

Masterful touches magnifying success



#CareForYourWorld

Annual Report 2021

 **Kalekim**[®]

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Our journey to the future continues with our 48 years of experience in the construction chemicals industry. This journey started in Turkey and has reached 80 countries today. We are now one of the important global players in the industry with our background and a wide range of value-added products. We continue to grow and strengthen by adding new ones everyday to our success in both the national and international markets. We are moving towards greater goals with the successful IPO of TL 509 million that we have carried out.

We know the expectations from us very well. We strive for professionals to be satisfied with our solutions in every experience, and we offer products that we produce with skillful touches to skillful hands.

9 production facilities

Exports to **80** countries

IPO size
TL 509 million



Mastery is experience

We started our operations in 1973 with the production of tile adhesives and grouts. Today, we produce all kinds of construction chemicals in the construction industry in our 9 most advanced facilities, and we reflect on our experience of almost half a century on hundreds of thousands of tons of products. We are an exemplary company in Turkey today with the successful products and services we have launched since the day we were founded.



Annual production (thousand tons)*

2019 463

2020 526

2021 602

* Sum of dry mortar and paint



Mastery is pioneering

One of the most important characteristics that distinguish us from our competitors is our investment in R&D. As a brand engaged in production in all branches of construction chemicals, we are constantly expanding our product range with significant investments in production technology and R&D activities. We are proud of being one of the limited number of companies with an R&D center in Turkey.



R&D expenditures^{*}

(TL million)

2019 5.6

2020 7.6

2021 10.3

* The total of R&D expenses and R&D investments before capitalization.

VISUELLE



Mastery is innovation

Combining our experience with the innovation culture that is at the core of our brand, we are signing brand new projects and breaking new grounds in the Turkish construction chemicals industry. As Kalekim, we have made important innovations in the field of paint this year. We have continued to take innovative steps into the future with our brand Visuelle, which has brought a breath of fresh air to the field of decorative coatings, and our brand Bi'Boya, which has started a change in its industry.



2020 Corporate Idea Award in the Idea category with the product “Bi’Boya Fresh Comfort” and the Best Promotion Project Award in the Marketing category with the “Biboya.com.tr Launch Campaign” at the 26th Golden Plumb Awards.

2021 Corporate Idea Award in the Idea category with the “Bi’Boya Fresh Comfort” product at the 27th Golden Plumb Awards.



BI'BOYA



Annual net profit growth rate

2019 24%

2020 182%

2021 158%

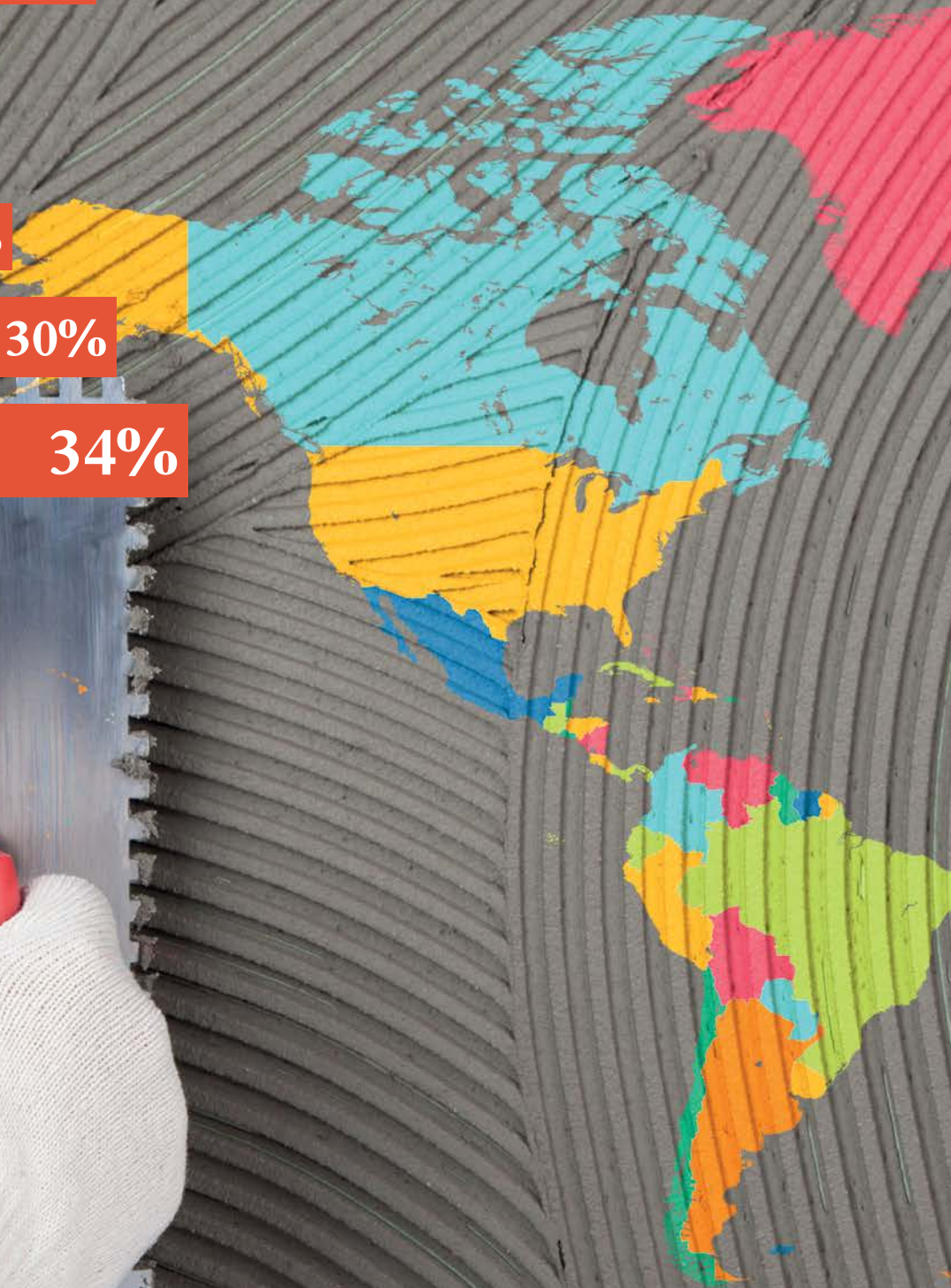
Mastery is to foresee

We have foreseen the global raw material crisis that has captured a significant part of 2021 in advance with a successful move. We have gone through this process without any problems in procurement with the decisions we have taken to increase the stock level of raw materials, the contracts we have made with our suppliers, and the cash purchase actions. We also managed to come out of this period strongly.



Share of exports in total sales

2019	26%
2020	30%
2021	34%





Mastery is to think big

We aim to become established in foreign markets and we evaluate our investments within this framework. We produce our products with raw materials of this geography in line with the requirements of the market. For example, we are a local manufacturer in the Iraqi market, which we also support with our investment in Mardin. We are localizing in our geographies and expanding our influence from country to region.



Mastery is the right calculation

In 2021, we took our first step into a new future with the IPO. While sharing the value we have created with investors, we have also gained an important momentum on the way to growth.

We aim to use the income we have generated for the purchase of new companies or new factory investments that will contribute to our growth at home and abroad.



IPO

income*

TL 221,250,000

* Gross public offering income.

Kalekim Master's Club

More than 50,000 Members

#CareForY



ourWorld

Mastery is the responsibility

As all Kale Group Companies, we strive to produce common value from an economic, social, and environmental point of view in all areas in which we operate and to take good care of our world. We aim to create a conscious awareness with the 'Care for Your World' movement we have started and to ensure that everyone takes action gaining inspiration from this. We touch on economic and social sustainability by contributing to the environment with our zero waste certificate and low carbon footprint in our business, and the professional development of our foremen with Kalekim Master's Club.

Kalekim in 2021

Kalekim, which has undergone a successful book-building process and attracted great attention from investors, continues its operations with the responsibility of meeting the expectations of its investors at the highest level.

Initial Public Offering Process

Kalekim, which published the results of its IPO on the Public Disclosure Platform in 2021, has left behind a successful IPO process.

As a result of the book-building process carried out on May 6-7, 2021, the initial public offering of shares with a nominal value of TL 34.5 million, including additional sales, was held, and demand was received from more than 300 thousand investors for the initial public offering of Kalekim.

The IPO price of 100 Kalekim shares with a total nominal value of TL 1 was set at TL 14.75 for all investors eligible to receive a share from the IPO, no different prices were applied to any group of investors, and the IPO size was realized as TL 509 million.

As a result of the distribution, 301,700 shares with a total nominal value of TL 21.5 million amounting to TL 317 million equivalent to 62.3% of the final IPO size were sold to 301,700 domestic individual investors.

Kalekim has created a separate allocation group for its employees in the IPO, and as a result of the distribution realized, shares with a total nominal value of TL 567 thousand, amounting to TL 8 million, equivalent to 1.6% of the final IPO size, were sold to 479 company employees.

Domestic corporate investors demanded shares with a nominal value of 20 million TL, which is 3.3 times the amount of shares allocated to them; as a result of the distribution realized, the shares with a total nominal value of 11 million TL, amounting to 162 million TL and equivalent to 31.7% of the final IPO size were sold to 91 domestic corporate investors.

Kalekim, which has been growing steadily for almost half a century and is a strong player in the Turkish construction chemicals industry and a global value of Turkey, has become the focal point not only of national investors but also of international investors in this process. In this context, the sale of shares amounting to TL 22 million with a total nominal value of TL 1.5 million and equivalent to 4.3% of the final IPO size was made to foreign corporate investors.

