. Revenue and cost of sales

Details regarding to sales and cost of sales for the periods ended December 31, 2022 and 2021 are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Domestic sales	**3.087.746.481**	**1.516.608.063**
- *Chemical products*	*2.698.117.416*	*1.312.472.796*
- *Port*	*347.688.597*	*189.166.330*
- *Services*	*41.940.468*	*13.677.602*
- *Real Estate*	-	*1.291.335*
Foreign sales	**1.121.449.841**	**459.313.189**
- *Chemical products*	*859.543.382*	*359.442.131*
- *Port*	*261.906.459*	*99.871.058*
Gross sales	**4.209.196.322**	**1.975.921.252**
Sales returns	(7.348.362)	(5.073.365)
Sales discounts	(526.457)	(693.861)
Other discounts	(4.797.411)	(876.952)
Sales deductions (-)	**(12.672.230)**	**(6.644.178)**
Net sales	**4.196.524.092**	**1.969.277.074**

Cost of sales	January 1 - December 31, 2022	January 1 - December 31, 2021
Direct raw material and supply expenses	2.622.613.318	1.226.523.970
Direct labour expenses (Note 25)	37.014.366	22.356.676
Production overheads	438.616.576	139.927.748
Depreciation and amortization (Note 25)	18.317.561	14.032.128
Changes in work in process inventory		
- Opening inventories	19.598.385	6.186.589
- Closing inventories	(22.317.046)	(19.598.385)
Changes in finished goods inventory		
- Opening inventories	53.529.395	33.150.326
- Closing inventories	(215.067.847)	(53.529.395)
Cost of goods sold	**2.952.304.708**	**1.369.049.657**
- Inventories at the beginning of the period	876.413	726.356
- Purchases during the period	89.751.420	14.720.693
- Inventories at the end of the period	(1.367.831)	(876.413)
Cost of merchandise sold	**89.260.002**	**14.570.636**
Personnel expenses (Note 25)	77.530.958	43.437.918
Other service expenses	192.857.151	73.791.646
Depreciation and amortization (Note 25)	54.891.368	52.633.759
Cost of services rendered	**325.279.477**	**169.863.323**
Cost of other sales	11.535.855	3.874.783
Total cost of sales	**3.378.380.042**	**1.557.358.399**

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

24. General administrative, marketing, research and development expenses

The Group's operating expenses for the periods ended December 31, 2022 and 2021 are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Research and development expenses		
Personnel expenses (Note 25)	11.480.214	5.602.247
Business development, project expenses	693.645	379.276
Depreciation expenses (Note 25)	375.349	70.489
Consulting expenses	266.128	213.813
Travel expenses	191.250	24.900
Other	833.921	441.296
Total	**13.840.507**	**6.732.021**

	January 1 - December 31, 2022	January 1 - December 31, 2021
Marketing expenses		
Personnel expenses (Note 25)	13.462.140	6.529.524
Sample expenses	1.454.061	896.094
Travel expenses	1.212.189	631.341
Depreciation expenses (Note 25)	1.173.905	1.850.763
Repair and maintenance costs	1.102.564	813.622
Vehicle expenses	1.095.506	595.840
Transport and storage expenses	951.408	852.296
Taxes, duties and charges	830.105	347.160
Advertising, fairs, organizations, stands and promotion	605.488	523.008
Consulting expenses	450.570	761.924
Insurance expenses	394.993	166.112
Hospitality expenses	319.185	579.481
Commission expenses	207.849	128.332
Communication expenses	49.407	71.729
Other	150.920	328.746
Total	**23.460.290**	**15.075.972**

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

24. General administrative, marketing, research and development expenses (continued)

	January 1 - December 31, 2022	January 1 - December 31, 2021
General administrative expenses		
Personnel expenses (Note 25)	101.161.859	56.928.721
Consulting and legal expenses	17.414.051	12.311.141
Depreciation expenses (Note 25)	12.699.158	6.765.935
Insurance expenses	10.143.789	7.085.803
Cleaning expenses	6.047.854	2.376.926
Hospitality expenses	5.995.243	1.395.579
Data processing and communication expenses	5.101.366	2.179.002
Taxes, duties and charges	4.531.229	4.554.123
Vehicle expenses	4.152.938	1.619.628
Travel expenses	1.814.538	383.080
Rent expenses	1.169.643	673.687
Subscriber fees and expenses	1.116.783	962.615
Contributions and donations	918.156	1.183.124
Repair and maintenance costs	781.282	236.537
Office expenses	668.337	426.189
Other	12.335.781	6.925.250
Total	**186.052.007**	**106.007.340**