OUR CHEMISTRY HAS HAD EXCELLENCE IN ITS FORMULA FOR 48 YEARS

We all had our hearts set on to
achieve the best

And our time to become versed

To cross boundaries, we made
a great effort

And cared for our world - the dearest

We respected our environment,
livened up the life for the rest

And assured those who preferred us

That's how we lent our name to the
construction chemicals

#CareForYourWorld

kalekim.com

Kalekim, which has undergone a successful book-building process and attracted great attention from investors, will continue to work and do better for a greater and stronger Kalekim with the responsibility of meeting the expectations of its investors at the highest level.

Visuelle Brand Launch

Kalekim, which manufactures in all branches of construction chemicals, is constantly expanding its product range with significant investments in production technology and R&D activities, and its knowledge, background, and experience of almost half a century. The Company considers the development of products that can be not only complementary to its product range, but also the first in Turkey as an important strategy of Kalekim R&D.

Thanks to the union of forces and other brand investments it carried out in 2003 with Kaleterasit, which started producing exterior plaster and paint

for the first time in Turkey and gave its name to the product, Kalekim has become a strong actor in the market in the field of paint and colored plaster. Launched in 2021, Visuelle carries all the experience and reliability of Kalekim and Kaleterasit in the paint industry; although it is a new brand, it is regarded as the outcome of 53 years of experience.

Creating a generic brand for its industry, Kalekim has reinterpreted the experience in decorative coatings and design power in the Visuelle brand.

As a result of long-standing efforts and research in 2018, Kalekim, taking a brand new step in the paint industry, started producing all paint products with the Bi'Boya brand as well as created a new business model. Bi'Boya attracts attention not only as a paint brand but also as a paint platform that sells online in Turkey.

Kalekim in 2021

Kale Group, which works to produce common values from economic, social, and environmental perspectives in all areas of activity, launched the “Care for Your World” movement in 2021 for a new world.

Visuelle, just like Bi’Boya, is creating its own business model. In this working system, which will also provide architectural/labor services to its customers, it is planned to start the workflow with an on-site examination based on demand and to carry out turnkey wall design under the leadership of the Architectural Services Team.

Kalekim has launched its new brand, Visuelle, at Fairmont Quasar Istanbul. Hosted by Kalekim General Manager Timur Karaoğlu, Kalekim Marketing Director Tuba Özdemir Hesse, and Architectural Services Manager Nur Meriç, the launch meeting attracted great interest from representatives of the world of decoration and architecture.

Kalekim, with Visuelle, has initiated the project of applying decorative paints and plasters, at which it can have a voice with its decorative products and designs, in domestic and international markets where it is active.

Implemented with the assurance of Kalekim, Visuelle provides room for new and exciting stories in living spaces by providing inspiring spatial solutions tailored to the person, space, and needs with its endless design options inspired by nature. Inspired by the unique power of nature, Visuelle, which is inspired by the magnificent colors, shades, and textures created by the interaction of time with the earth, carries original textures to living spaces with unique designs. Visuelle, designed to change the spirit of spaces and create living spaces that are compatible with the world and nature as well as whole and balanced, pushes the boundaries of imagination and aesthetic understanding with countless combinations.

Care for Your World

Kale Group, which works to produce common values from economic, social, and environmental perspectives in all areas of activity, launched the “Care for Your World” movement in 2021 for a new world.

Kale Group, arguing that everyone has a responsibility for a more equal, fairer, and greener world in this period when all the problems and inequalities experienced in the world are felt by everyone, aims to create conscious awareness with this movement and ensure that everyone takes action by being inspired from this.

The movement, which emerged with the belief that the small changes that everyone may initiate in their world will combine and become a meaningful transformation that shapes the future and heals the world, focuses on the fact that everyone can make a difference beginning from their habits,

homes on their sphere of influence, workplace, street, neighborhood, city, country, and finally, the planet, in every place that they touch, with a sense of care.

Safe Production Certificate

Kalekim, which leads the Turkish construction chemicals industry, acts with the understanding of social responsibility in all its operations. The Company, taking measures at the highest level in line with the warnings of all relevant national and international institutions during the pandemic period, continues to manage the process with the same determination without compromising on these measures.

Offering products to consumers and professionals in 80 countries around the world, Kalekim's production activities, which prioritize health and safety, are also certified by official institutions. Having fulfilled all the requirements of the hygiene, infection prevention, and control evaluation program determined by the Turkish Standards Institute (the "TSE"), Kalekim has been granted the Covid-19 Safe Production Certificate.

Kalekim, which continues to successfully manage the pandemic process with high-level precautions and safe production practices, considers the health of its employees, stakeholders, and society as its top priority at every stage of production. This approach of Kalekim, which has been acting with this understanding since the first day of the global pandemic threatening humanity, has also been certified by TSE.

It is expected that such certifications, which have now become important in international trade, will gain greater importance in the coming period. The environment-friendly production practices that prioritize health and safety are now an important criterion for the whole world. People now care about healthy and safe products, as well as the environment in which these products are produced and the understanding with which they are produced. Therefore, with the new normal, these documents facilitate trade in both national and international markets and raise the living standards of society.

Zero Waste Certificate

Kalekim, which prioritizes sustainability and environmental issues in line with its understanding of social responsibility, has always adopted the principle of being the best in all fields of its



operation to respond in the most accurate way to the needs and expectations of the customers. The Company is moving forward in line with the "Care for Your World" movement initiated by the Kale Group with the awareness that the way to achieve sustainable growth passes through continuous improvement and development and it acts very sensitively in the use of natural resources.

Kalekim has been awarded Zero Waste Certificate from the Ministry of Environment, Urbanization, and Climate Change in all its factories with zero waste management works carried out within the scope of healthy and efficient use of resources, waste reduction at source, and waste separation and recycling.

The Zero Waste Certificate is issued to the institutions/ organizations and local administrations that create their working team on zero waste, establish a separate collection system for recyclable wastes specified in the regulation, complete the training on the establishment and operation of the system, register in the zero waste information system, and provide data entry.

Kalekim in the World and Turkey

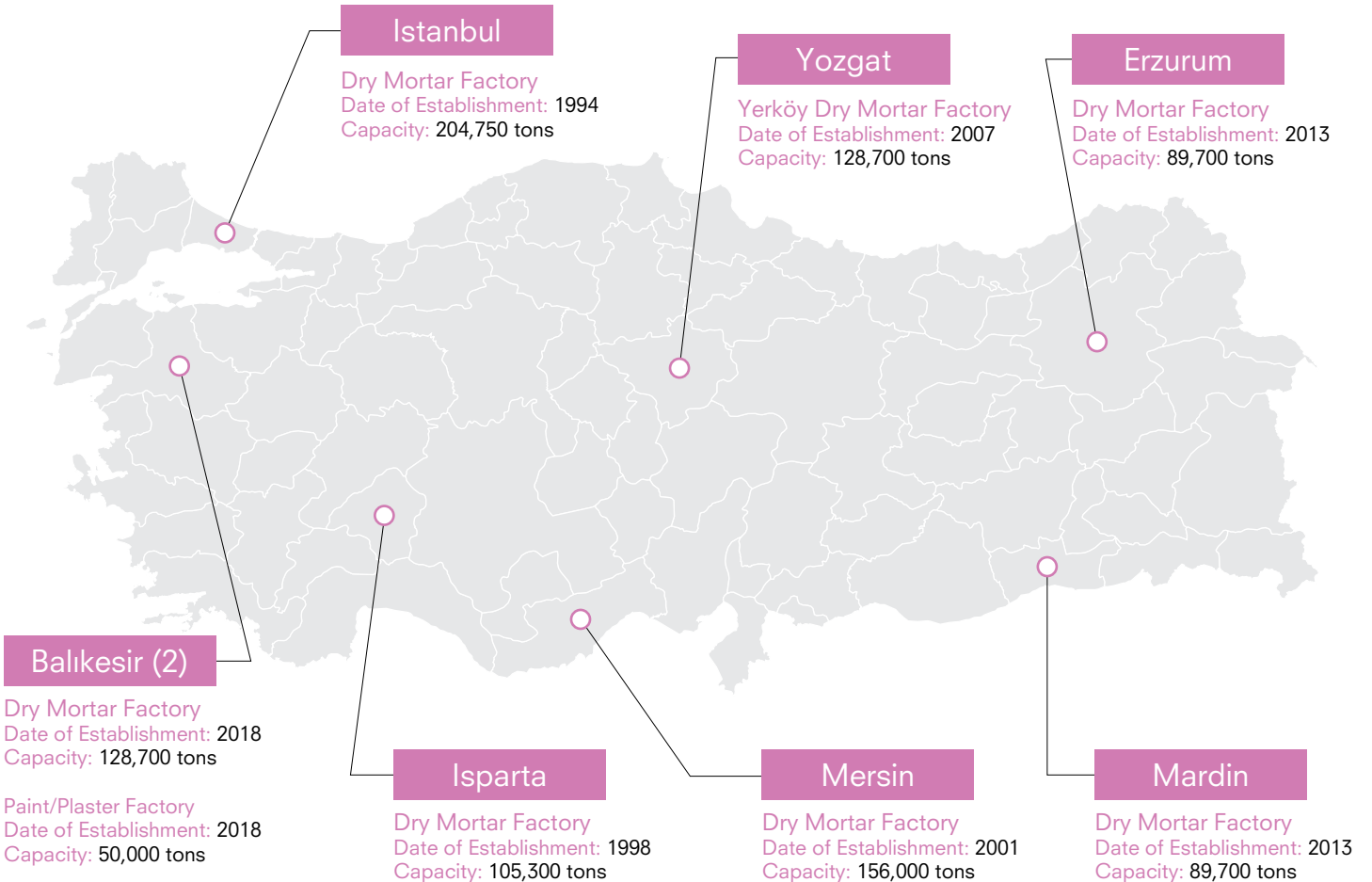
Factory



Production Center



Sales Office and Warehouse



Number of Domestic Dealers

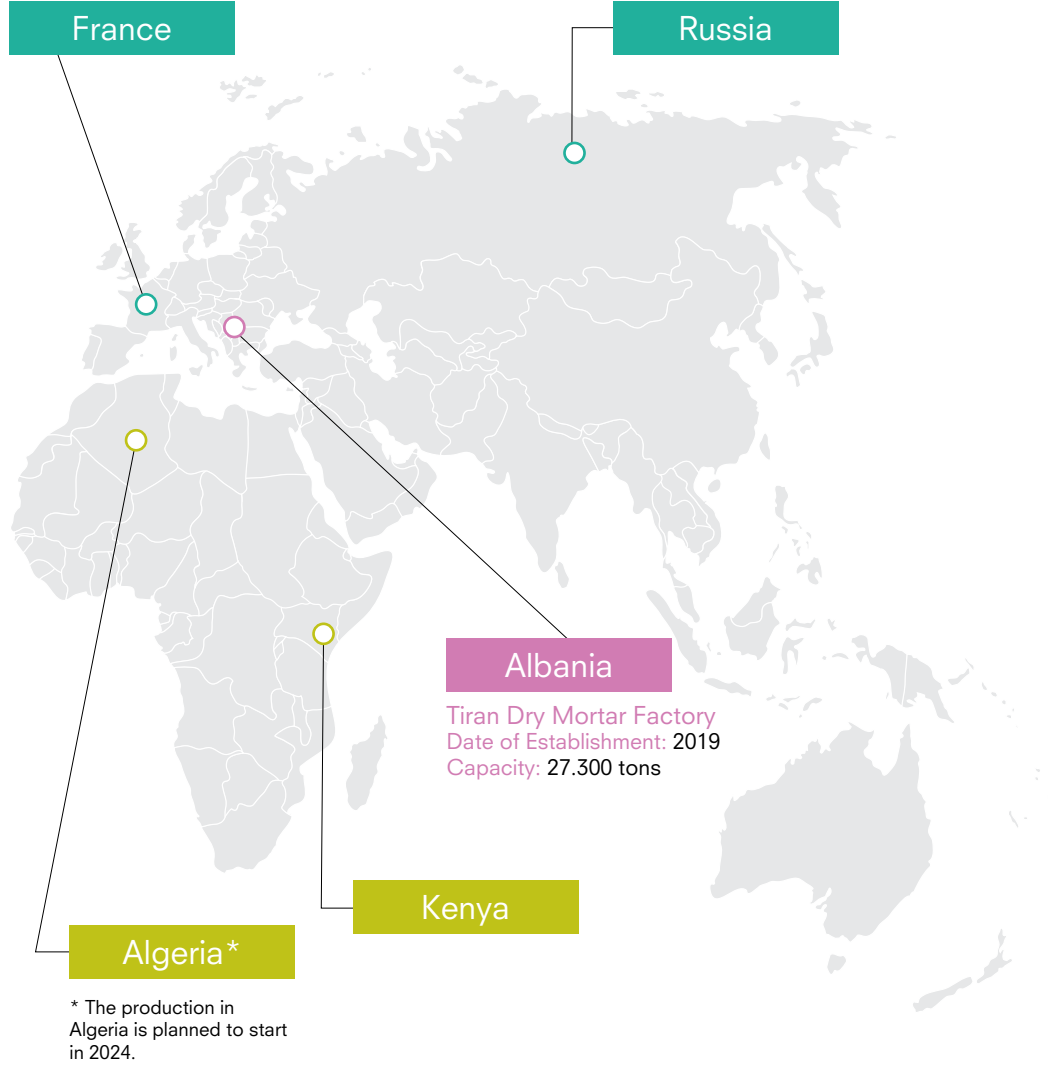
269

Kalekim, which delivers its products to the consumers in the domestic market through retail, construction markets, corporate and digital channels, exists in all provinces in Turkey thanks to its widespread dealer network. Kalekim has 269 dealers in Turkey and offers its products to consumers through the retail and corporate channels from 162 dealers and various outlets in overseas markets.

Kalekim, having sales offices in Bursa, Izmir, Istanbul/Anatolia, Trabzon, Ankara, Antalya, Adana, and Diyarbakir in Turkey, has established logistics warehouses in Russia and France for stock and distribution purposes and employs sales personnel in these countries to adapt to the market quickly and take swift action. In addition, the Company employs sales personnel in Iraq and makes the shipments to Iraq mainly from the Mersin and Mardin factories.

Number of Overseas Dealers

162



Output (Ton)	2020	2021
Istanbul Dry Mortar	94,664	109,526
Isparta Dry Mortar	70,699	79,851
Mersin Dry Mortar	108,567	122,081
Yozgat Yerköy Dry Mortar	54,981	49,226
Erzurum Dry Mortar	52,757	55,216
Mardin Dry Mortar	56,360	80,773
Balıkesir Dry Mortar	71,104	87,266
Balıkesir Paint/Plaster	16,352	16,676
Tiran Dry Mortar	638	1,870

About Kale Group

Kale Group, which is the leader in its field with its industrialist heritage and entrepreneurship, stands out with its reputable companies that respect people and the environment and add sustainable value to society.

Kale Group, which was founded by Dr. (h.c.) İbrahim Bodur in 1957, is engaged in many industries such as ceramic production, construction chemicals, logistics, and aerospace industry with its 17 companies and more than 5 thousand employees.

Kale Group, which is the sixth-largest manufacturer in Europe and the 17th in the world in the construction products group, is the market leader in construction chemicals in Turkey.

Kale Group, which entered the aviation industry in 1987, continues its operations as the first-line supplier of the largest aerospace companies in the world and the main stakeholder of many projects in Turkey.

Kale Group stands out as a reputable group of companies that is a leader in its field, respecting people and the environment and adding sustainable value to society with its industrialist heritage and entrepreneurship.

Kale Group Milestones



1957

The first ceramic factory in Turkey – Kaleseramik

1961

The first production of electric insulators in Turkey

1962

Turkey's first ceramic export

1968

Kaleterasit

1969

Kale Porselen

1971

Kaledekor

1972

The first porcelain floor tile production in Turkey

Kalebodur

1973

Turkey's first construction chemicals company - Kalekim

1974

Kalenakliyat

1975

The first R&D center in the construction industry

1987

Kale Frit

1989

The first aviation project in Turkey with 100% domestic capital

1990

Kalemaden

1991

Kale Education, Health and Social Assistance Foundation ("KSV")

1993

Kalevit

Kale Enerji

1998

Kale Data

2004

Production of parts for the F-35 project

2005

Production of Kalesinterflex, the finest ceramic in the world

2008

Kale Aero

2010

Kale Pratt & Whitney

2011

Kale Italy

2012

Bodur Gayrimenkul

2017

TAEC

2019

The first Turbojet Engine design in Turkey

About Kale Group

Kale Group, which was founded by Dr. (h.c.) Ibrahim Bodur in 1957, continues its operations successfully in many industries such as ceramic production, construction chemicals, logistics, and the aviation industry with its 17 companies and more than 5 thousand employees.

Group Companies



Construction Products

Kale Seramik

- A wide range of products of different sizes, including floor tiles, wall tiles, sanitary ware, porcelain kitchen counters, acrylic, accessories, bathroom furniture and fixtures
- The 6th largest ceramic manufacturer in Europe and the 17th in the world
- It meets with consumers in more than 100 countries



Construction Chemicals

Kalekim

- Turkey's first construction chemicals company
- With more than 200 types of products and an annual production capacity of 930 thousand tons, tile adhesives, grouts, waterproofing and thermal insulation materials, mastics, foams, ceramic cleaning and maintenance materials, industrial floors, surface preparation materials
- Interior and exterior wall paints and decorative exterior wall plaster with a paint and plaster capacity of 50 thousand tons under the Bi'Boya brand
- Exports to 80 countries

Mining

Kalemaden

- Annual raw material production capacity of 3.5 million tons
- A total license area of 75,000 hectares
- Range of raw materials for floor tiles, wall tiles, granite, glazed granite, frit, sanitary ware

Kale Frit

- With a production capacity of 47 thousand tons of frit, semi-finished frit supply to the floor and wall ceramic products of the Kale Group
- Kale Frit, also containing special products in its product range, is the first and only domestic granulated frit manufacturer in Turkey
- In addition to the products in the ceramic tile and ceramic tableware industries that are constantly updated, fast and innovative products for all ceramic manufacturers with more than 180 types of frit

About Kale Group



Group Companies

Aerospace

Kale Aero

- The first aerospace industry company established with 100% Turkish capital.
- Structural part and subassembly supplier of Lockheed Martin, Boeing, Airbus, PFW, Spirit, TUSAŞ, KAI, Northrop Grumman, Heroux Devtek, CTRM, and TPI that are the largest aviation companies in the world.
- Former producer of more than 750 critical parts in the F-35 project, one of the most important aerospace projects in the world.
- One of the critical stakeholders of the supply chain of all Boeing Commercial Airplanes and Airbus A320 series airplanes, which it produces in the highest volume.
- Boeing Performance Excellence Award for the years 2012, 2015, and 2016.
- 2015 Northrop Grumman Platinum Supplier award.
- One of the main sub-contractors of the 2021 Boeing Premier Bidder category level

Kale Pratt & Whitney

- 51% Kale, 49% Pratt & Whitney partnership
- Founded for the aircraft engine parts production for the F-35 project, which is the most important aviation project in the world
- Production of parts for Pratt & Whitney's NGPF model, a new generation commercial aircraft engine
- Having known production technologies in Turkey and Europe
- New projects with third-party firms other than Pratt & Whitney
- Digital Factory Project Plan



Kale R&D

- Development and mass production of Turkey's first national turbojet engine (KTJ-3200)
- The goal of becoming a center of excellence in small turbojet engines
- Turkey's first and only Altitude Test System for gas turbine engines and other special engine testing infrastructures
- An expert engineering team and a national/international consulting network in its field
- Ongoing new different turbojet engine development projects

TAEC

- Partnership with Rolls-Royce, one of the leading aircraft engine manufacturers in the world (51% Kale - 49% Rolls Royce)
- Development and production of civil and military aircraft engines, especially for TF-X, Turkey's first national combat aircraft
- TF-X engine's design and production will be carried out in Turkey with no export limitations
- Intellectual property rights of the engine will belong to Turkey
- More than 350 Turkish engineers will be trained

Service

Kalenakliyat

- A 500 vehicle contracted road fleet , self-owned 65 railway wagons and 2 dry cargo ships
- An annual carrying capacity of three million tons
- Storage service for various product groups in outdoor and indoor areas of 170,000 square meters
- A complete, partial, and micro distribution service with a wide distribution network using all modes of transportation throughout Turkey
- Quality Management System Certificate since 2019, Environmental Management System and Occupational Health and Safety Management System Certificate since 2017

About Kalekim

While aiming at sustainable growth and development, **Kalekim determines strategies that support growth both in its existing business areas and in new business areas and carries out studies for this purpose.**

Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş., established in 1973 by Dr. H. İbrahim Bodur, the founder of Kale Group Companies, has started its operations with the production of tile adhesives and joint fillers and currently continues them by producing and/or contracting the production of various construction chemicals for the construction industry. 68.67% of the Company's shares are owned by H. İbrahim Bodur Holding A.Ş.