25. Expenses by nature

	January 1 - December 31, 2022	January 1 - December 31, 2021
Depreciation and amortization		
Cost of goods and services rendered	54.891.368	52.633.759
Cost of products sold	18.317.561	14.032.128
General administrative expenses	12.699.158	6.765.935
Marketing expenses	1.173.905	1.850.763
Research and development expenses	375.349	70.489
Total	**87.457.341**	**75.353.074**

	January 1 - December 31, 2022	January 1 - December 31, 2021
Personnel expenses		
General administrative expenses	101.161.859	56.928.721
Cost of goods sold and services rendered	77.530.958	43.437.918
Cost of products sold	37.014.366	22.356.676
Marketing expenses	13.462.140	6.529.524
Research and development expenses	11.480.214	5.602.247
Total	**240.649.537**	**134.855.086**

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

26. Other income and expenses from operations

The Group's other income / expenses from operations for the periods ended December 31, 2022 and 2021 are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Other operating income		
Foreign exchange gains	64.168.803	42.084.572
Cancellation of provisions for doubtful receivables (Note 7)	12.906.635	3.998.566
Scrap sales income	5.625.010	4.290.009
Rent income	2.872.627	2.032.294
Cancellation of provisions for inventory impairment (Note 9)	2.466.587	977.731
Deferred financial income	1.690.219	354.048
Incentive income	710.956	1.136.156
Cancellation of provisions of litigation expenses	514.667	-
Insurance indemnity income	376.625	1.997.961
Cancellation of provisions for employee termination	-	1.065.343
Other	4.684.453	2.469.674
Total	**96.016.582**	**60.406.354**

	January 1 - December 31, 2022	January 1 - December 31, 2021
Other operating expenses		
Foreign exchange losses	89.913.604	85.156.929
Provision for doubtful receivables (Note 7)	26.714.992	13.560.414
Provision for inventory impairment (Note 9)	11.005.362	774.263
Litigation provisions (Note 18)	563.272	976.509
Other	28.779.856	2.194.890
Total	**156.977.086**	**102.663.005**

27. Income and expenses from investment activities

The Group's income and expenses from investing activities for the periods ended December 31, 2022 and 2021 are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Income from investment activities		
Gain on revaluation of investment properties (Note 13)	978.873.851	105.816.815
Interest income	86.630.350	7.350.506
Gain on sale of fixed assets	26.611.586	44.013
Gain on sale of investment properties	15.108.127	32.103.777
Foreign exchange gains from investment activities	3.344.562	-
Gain on securities for trading purposes	-	408.747
Total	**1.110.568.476**	**145.723.858**

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

27. Income and expenses from investment activities (continued)

	January 1 - December 31, 2022	January 1 - December 31, 2021
Expenses from investment activities		
Fixed asset sales loss	21.804	494.952
Foreign exchange loses from investment activities	21.585	-
Subsidiaries sales loss(*)	-	7.883.305
Commission expenses	-	2.887.504
Total	**43.389**	**11.265.761**

(*) Polisan Maroc, a subsidiary of the company, was sold on October 5, 2021 for 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, 2022 and 2021 are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Financial income		
Foreign exchange gains	42.785.848	180.891.962
Interest income	301.716	-
Total	**43.087.564**	**180.891.962**

	January 1 - December 31, 2022	January 1 - December 31, 2021
Financial expenses		
Interest expenses	86.715.509	29.899.206
Foreign exchange losses	68.345.775	205.507.270
Bank charges and pos expenses	13.164.858	2.002.327
Letters of guarantee commission expenses	13.011.395	2.953.268
Total	**181.237.537**	**240.362.071**

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

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 23%. (However, it will be applied as 20% for the corporate earnings of the institutions for the 2023 taxation periods.). 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 23% (will be applied as 20% for 2023 and later 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% (2021: 22%).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.

10% 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 allow for parent company and consolidated companies to fill out a consolidated tax return. Therefore, tax provisions reflected in consolidated financial statements have been separately calculated on the company basis.