Kalekim, the pioneer of the Turkish construction chemicals industry, is the market leader in tile applications. With its quality company image, high brand strength and recognition, Kalekim is increasing its production capacity everyday thanks to its widespread dealer network.



The Company exports to 80 countries with innovative products developed in its R&D center and has a strong cash investment and working capital.

A flexible production structure and the ability to respond quickly to sudden changes allow Kalekim to carry out consumer-oriented production and work without compromising on the quality under any conditions.

Kalekim, with employee loyalty and satisfaction above the industry averages, has one of the first and widest masters' platforms, the "Kalekim Master's Club" in Turkey.

Kalekim has wide range of products for tile application solutions (tile adhesives, grouts, surface preparation-maintenance, and cleaning products, sealing and installation products), insulation solutions (waterproofing products: technical applications, additives, thermal insulation products), industrial flooring solutions in the construction chemicals industry. The production of the paint and plaster product group is under the architectural paints sector of the Company.



1 Kalekim implements the localization model in the target regions where the market potential and competitiveness are high for growth abroad, which has an important place among its strategic plans. It aims, thereby, to maintain the domestic success and experience in these regions as well.

2 While aiming at sustainable growth and development, Kalekim determines strategies that support growth both in its existing business areas and in new business areas and carries out studies for this purpose. For this purpose, starting to operate in the field of decorative coatings with Visuelle, which was launched in 2021, Kalekim also evaluates inorganic growth opportunities and carries out the company acquisition process related to this.

3 Kalekim, which prioritizes innovation in all its processes and considers innovation as one of the important corporate strategies, continues its activities to create a dynamic product range, come up with new ideas, or improve existing products and services.

4 Kalekim aims to leave a more livable world for future generations by focusing on the common value based on economic, environmental, and social dimensions within the scope of sustainability studies. For this purpose, it works to act together with all its stakeholders in its ecosystem, to add new meanings to living spaces, and to make sustainability a part of life.

Kalekim, which considers innovation as one of the important corporate strategies, continues its activities to create a dynamic product range, come up with new ideas, or improve existing products and services.

About Kalekim

Our Products, Services, and Solutions

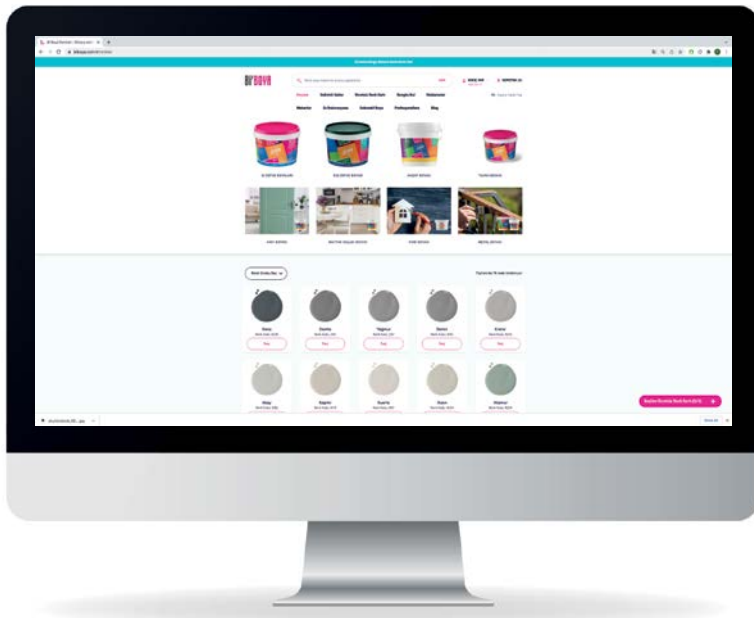
Kalekim is active in the construction chemicals industry with tile applications, architectural paints, insulation solutions, and industrial flooring solutions.



1. Tile Applications: Consists of tile adhesives, grouts , primers, surface care, and cleaning products, sealants and grabs.

2. Paint Applications: It produces interior/ exterior paints in the architectural paints category, decorative paints, plasters, and coatings in the decorative products category, as well as surface preparation products and colorants that complement the paint product group. Kalekim, which sells domestically both on the retail channel and the e-commerce site established under its name with the Bi'Boya brand, launched in 2018, operates with the Kale brand abroad.

It offers services in the field of decorative paints/ plasters/coatings with the Visuelle brand, launched in 2021.



Kalekim keeps customer satisfaction at the highest level with the various products and services it offers.



3. Insulation Applications: There are waterproofing and thermal insulation products under insulation applications.

3.1. Waterproofing Applications: The waterproofing product range includes cement, bitumen, polyurethane, acrylic, and textile membrane-based products as well as waterproofing tapes and surface preparation materials. The waterproofing group includes products used for all wet spaces from the foundation to the roof; kitchen, bathroom, pool, and terrace.

3.2. Thermal Insulation Applications: Kalekim, in cooperation with Dow Chemicals and Mardav, created the Blue'Safe Mavi Kale brand thermal insulation system in 2004 and stepped into the thermal insulation industry. Kalekim Thermal Insulation Systems includes thermal insulation boards, adhesives, plasters, decorative coatings, and system accessories.

4. Flooring Solutions: In the product range of flooring solutions used to make it durable, decorative, and functional indoors and outdoors, there are cement-based hardeners and curing materials, as well as epoxy-based coatings and primers. The product range offers floor solutions in places such as industrial kitchens, parking lots, hospitals, and schools

About Kalekim

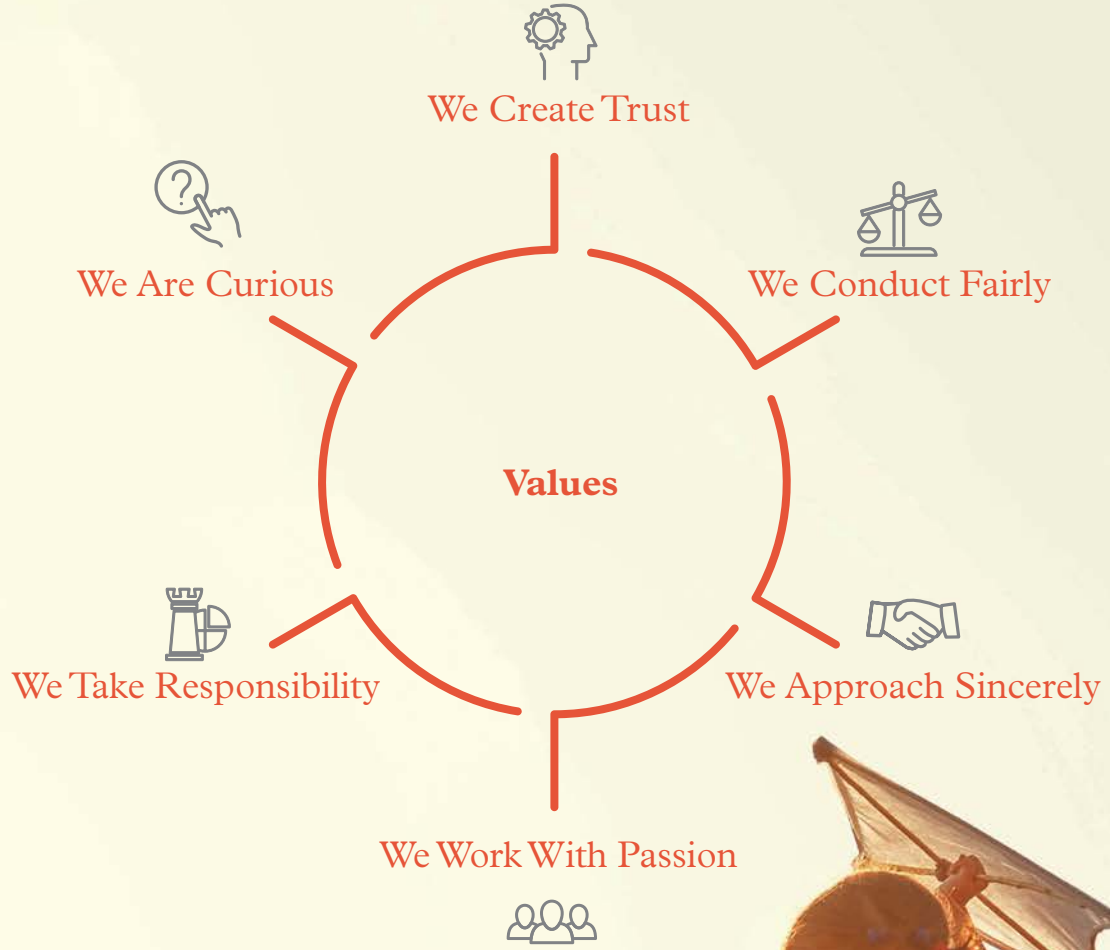
Our Vision, Mission and Values

Our Vision

While maintaining our national leadership in the field of tile applications, we will grow and become a leading company in all our business areas in the region of our country.