Corporate income tax liability accounted in statement of the financial position as of December 31, 2022 and December 31, 2021 is as below:

Current income tax liability	**December 31, 2022**	**December 31, 2021**
Current tax expense	38.456.950	15.911.185
Currency translation differences	(1.762.037)	-
Current income tax liabilities	**36.694.099**	**15.911.185**
Prepaid taxes	(3.214.037)	(9.945.502)
Corporate tax payable	**33.480.062**	**5.965.683**

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 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 Company 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 23% over profits declared for interim periods in order to be deducted from the final corporate tax. (December 31, 2021: 25%)

As of December 31, 2022 and December 31, 2021, 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.

In the deferred tax calculation for the period of 1 January-31 December 2021; Deferred tax assets or liabilities included in the measurement heading of TAS-12 "Income Taxes" standard are based on tax rates (and tax laws) that are in effect or nearly effective as of the end of the reporting period, and tax rates expected to be applied in the periods when assets are converted into income or liabilities are paid. calculated using the In the deferred tax calculation of the Company and its subsidiaries in Turkey, 23% for short-term assets and liabilities and 20% for long-term assets and liabilities for 2022 are recorded.

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.

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

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

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements in accordance with TAS/TFRS and its statutory tax financial statements. These differences usually arise from the recognition of some revenue and expense items in different reporting periods for TAS / TFRS and tax purposes and these differences are given below.

		December 31, 2022		December 31, 2021
	Cumulative differences	Asset/ (liability)	Cumulative differences	Asset/ (liability)
Property, plant and equipment and intangible assets	194.713.628	(23.793.485)	1.014.977.011	(179.742.177)
Finance income which is not accrued	1.917.554	(441.037)	227.335	(52.287)
Provision for employee termination benefits	(31.134.272)	6.226.854	(16.471.786)	3.339.428
Unused vacation pay liability	(6.210.472)	1.242.094	(2.354.195)	470.839
Provision for doubtful receivables	(18.214.745)	3.841.064	(18.295.448)	3.733.536
Adjustment for inventories	4.177.767	(533.662)	(4.216.718)	910.214
Available financial losses	(1.570.771)	314.762	(15.467.369)	3.093.474
Income from investment incentive and R&D discount (*)	(1.238.894.481)	247.778.896	(415.005.365)	83.001.073
Litigation provision	(2.555.873)	511.175	(2.951.981)	590.396
Write off foreign exchange differences on advances	(138.774.600)	27.754.920	(91.501.200)	18.300.240
Other	(37.599.925)	7.408.759	(11.649.902)	2.543.386
Deferred tax liability, net		**270.310.340**		**(63.811.878)**
Deferred tax asset		304.209.730		33.605.146
Deferred tax liability		(33.899.390)		(97.417.024)
Deferred tax liability, net		**270.310.340**		**(63.811.878)**

(*) The Group's subsidiaries has three investment incentive certificates including, Poliport Kimya tank incentive (528259), Polisan Kimya Samsun facilities incentive (A / 131376), Polisan Kimya new Resin Plant incentive (515368).

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

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

The movements of Group's deferred tax assets/liabilities are as follows;

	2022	2021
January 1	**(63.811.878)**	**(83.431.185)**
Deferred tax expense of continuing operations	45.033.814	(5.635.260)
Deferred tax effect of defined benefical plans	2.650.830	1.264.230
Deferred tax effect of revaluation of tangible asset (*)	290.837.369	21.358.248
Tax effect of fixed asset disposal	-	3.830.810
Exit from the scope of consolidation (**)	-	(207.476)
Currency translation differences	(4.399.795)	(991.245)
December 31	**270.310.340**	**(63.811.878)**

(*) 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. Company and group subsidiary Poliport Kimya Sanayi ve Ticaret A.Ş and Polisan Kimya Sanayi A.Ş., VUK 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, 2022, 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 subsidiary of the company, Polisan Maroc, was sold on October 5, 2021

The tax income/(expense) of the Group recognized in statement of profit or loss is as follows;

Tax expense/(income)	January 1 - December 31, 2022	January 1 - December 31, 2021
Tax expense for the period	(38.456.950)	(15.911.185)
Deferred tax income	45.033.814	(5.635.260)
Total	**6.576.864**	**(21.546.445)**

The tax reconciliation of the Group as of December 31, 2022 and 2021 is as below;

	January 1 - December 31, 2022	January 1 - December 31, 2021
Profit before tax	1.625.163.412	301.481.020
Calculated tax expense 23% - 22%		
Tax effect:	(373.787.584)	(75.370.255)
- Effect of non-tax deductible expenses	(6.254.363)	(5.923.658)
Effect of revenue to be deducted	110.871.929	3.201.423
Effect of investments accounted using the equity method	27.360.238	(3.838.415)
Investment incentive income	164.777.823	36.576.972
Cash capital discount used in the current period for which no deferred tax asset is recognized	4.203.989	13.294.112
Previous year losses used in the current period for which no deferred tax asset is recognized	1.262.625	2.837.716
Effect of financial losses and R&D discount on deferred tax	146.008	181.865
Tax rate change effect and other	77.996.199	7.493.795
Tax expense	**6.576.864**	**(21.546.445)**

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

30. Earnings/(losses) per share

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, 2022 and 2021, earnings per share of the Group are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Profit from continuing operations for the period (TL) (parent)	1.631.740.276	279.934.575
Weighted average of ordinary shares issued (Note 22)	758.500.000	758.500.000
- Earnings per share from continuing operations	2,151	0,369
Earnings per share (TL)	**2,151**	**0,369**

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 11.382.469 for the period January 1 - December 31, 2022. The TL 9.569.146 of related amount is comprised from wage and salaries, TL 1.813.323 of the related amount is comprised of bonuses (January 1 - December 31, 2021: TL 6.675.385). Key management of the Group is identified as Board members, general manager and vice general managers.

b) Trade receivables from related parties

	December 31, 2022	December 31, 2021
Trade receivables from related parties		
Polisan Kansai Boya (*)	26.219.922	6.296.684
Rohm and Haas (**)	5.303.285	2.701.438
Şark Mensucat Fabrikası A.Ş. (***)	1.885.487	2.081.024
Polar Teknoloji Yatırım A.Ş. (***)	2.333	4.594
Total	**33.411.027**	**11.083.740**

c) Trade payables to related parties

	December 31, 2022	December 31, 2021
Trade payables to related parties		
Polisan Kansai Boya (*)	116.193	814.737
Total	**116.193**	**814.737**

(*) Joint venture
(**) Associate
(***) Company owned by main shareholders

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

31. Related party disclosures (continued)

d) Sales/purchases transaction with related parties

Purchases:

	January 1 - December 31, 2022			January 1 - December 31, 2021		
	Polisan Kansai Boya(*)	**Şark Mensucat Fabrikası A.Ş.(***)**	**Rohm and Haas(**)**	**Polisan Kansai Boya(*)**	**Şark Mensucat Fabrikası A.Ş.(***)**	**Rohm and Haas(**)**
Services	834.404	-	-	689.356	-	-
Raw material and finished goods	1.711.501	-	1.871.248	515.984	-	381.365
Carrying interest	-	-	340.528	-	-	-
Total	**2.545.905**	-	**2.211.776**	**1.205.340**	-	**381.365**

Sales:

	January 1 - December 31, 2022			January 1 - December 31, 2021		
	Polisan Kansai Boya(*)	**Şark Mensucat Fabrikası A.Ş.(***)**	**Rohm and Haas(**)**	**Polisan Kansai Boya(*)**	**Şark Mensucat Fabrikası A.Ş.(***)**	**Rohm and Haas(**)**
Services	22.705.879	5.947.859	40.698.628	19.624.478	3.402.678	17.077.902
Rent	546.000	23.724	-	546.000	19.836	-
Raw material and finished goods	1.635.096	-	-	98.529	-	-
Carrying interest	-	-	399.107	-	-	32.969
Total	**24.886.975**	**5.971.583**	**41.097.735**	**20.269.007**	**3.422.514**	**17.110.871**

(*) Joint venture
(**) Associate
(***) Company owned by main shareholders

As of December 31, 2022, there is no impairment on trade receivables from related parties (December 31, 2021: None).

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.

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

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

Credit Risk (continued)

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.