Our Mission

We are here to create high quality, best, and most innovative solutions, to add value to our customers, society, and everyone who works with us by understanding customer needs, reflecting our professional and technological competence on our business with the awareness of corporate responsibility, in our fields of activity in the construction industry.



Shareholding Structure

Shareholders	Before Public Offering	After Public Offering
H. İbrahim Bodur Holding A.Ş.	93.89%	68.67%
Free Float	-	26.02%
Other	6.11%	5.31%
Total Issued Capital (TL)	100,000,000	115,000,000

General Strategies

Kalekim aims to maintain its leadership in the field of tile applications and to become a leading company by continuing to grow in other business areas where it operates.

- To grow in foreign markets
- To develop new business areas and grow
- To grow domestically
- To create innovation in products, processes, and business model
- To create common value through sustainability activities
- To maintain profitability in tile applications



Kalekim takes advantage of its corporate competencies while implementing its strategic priorities, which it has created taking into account the needs and expectations of all its stakeholders.

- Customer focus
- Achieving together
- The desire to come through
- Quality-oriented
- Decision making and implementation
- Quality of work
- Coaching and development
- Change leadership
- Contact Us
- Team leadership
- Innovative entrepreneurship
- Influence



Key Financial and Operational Indicators, Key Ratios

Kalekim crowned the successful year 2021 with a solid financial performance.

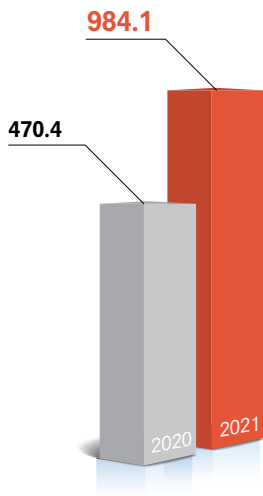
Key Financial Indicators

TRY Million	2021	2020	2019	2018
Net Sales	810.0	526.2	381.5	346.4
Turkey	532.9	370.6	280.8	280.8
International	277.1	155.7	100.7	65.6
Operating Profit	126.6	86.4	50.0	41.2
EBITDA	152.7	109.7	67.1	49.1
Net Period Profit	213.2	82.5	29.3	23.7
Investment Expenses	51.7	32.2	16.2	47.9
Total Assets	984.1	470.4	361.2	297.2
Total Shareholders' Equity	644.3	238.6	156.9	124.6
Net Financial Debt**	-438.0	-86.5	-7.3	49.2
Gross Profit Margin	37.9%	39.1%	35.7%	31.4%
Operating Profit Margin	15.6%	16.4%	13.1%	11.9%
Return on Shareholders' Equity (ROE)*	48.3%	41.7%	20.8%	23.7%
EBITDA Margin	18.9%	20.9%	17.6%	14.2%
Net Profit Margin	26.3%	15.7%	7.7%	6.8%
Return on Assets (ROA)*	29.3%	19.8%	8.9%	8.4%

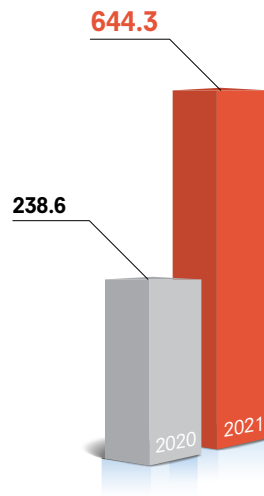
* For shareholders' equity and assets, it is calculated based on the average of the end of the current and previous years.

** Minus (-) value indicates net financial cash.

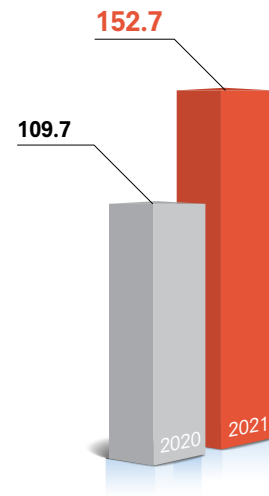
Total Assets (TL million)



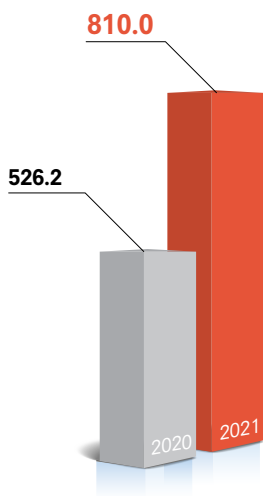
Total Shareholders' Equity (TL million)



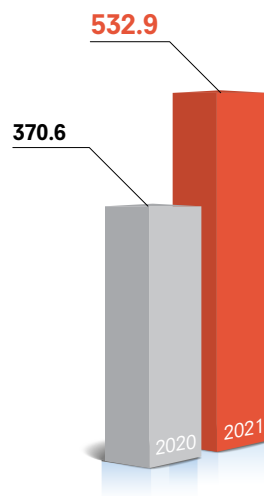
EBITDA (TL Million)



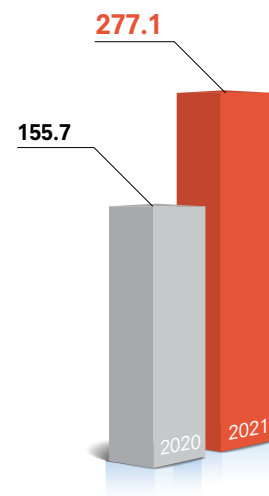
Net Sales (TL Million)



Sales in Turkey (TL Million)



International Sales (TL Million)



Milestones

Kalekim continues to grow with its investments and maintain its industry leadership.



1973

The Company was established in Istanbul.



1998

The Isparta factory was established.

ISO 9001 Quality Management System certificate was obtained



2001

The Mersin factory was established.

Kalekim Master's Club was established



2002

The merger with Kaleterasil Siva Sanayi A.Ş., the company of Kale Group in the plaster and paint industry, was completed. After this merger, ready-made colored plasters branded Kaleterasil and interior and exterior paint brand Kalecolor joined the Company's product line.



2004

In cooperation with Dow Chemical, Mardav, and Kalekim, the Mavi Kale - Blue' Safe Brand was created.



2012

The Company was awarded the RAF Building Materials Award for its Betonart product



2007

The Yozgat factory was established.

OHSAS 18001 Occupational Health and Safety certificate was obtained.

ISO 14001 Environmental Management System certificate was obtained.



2010

Kalekim R&D studies were expanded and Applied Research Laboratory was established.

ISO 10002 Customer Satisfaction Management System certificate was obtained.

Included in the Turquality Support Program by the Ministry of Commerce.



2013

The Erzurum and Mardin factories were established.

The Corporate Risk Management System was put into practice.

Milestones

Kalekim aims to increase its production capacity with the partnership it established in Algeria in 2021.



2014

Merger with Kalekim Mersin Kimyevi Mad. San. ve Tic. Ltd. Şti. by taking over all of its assets and liabilities.

Kalekim Customer Complaints Management was granted the Incentive Award at the Productivity Project Awards organized by the Ministry of Industry and Technology.

Production at the factory in Russia has been terminated.



2016

The Guaranteed Master System was granted the Game Changers Impact Award.

The Artcrete product was granted the RAF Building Materials Award.

A Licensed production facility was commissioned and started production in Kenya.

Kalekim was granted the Best Workplace Award in the Best Employers survey conducted by Aon Hewitt.



2017

Kalekim R& D Center has been registered by the Ministry of Industry and Technology.



2018

The Balıkesir factory started production.

Bi'Boya Brand transformation was completed. biboya.com.tr e-commerce site was launched

The Company was granted the Best Workplace Award for the second time in the Best Employers survey conducted by Aon Hewitt.



2019

The EFQM Turkey Excellence Award was granted by KALDER. It was certified with the Turkey Excellence Award that it was one of the organizations that performed best and showed outstanding success by turning strategy into action.

The Company's second factory abroad was established in Albania.

The Company was granted the Low Carbon Hero Award.

The Company was granted the Best Workplace Award for the third time in the Best Employers survey conducted by Aon Hewitt.



2021

The Kalekim IPO took place.

The Company was granted the Low Carbon Hero Award for the second time.

The product "Bi'Boya Smart Comfort" was granted the Corporate Idea Award at the Golden Plumb International Building Catalog Awards.

The Best Customer Experience and the Best Digital Service Awards were granted at the 14th Turkey Communication Center Awards.

An award was received in the "Employee Engagement" category at the Sustainable Business Awards with the Recommendation and Risk System (FIKRİCİN).

The Visuelle brand was launched.

"Jury Incentive Award" was received by its Always Best Kaizen project team at the 24th Quality Circles and Kaizen Award Ceremony organized by KalDer Ankara Branch.

During the 7th Kaizen days, two projects of Kalekim were deemed worthy of presentation by the Izmir Branch of MMO.



2020

It was granted the Corporate Idea Award in the Idea category with the product "Bi'Boya Fresh Comfort" and the Best Promotional Project Award in the Marketing category with the "Biboya.com.tr Launch Campaign" at the Golden Plumb International Building Catalog Awards.

The transition to ISO 45001 Occupational Health and Safety Management System was completed.

TSE Covid-19 Safe Production Certificate was obtained.

The "Zero Waste Certificate" was obtained as a result of the responsible production approach with its applications implemented within the scope of the Zero Waste Project of the Ministry of Environment, Urbanization, and Climate Change in all factories.

Awards

Kalekim, acting with the awareness of responsibility of a company leading the industry, has been selected as a “Low Carbon Hero” for the second time in 2021 with the Leave a Green Mark to the Nature Project.

Low Carbon Hero

Kalekim, which respects people and the environment and leads the industry with products and practices that add sustainable value to society, was granted the Low Carbon Hero award of 2021 in the chemical industry category by the Sustainable Production and Consumption Association (SÜT-D).

Taking sustainability as the basis of all its activities and aiming to leave a healthier world for future generations, Kalekim has reduced its carbon emissions in many areas from procurement to shipment in the supply chain with the Leave a Green Mark to the Nature Project.

Today, operating with the awareness that economic, social, and environmental impacts around the world should be closely monitored and corporate governance should be integrated with these developments to become a sustainable company, Kalekim has been monitoring carbon footprint emissions under ISO 14064 standard

since 2015. In this process, Kalekim realized that 65.8% of the carbon footprint emissions were generated in product and raw material shipments, shortened the shipment distances by establishing multiple facilities close to the market and raw materials as well as started the production of raw materials in some locations.

Kalekim, which has shortened the supply distance by 1,253 kilometers with the Supplier Development Program it has implemented, has thus prevented the release of 2,697 tons of carbon emissions to nature in the last 8 years in the raw material supply segment alone. This means a carbon emission amount equivalent to the planting of about 6,577 trees. Also, the Company has improved its CO₂ release rate by 14% in the last 6 years and reduced its carbon release equivalent to 4,675 tree plantings by preventing the 1,917 tons of carbon emissions that it will emit to nature in 2020 alone.

In addition, Kalekim contributed to the breathing of nature by planting 2,126 trees in the locations where its factories are located and thus creating carbon sinks for 871 tons of CO₂ emissions in nature.

On the other hand, Kalekim, aiming to address the processes it has been carrying out for many years on mitigation of the effects of climate change and ecological problems in a single framework and holistically, has included the “Sustainability” strategy among its 2021-2023 strategies. Kalekim will continue to work in the coming periods to leave a better world for the future in line with its sustainability strategy and the Care for Your World movement initiated by the Kale Group.

The Most Commendable Brand

Aiming at excellent customer experience by providing the best solutions at all stages from the production process to after-sales services, Kalekim was selected as the Most Commendable Brand in the “Best Customer Experience” and “Best Digital Service” categories at the 14th Turkey Call Center Awards.

Kalekim, which has become one of the most reliable brands in the industry by attaching importance to customer satisfaction and service quality, closely follows the innovations brought by the times and acts in constant development efforts.

Kalekim, which strives to be careful in all fields with its role model position in the construction chemicals industry, has always made it a principle to be the best in all fields of activity and all services it provides with its experience and knowledge of nearly half a century.

Employee Engagement Award

Kalekim received an award with the “Fikricin-Recommendation and Risk System” in the Employee Engagement category at the 8th Sustainable Business Awards organized by the Sustainability Academy.

With the award-winning “Fikricin-Recommendation and Risk System,” Kalekim ensures the engagement of all its stakeholders, especially employees, in the processes, evaluates creative ideas and opinions, and makes improvements in line with these ideas.

Golden Plumb Awards

In the Golden Plumb International Building Catalog Awards, which sprung to life for the 27th time under the roof of Turkey’s first and only materials catalog



Building Catalog, Kalekim received the Corporate Idea Award in the category of the “Innovative Products and Ideas in Construction” with the Bi’Boya Smart Comfort product.

Golden Plumb awards have always been a decisive step and source of prestige for all brands serving in the construction industry. Kalekim, which has always played a leading role in the development journey of the industry, continues to color and beautify the living spaces with its innovative and dynamic paint brand Bi’Boya on this path it has set out with the goal of offering the best.

Quality Circles and the Kaizen Award

Kalekim received the “Jury Incentive Award” with its Always Best Kaizen project team at the 24th Quality Circles and Kaizen Award ceremony organized by Turkey Quality Association (KalDer) Ankara Branch.

With the project carried out by the Best Kaizen project team, Kalekim has increased operational efficiency, provided ergonomic improvements, and achieved cost advantages by performing line joining in its Istanbul business.

Kalekim continues to develop and implement new projects in line with the Kale Continuous Development System (KSGS), which is based on the philosophy of continuous improvement and teamwork within the scope of lean transformation activities.

Investor Relations & Stock Performance

To ensure communication between Kalekim and investors, an Investor Relations Department has been established under the Company's Financial Affairs Directorate.

Investor Relations Department

By the decision of the Board of Directors of the Company dated 19.03.2021 and numbered 21, within the framework of the provisions of Article 11 of the Corporate Governance Communiqué as well as the resolutions of the CMB;

- To ensure that the records of the correspondence between the investors and the company as well as other information and documents are kept in a sound, safe, and up-to-date manner;
- To respond to the written information requests of the shareholders of the company regarding the company;
- Regarding the General assembly meetings, preparing the documents that will be presented for the information and review of the shareholders and taking necessary measures to ensure that the general assembly meeting will be held in conformity with the relevant legislation, articles of association, and other internal regulations of the company;
- To observe and monitor the fulfillment of the obligations arising from the capital market legislation, including all issues related to corporate governance and public disclosure;
- To prepare and submit a report to the board of directors at least once a year;

To provide communication between our company and investors by performing the above tasks, the Investor Relations Department under the Company's Financial Affairs Directorate was established and Ömer Karakaşoğlu was appointed as Investor Relations Manager and Corporate Governance Committee member pursuant to the capital markets legislation by the Decision of the Board of Directors dated 13.10.2021.

The information about the personnel of the Investor Relations Department is listed below:

Name Surname	Position	License Certificate Type	License Certificate No
Özgün Özmen	Financial Affairs Manager	-	-
Orkun İnanbil	Head of Investor Relations	-	-
Ömer Karakaşoğlu	Investor Relations Manager	Capital Market Activities Level 3 License/ Corporate Governance Rating-License	910005/910007

Investor Relations Unit Contact Information:

Address : Firuzköy Mah. Firuzköy Bulvarı No.188-1 Avcılar/Istanbul

Phone : 0212 4230018

Fax : 0212 6907393

E-mail address: : yatirimci@kalekim.com.tr

The report prepared on the activities of the Investor Relations Department carried out in 2021 was submitted to the Board of Directors with the approval of the Corporate Governance Committee on 02.02.2022.

The studies carried out to convey detailed information about the Company's activities to investors in 2021 are summarized in the following table:

Number of investor conferences and roadshows attended at home and abroad:	1
Number of teleconferences on financials announced in 2021:	3
Number of meetings and events organized for the press at home and abroad:	7

Kalekim Stock Performance

	2021
Lowest price (TL)	11.12
Highest price (TL)	19.80
Year-end price (TL)	18.10
Issued Capital (Thousand TL)	115.000
Market Value (Thousand TL) - Year-end	2,081,500
Market Value (Thousand USD) - Year-end	160.393

Message from the Chairperson

We have carried out a successful IPO program in 2021 to carry our Company, which has been leading the industry with innovative products and applications and is appreciated for its position in the international field as well as strength in the domestic field since its foundation, a step further.

Dear Stakeholders and Business Partners,

We have left behind another year in which humanity has passed through a difficult struggle and an important test. The pandemic continued to impact all areas of life in 2021. Although increasing vaccine numbers and vaccination rates have partly caused markets to have a sigh of relief, new variants of Covid-19 have continued to unsettle people, countries, and economies.

The pandemic, which has made the vulnerabilities in markets more obvious, has caused new and larger crises to arise in many industries due to the consequences it has created in the areas of energy, production, raw materials, and supply. Global energy and supply shortages have caused record increases in natural gas and electricity prices, while people in many countries have had difficulties accessing energy.

Rising Costs, Rising Exchange Rates, and Interest Rates Affected the Construction Industry

When fluctuations in the exchange rate are added to the rising raw material prices caused by production and supply, the increase in costs has reached unforeseen levels. This, in turn, led to significant losses in both production and purchasing power. Countries have tried to turn the wheels with the support packages they have announced, one after another, to keep their economies afloat during this difficult process.

The construction industry has also had its share of these events. The industry, which started the year well and completed the first half with an average growth rate of 3.2%, experienced a significant decline in the second half of the year. In particular, due to rising costs, exchange rates, and interest rates, the construction industry fell by 0.9% throughout all of 2021, far from compensating for the previous year's losses.



Chairperson of the Board of Directors
Dr. (h.c.) Hatice Zeynep BODUR OKYAY
Kale Group President and CEO

The Rapid Change Has Brought New Opportunities

The global pandemic has become the beginning of a new process with its impacts as well as the changes it has made mandatory. The pandemic, which accelerated the change and transformation in business life, also revealed the need for new business models in terms of production and investment.

Today, fighting climate change has become a must-have criterion for global economies. In addition to production, sustainability, and efficient use of resources are of great importance for companies.

Message from the Chairperson

We will continue to pursue bold goals with the same perseverance and determination in 2022 while leaving behind another year in which we are rightfully proud of being the “Castle (Kale)” of industry and production.

In a changing business world, low-carbon solutions and markets are growing much faster than expected, while “Buy-Use-Dispose” business models are being replaced by “Use-Reuse-Share” cyclical business models. Those who have adapted themselves to this rapid change are growing with the new opportunities caused by the process, while the window of opportunity for the rest is narrowing more and more everyday. In particular, companies that adopt sustainability as a business model and attach importance to digitalization succeed very significantly today in terms of efficiency and productivity. In this new normal, it is critical that everyone, including people, companies, and states, both improve themselves and find new methods to stay afloat.