The balances of financial instruments of the Group that are exposed to credit risk are as below;

	Receivables				December 31, 2022	
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Deposits in banks	Financial investments
Maximum exposure to credit risk as of reporting date (A+B+C+D)	**33.411.027**	**731.703.941**	**-**	**27.702.065**	**475.112.292**	**64.819.730**
- The portion of the maximum risk secured with guarantees etc.						
A.Net book value of neither past due nor impaired financial assets	-	79.363.475		-	-	-
B. Net book value of financial assets with renegotiated terms that will be considered as past due or impaired otherwise	33.411.027	600.850.008		26.769.069	475.112.292	64.819.730
C. Net book value of assets past due but not impaired	-	124.233.058		-	-	-
-The portion secured with guarantees etc	-	(79.363.475)		-	-	-
D. Net book value of assets impaired	-	6.620.875		-	-	-
- Past due (gross book value)	-	(77.608.217)		-	-	-
- Impairment (-)	-	(70.987.342)		-	-	-
- The portion secured with guarantees	-	(6.620.875)		-	-	-
- 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, 2022 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.

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

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

Credit Risk (continued)

	Receivables					December 31, 2021
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Deposits in banks	Financial investments
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 shown
- 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, 2022 (December 31, 2021: 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.

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

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, 2022

Maturities of the contract	Carrying value	Contractual cash-outflows	Less than 3 months	3-6 months	6-12 months	1-5 years
Financial liabilities	748.431.807	762.764.143	261.249.521	79.533.207	145.193.506	276.787.909
Trade payables	965.516.336	967.433.890	718.462.012	248.971.878	-	-
Employee benefit obligations	14.158.752	14.158.752	14.158.752	-	-	-
Other payables	8.680.246	8.680.246	8.680.246	-	-	-

December 31, 2021

Maturity of the contract	Carrying value	Contractual cash-flows	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	-	-	-

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.

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

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, 2022 and December 31, 2021, the foreign currency position of the Group is as follows:

				December,31 2022
	TL Equivalent	**US Dollar**	**Euro**	**GBP**
1. Trade receivables	157.578.278	6.140.222	2.145.311	-
2a. Monetary financial assets (Including cash, banks)	136.334.759	6.951.677	316.334	1.962
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**293.913.037**	**13.091.899**	**2.461.646**	**1.962**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets (*)	40.835.033	-	9.000.000	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**40.835.033**	**-**	**9.000.000**	**-**
9. Total assets (4+8)	**334.748.070**	**13.091.899**	**11.461.646**	**1.962**
10. Trade payables	361.164.403	11.956.445	6.882.748	17.444
11. Borrowings	112.523.555	-	5.644.551	-
12a. Monetary liabilities	-	-	-	-
12b. Non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**473.687.958**	**11.956.445**	**12.527.299**	**17.444**
14. Trade payables	-	-	-	-
15. Borrowings	74.755.875	-	3.750.000	-
16 a. Other monetary liabilities	-	-	-	-
16 b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**74.755.875**	**-**	**3.750.000**	**-**
18. Total liabilities (13+17)	**548.443.833**	**11.956.445**	**16.277.299**	**17.444**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**
19a. Derivative assets	-	-	-	-
19b. Derivative liabilities	**-**	**-**	**-**	**-**
20. Net foreign currency position(9-18+19)	**(213.695.763)**	**1.135.454**	**(4.815.654)**	**(15.482)**
21. Net foreign currency position of monetary items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(254.530.796)**	**1.135.454**	**(13.815.654)**	**(15.482)**

Group started to evaluate TL 57.706.520 cash in currency protected deposit accounts in 2022. (Note 5)

(*) The amount of 9.000.000 EUR given for tangible fixed assets is shown from advance date cost.

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

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

Foreign exchange risk (continued)

				December,31 2021
	TL Equivalent	**US Dollar**	**Euro**	**GBP**
1. Trade receivables	178.332.985	8.227.070	4.551.981	-
2a. Monetary financial assets (Including cash and banks balances)	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	-	-	-	-
6b. Non-monetary financial assets(*)	40.835.033	-	9.000.000	-
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	-	-	-	-
15. Borrowings	141.437.813	-	9.375.000	-
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. Total amount of hedged assets	-	-	-	-
19b. Total amount of hedged liabilities	**-**	**-**	**-**	**-**
20. Net foreign currency asset/(liability) position (9-18+19)	**(40.086.021)**	**15.028.015**	**(9.585.001)**	**(46.928)**
21. Net foreign currency monetary asset/(liability) (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(80.923.494)**	**15.027.832**	**(18.585.001)**	**(46.928)**

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

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

Sensitivity analysis;

As of December 31, 2022 and December 31, 2021 the Group's profit before tax and shareholders' equity would be higher/lower as presented by the amounts below in case of a 20% increase or decrease in the foreign currency, with all other variables held constant.