We Took Our Biggest Step in 2021 with the IPO

As Kale Group and Kalekim, we have developed fast and alternative solutions against all possible scenarios from raw materials to the supply chain by making the necessary updates to our plans from the first day in the face of this difficult process. In this difficult process, in which the companies that adapt quickly to changing conditions, are open to new ideas, act bravely, and protect ecosystems stand out, as a Group, we have taken very important steps in line with our goals.

The primary step is the IPO of Kalekim. We have carried out a successful IPO program in 2021 to carry our company, which has been leading the industry with innovative products and applications and is appreciated for its position in the international field as well as strength in the domestic field since its foundation, a step further.

We received a demand from more than 300 thousand domestic and foreign investors for the 30% of the Company's shares that we offered to the public. After this successful IPO process, which revealed the confidence of our investors in Kalekim, our shares began trading on Borsa Istanbul on May 18th. We would like to thank once again all our investors who have trusted us and invested on this path.

We have Launched the 'Care for Your World Movement' to create Sustainable Value

As the Kale Family, we are aligned with the values inherited from our Founder İbrahim Bodur to date. We have always worked with the goal of a better world, focusing on people. While leading the green transformation of the industry with our investments in technology and human resources, on the one hand, we tried to take care of our world well and support the strengthening of the ecosystem with sustainable products, projects, services, and practices, on the other hand. With this understanding, we now invite everyone we contact with the "Care for Your World" movement to change and transform. Kalekim also evaluates its environmental impacts in all production processes, product designs, and services to care for our world.

The Castle (Kale) of Industry and Production

Undoubtedly our employees, stakeholders, business partners, and investors have always been the greatest power in our journey toward the future. The trust of our country and our people in us remains our greatest source of motivation today, as it was in the past on this path to success.

We will continue to pursue bold goals with the same perseverance and determination in 2022 while leaving behind another year in which we are rightfully proud of being the "Castle (Kale)" of industry and production. We will continue to work, produce, and create added value for our country and our people.

I wish 2022 will be a year when the challenges for our country, our people, and the whole world are left behind.

Best regards,

Dr. (h.c.) Hatice Zeynep Bodur Okyay

Chairperson of the Board of Directors
Kale Group President and CEO

Board of Directors



Hatice Zeynep Bodur Okyay
Chairperson of the Board of Directors
Kale Group President and CEO

Born in 1964 in Istanbul, Zeynep Bodur Okyay graduated from the Italian High School in 1985 and earned a degree in management engineering from Istanbul Technical University in 1989. She attended Harvard University between 1990 and 1992 and earned a graduate degree in management.

In 1995, she was appointed as an Executive Board Member and President of Kale Group's marketing companies. Since July 2007, she has been serving as Kale Group's President and CEO.

Zeynep Bodur Okyay is actively engaged in several NGOs, associations, foundations and chamber boards. Some of her current roles include General Assembly Presidency of Istanbul Chamber of Industry (ISO); Presidency of Global Relations Forum; Board Membership at Foreign Economic Relations Board (DEIK); Presidency of Turkey-Italy Business Council at DEIK; Membership at Turkish Business and Industry Association (TUSIAD).

Due to her commitment in strengthening the public-private partnership towards sustainable development, she serves at the UNDP IICPSD and Impact Investing Advisory Boards. Zeynep Bodur Okyay is also President of the Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health and Social Welfare Foundation. She also co-founded the Harvard Alumni Group in Turkey and supported the establishment of a Turkish language chair at Harvard University.

Previously Zeynep Bodur Okyay assumed the Presidency of the C20 (Civil 20) Steering Committee during Turkey's G20. She was a member of the 2021 B20 International Advocacy Caucus. Currently she serves as the co-chair at the Women in Business Action Council in 2022 B20 Indonesia.

In 2006, Zeynep Bodur Okyay was awarded the title Cavaliere del Lavoro for her contributions and services to Turkish-Italian relations. In 2014, she was awarded the Official Order of Merit of the Republic of Italy. In 2010, Okyay received the 'Turkey in Europe Franco Nobili Award' for her contributions to relations between Turkey and the European Union and the Outstanding Service Award given by the Turkish Grand National Assembly to persons who deliver outstanding services to Turkey on a national and international level, contribute to promoting Turkey, and contribute to social welfare, education, happiness and social development.

Zeynep Bodur Okyay speaks fluent Italian and English. She is married to Osman Okyay, Vice-Chairman and President of Technical Division, Kale Group of Companies, and they have one child.



Kadri Tark Özçelik

Vice Chairperson

Vice Chairperson of Kale Group/Production Systems and Operational Development

Born in 1962, Tark Özçelik graduated from the Industrial Engineering Department of Boğaziçi University. Özçelik studied for a graduate degree and worked as a research associate in the Department of Computer Engineering of Boğaziçi University. After starting to work at the IT Department of Çanakkale Ceramic Factories as a programmer in 1988, Özçelik took a position in the Production Planning Department. Özçelik was the General Manager of Kale Marketing between 1995 and 2001, the Chairperson of the Marketing Group until 2004, and the Chairperson of the Ceramics Group between 2004 and 2013. Özçelik has been working as Vice Chairperson in charge of Production Systems and Operational Development since 2013.

Özçelik speaks fluent English and is married with two children.



Haluk Alperat

Member of the Board of Directors

Vice Chairperson of Kale Group/Finance

Haluk Alperat was born in 1964 and graduated from the Mechanical Engineering Department of Boğaziçi University in 1988. He earned his MBA from Bilkent University in 1990.

Alperat started his career at Interbank working in the Capital Markets Department between 1990 and 1993. From 1993 to 1996, he assumed various roles at Finansbank's Corporate Finance Department, the last role being Group Manager. Between 1996 and 1999, Alperat served as the Assistant Director in the Corporate Finance Department and International Business Development Department at Global Securities. Between 2000 and 2002 Alperat was the Assistant General Manager for Corporate Finance at Raymond James Turkey. Alperat served as the General Manager and Member of the Board of Directors at Ekspres Investments, a DenizBank affiliate, between 2002 and 2007 and later as the Founder General Manager after the acquisition from the Savings Deposit Insurance Fund (TMSF) as an inactive company. Since 2007, Alperat has been serving as the Vice Chairperson for Finance at Kale Group.

Haluk Alperat is married with two children and speaks fluent English and German.



Esra Yazıcı Tözge

Member of the Board of Directors

Vice Chairperson of Kale Group/Corporate Development

Born in Izmir in 1966, Esra Yazıcı Tözge graduated from Izmir American Collegiate in 1984 and earned her degree in Economics in 1988 at the Faculty of Economics and Administrative Sciences at Boğaziçi University, İstanbul. She worked as an AIESEC intern in the Finance Department of LYAC POWER in Lyngby, Denmark for 5 months after her graduation. Between 1989 and 1997, Tözge worked for Henkel Turyağ Izmir, in various roles in Strategic Planning and Controlling, Logistics Controlling, and Sales. She started the National Accounts Department in Henkel Turyağ and her last role was the National Account Manager.

Tözge worked in Saint Gobain Weber, Izmir, as a Marketing Manager from 1997 to 2001. She played an active role in the acquisition of Markem company by Saint Gobain Weber and the transition. Through 2001-2002 she worked as a freelance consultant for Henkel KGaA Düsseldorf and Barem Research International in several projects. Joining Kale Group in April 2002, Tözge worked as an advisor to the General Manager of Kalekim and Kaleterasi until 2007. Between 2007 and 2015, Tözge worked as a full time advisor to Zeynep Bodur Okyay, Chairperson and the CEO of Kale Group. Since 2015, Tözge has been working as the Vice-Chairperson for Kale Group, mainly in charge of Corporate Development. She has served in several boards of the Kale Companies including Bodur Gayrimenkul, Kale Nakliyat and she is still a Board Member for Kaleseramik and Kalekim Companies.

Her voluntary acts include the Management Board and Board of Trustees' memberships in SEV – Sağlık ve Eğitim Vakfı, BUVAK – Boğaziçi Üniversitesi Vakfı, KSV- İbrahim Bodur Kaleseramik Vakfı, Boğaziçi Üniversitesi Mezunlar Derneği.

Board of Directors



Ender Ferruh Arslan

**Member of the Board of Directors
Vice Chairperson of Kale Group/Corporate
Strategy and Business Development**

Ender Ferruh Arslan was born in Ankara in 1967. He earned his BSc from the Mechanical Engineering Department of the Middle East Technical University in 1990 and an MSc in Mechatronics Engineering from the same university in 1992.

Arslan worked at Hitaş, NIKON Europe BV's distributor in Turkey, as a Marketing Specialist between 1989 and 1992, and at Arçelik A.Ş. between 1992 and 1999 as a Product Development Engineer and, at the Ankara factory, a Project Leader and then Business Development Coordinator responsible for the design and production of the new dishwasher series. From 1999 to 2002, Arslan worked as a Senior Strategic Planning Manager at Arthur Andersen, and between 2002 and 2005 as the M&A and Strategic Planning Manager at İş Yatırım Menkul Kıymetler A.Ş. Arslan was the Strategic Planning & Business Development Director at Akkök Group between 2005 and 2011, where he also served as a Member of the Executive Committee. Before joining Kale Group, Arslan was a Managing Partner at Ernst and Young. Since 2011, Arslan has been serving as Kale Group's Vice Chairperson for Corporate Strategy and Business Development. He is also a Member of the Assembly of the Istanbul Chamber of Industry and Vice-Chairperson of the DEİK Business Council on Foreign Investments.

Arslan is married with one child and speaks fluent English.



Ferdi Erdoğan

Member of the Board of Directors

Ferdi Erdoğan started his business life as a Certified Geological Engineer at Kale Group in 1980, and after working as a Manager at Çanakkale Ceramics and working for Marmara Regional Directorate of Kale Mining between 1980 and 1998, he served as the General Manager of Kalekim between 1998 and 2013. Between 2013 and 2017, as the Head of the Construction Products Group, he managed the domestic and international operations of Kale Ceramics, Kale Italia, Kale Transportation, Kale Mining, and Kale Frit companies.