As of December 31, 2022	**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 20% increase/decrease of USD against TL				
1- USD net asset/liability	4.246.212	(4.246.212)	-	-
2- USD hedged portion (-)	-	-	-	-
3- USD net effect (1+2)	**4.246.212**	**(4.246.212)**	**-**	**-**
The impact of 20% increase/decrease of EURO against TL				
4- EURO net asset/liability	(55.082.734)	55.082.734	-	-
5- EURO hedged portion (-)	-	-	-	-
6- EURO net effect (4+5)	**(55.082.734)**	**55.082.734**	**-**	**-**
The impact of 20% increase/decrease of other foreign currencies against TL				
7- Other foreign currency net asset/liability	(69.637)	69.637	-	-
8- Other foreign currency hedged items (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(69.637)**	**69.637**	**-**	**-**
Total (3+6+9)			**-**	**-**

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

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

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**	**-**	**-**

<u>Interest rate risk</u>

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, 2022 and December 31, 2021 is as follows:

	December 31, 2022	December 31, 2021
<u>Fixed interest rate financial instruments</u>		
Time deposits	430.090.415	384.811.080
Financial investments	64.819.730	-
Total	**494.910.145**	**384.811.080**
<u>Fixed interest rate financial instruments</u>		
Financial liabilities	748.431.807	833.683.037
Total	**748.431.807**	**833.683.037**

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

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

Capital Risk Management

The Group's main objectives for capital management are to keep the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net financial debt/total equity ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents. Invested capital is the total of equity and net financial liabilities as it is stated in statement of financial position.

	December 31, 2022	December 31, 2021
Total financial liabilities	748.431.807	833.683.037
Less: Cash and cash equivalents (Note 4) (*)	(475.142.944)	(411.558.634)
Net financial liabilities	**273.288.863**	**422.124.403**
Total equity	3.925.551.637	2.046.881.021
Invested capital	4.198.840.500	2.469.005.424
Net financial liabilities/invested capital ratio	**7%**	**%17**

(*) In 2022, the Group started to use TL 57.706.520 cash in currency protected deposit accounts, this amount was not taken into account in the net debt calculation. (Note 5)

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.

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

33. Financial instruments (fair value and hedge accounting disclosures) (continued)

Financial liabilities

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

Fair value measurement categories;

The Group has created 3 different fair value measurement categories to compliance with the TFRS 13 applications. These categories are created based on the data used for the measurement of fair value and as follows:

1. Category: The price set in active market
2. Category: Inputs that are observable either directly or indirectly other than the prices set in active market
3. Category: Inputs that is not based on observable market data

34. Subsequent events

The Company and the group subsidiary Poliport Kimya San. Ve Tic. Inc. ("Poliport") have signed a Preliminary Sales, Land Share and Revenue Sharing Contract with DOP Yapı Mimarlık İnşaat Gıda Turizm Hizmetleri San. ve Tic. Ltd. Sti. and DAP Yapı İnşaat San. Ve Tic. Inc. (together with "DAP Joint Venture"), which has cancelled the previous contract dated 05.03.2015.The Company, Poliport, and the DAP Joint Venture will develop the Pendik Project on Poliport's Pendik District Yayalar Zone 10724 Island 2nd Plot, 10723 Island 3rd Plot, and 10723 Island 4th plot; and on Poliport and the Company's jointly-owned Seyhli District Örenler Zone 10722 Island 2nd Plot. With this new contract the parties are contracted to share the total project revenue with a 26.5% Poliport and 73.5% DAP Joint Venture split.

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, 2022.

	December 31, 2022	December 31, 2021
Independent audit fee for the reporting period (*)	1.214.959	905.812
Fee for other assurance services (**)	-	-
Fees for tax consultancy services (*) (***)	303.874	183.000
Total	**1.518.833**	**1.088.812**

(*) 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 2021; Includes BRSA, CBRT and Turquality services fees. Contracts for assurance services for 31 December 2022 have not been signed yet.

(***) Consists of the tax service fee received from the EY Greece office of Polisan Hellas, a subsidiary of the Group and operating in Greece.