Ferdi Erdoğan is currently a Member of the Board of Directors of Kale Group companies. He was the Chairperson of the Board of Directors of Turkey İMSAD between 2017 and 2019 and has been serving as the Acting Chairperson since 2020. For the period 2018-2022, he has been serving as a Member of the Assemblies of both ISO (Istanbul Chamber of Industry) and ÇTSO (Çanakkale Chamber of Industry and Commerce). Also, he was the Chairperson of the Board of Directors at İzoder between 2011 and 2015.

Specializing especially in the technical, operational, commercial, and strategic areas of ceramic products, ceramic raw materials, and building chemicals (mortars, paints, and thermal insulation and waterproofing materials) segments in his executive management career that he has successfully maintained for 40 years, Ferdi Erdoğan continues to lead the development of the construction materials industry with his innovative initiatives such as traceable-after-application mortar technology, concentrated mortar, and Kalekim Master's Club.

Ferdi Erdoğan graduated from the Department of Geological Engineering of the Faculty of Science of Istanbul University in 1979 and is married with two children.



Mustafa Yılmaz

Independent Member of the Board of Directors

Mustafa Yılmaz, born in 1949, received a Chemical Engineering degree from the Faculty of Science of Ankara University in 1971. He started his business life as a field engineer and Laboratory supervisor at Etibank, Ergani Copper plants between 1971 and 1973, and worked as an Accumulator manufacturing officer at Malatya Air Supply Maintenance facilities during his military service. After working in many positions at Akso Akrilik Kimya Sanayi A.Ş. between 1974 and 2002, he assumed the position of General Manager in 2003. Mustafa Yılmaz, who completed his Executive MBA at Harvard Business School in 2003, was a Member of the Executive Board of Akkök Holding between 2012 and 2017.

Mustafa Yılmaz studied doctorate at Istanbul Technical University between 2016 and 2020 and is married with two children.



Fevzi Tayfun Küçük

Independent Member of the Board of Directors

Born in 1970, Fevzi Tayfun Küçük graduated from the Mining Engineering Department of Middle East Technical University in 1993. He worked in various positions: the Treasury Fixed Income Securities Manager of Garanti Bank between 1993 and 1999, the Cash Management Unit Manager of Garanti Bank between 1999 and 2005, the Group Head of Payments and Cash Management of HSBC between 2005 and 2012, and the Deputy General Manager in Charge of Technology of Odeabank between 2012 and 2018.

Since 2018, he has been working as a Senior Digital Technology Consultant at the IFC affiliated with the World Bank.

Fevzi Tayfun Küçük, who received an MBA degree in Electronic Business from Yeditepe University in 2001, is married with two children.

Board Committees and Assessment of the Board of Directors

Structure and Composition of the Board of Directors

Name Surname	Position	Independence Status	Election Date	Term of Office	Duties in the Board of Directors and Committees	Duties Outside the Company
Hatice Zeynep Bodur Okyay	Chairperson and Executive Member	Not Independent Member	10.03.2021	1 year	Chairperson of the Board of Directors	Membership of the Board of Directors in Group and Non-Group Companies
Kadri Tarık Özçelik	Vice Chairperson	Not Independent Member	10.03.2021	1 year	Vice Chairperson of the Board of Directors/ Member of the Early Detection of Risk Committee	Membership of the Board of Directors in Group Companies
Haluk Alperat	Board Member	Not Independent Member	10.03.2021	1 year	Member of the Board of Directors	Membership of the Board of Directors in Group Companies
Ender Ferruh Arslan	Board Member	Not Independent Member	10.03.2021	1 year	Member of the Board of Directors/ Member of the Early Detection of Risk Committee	Membership of the Board of Directors in Group Companies
A. Esra Yazıcı Tözge	Board Member	Not Independent Member	10.03.2021	1 year	Member of the Board of Directors, Member of the Corporate Governance Committee	Membership of the Board of Directors in Group Companies
Ferdi Erdoğan	Board Member	Not Independent Member	10.03.2021	1 year	Member of the Board of Directors	Membership of the Board of Directors in Group Companies
Mustafa Yılmaz	Board Member	Independent Board Member	10.03.2021	1 year	Member of the Board of Directors, Chairperson of the Early Detection of Risk Committee, Chairperson of the Audit Committee	Membership of the Board of Directors in Non-Group Companies
Fevzi Tayfun Küçük	Board Member	Independent Board Member	10.03.2021	1 year	Member of the Board of Directors, Chairperson of the Corporate Governance Committee, Member of the Audit Committee	-

Within the framework of the CMB Corporate Governance Principles, the majority of the members of the board of directors consist of non-executive members. The duties of the Chairperson of the Board of Directors and the General Manager are performed by separate persons. According to the Articles of Association, the Company's affairs are carried out by a Board of Directors consisting of eight members who will be elected with the decision of the General Assembly in accordance with the Turkish Commercial Code and Capital Markets Board regulations. At the Extraordinary General Assembly meeting of the Company dated 10.03.2021, an election was held for a total of 8 members, being 2 independent members, to serve for a period of 1 year.

Following the end of the 2021 accounting period, within the framework of the Capital Markets Board's determination regarding the groups in which the companies are included for the year 2022, considering the necessity of having at least three independent board members within the scope of the group we are included in, and the structure of the committees, the number of board members has been increased from 8 to 9 by the decision of the Board of Directors dated 11.02.2022

and numbered 2022/08, and the amendment in the Articles of Association with the assent of the Board and permission of the Ministry will be submitted for the approval of the shareholders at the ordinary general assembly and an election for 3 independent members and 6 board members will be held at the relevant general assembly meeting.

Care is taken to ensure that the members of the Board of Directors allocate the necessary time for the company's affairs, however, there is no restriction on them taking on other duties outside the Company. Such a restriction is not needed, in particular, due to the significant contribution of the work experience and industrial experience of independent members to the Board of Directors.

In accordance with the Articles of Association, the provisions of the relevant legislation shall apply to the formation, duties, and working principles of the committees that the Board of Directors is obliged to establish within the context of the capital market legislation, the Turkish Commercial Code, and the relevant legislation, as well as their relations with the Board of Directors.

Kalekim has an Audit Committee, a Corporate Governance Committee, and an Early Detection of Risk Committee. The Corporate Governance Committee also performs the duties of the Nomination Committee and the Remuneration Committee stipulated in the Communiqué.

The Committees are chaired by Independent Members of the Board of Directors. The working principles of the committees have been approved by the resolution of the Company's Board of Directors dated 10.03.2021.

Pursuant to Articles 395 and 396 of the Turkish Commercial Code, it has been agreed upon at the General Assembly dated 15.04.2021 that the members of the Board of Directors may perform the works falling under the subject of the Company in person or on behalf of others and may become partners in the companies doing such works.

Operating Principles of the Board of Directors

The Board of Directors convenes when the Company's business requires it. Each member has single voting right at the Board Meeting. In 2021, the Board of Directors held 68 meetings, 6 of which were held with physical participation by taking the necessary measures under the pandemic conditions, and the participation rate was 100%. Independent members of the board of directors participated in all of the decisions taken, and no different or dissenting opinion was expressed.

The agenda of the Meetings of the Board of Directors is determined by notifying the Company's Senior Management and the Members of the Board of Directors by the relevant departments of the issues that the relevant legislative legislation stipulates that they should be decided by the Board of Directors. In addition, the agenda of the meeting is also determined by notifying the Company's senior management of the necessity of deciding on an important issue by any Member of the Board of Directors. The issues that are requested to be discussed by the Company's Board of Directors are listed and consolidated by the Strategic Planning and Business Development Directorate and the agenda is formed. The Company's Director of Strategic Planning and Business Development has been entrusted with determining the agenda of the Company's Board of Directors Meetings, preparing the decisions of the Board of Directors, informing the Members of the Board of Directors, and ensuring communication.

The Meetings of the Board of Directors are held at the Company's head office or at a convenient location in the city where the head office is located. Important Board of Directors Resolutions are announced to the public via PDP and a link is provided from the Turkish website to the page of the company on the PDP website.

The Company's Board of Directors exercises its duties and powers in accordance with the provisions of the Turkish Commercial Code, capital market legislation, and the provisions of the Articles of Association of the Company. The authority to represent the Company is detailed in the Internal Directive and the list of authorized signatures of the Board of Directors.

The Board of Directors plays a leading role in maintaining effective communication between the company and the shareholders, resolving and concluding disputes that may arise, and works closely with the Corporate Governance Committee and the Investor Relations Department for this purpose.

Message from the General Manager

As Kalekim, we were successful above our targets by increasing our sales in all product groups in 2021. **In this difficult year, our net sales revenue increased by 54% compared to the previous year and amounted to TL 810 million.**

Esteemed Stakeholders,

We Have Left Behind Another Difficult Year in which We Continued to Experience the Effects of the Global Pandemic all over the World

Humanity fought with the constantly changing new variants of the pandemic, on the one hand, and endeavored to remove the traces of the devastation it had caused, on the other. During this period, the cost increases, especially due to energy, supply, and raw materials, have deeply affected economies, industries, and even businesses.

2021 was a Difficult Year for the World

As Kalekim, we have successfully managed the process so far with our knowledge, background, and experience of almost half a century. We foresaw possible problems in the raw materials and supply chain in advance and developed new and alternative solutions for this. Again, we have prioritized environmentally friendly products and practices by using our resources efficiently based on sustainability.

In terms of digitalization, we have tried to take advantage of the opportunities created by the process by adapting ourselves quickly to the changing and developing technology and the new normal. With the strategic decisions we have taken, we have continued to walk towards our goals with the same perseverance and determination, minimizing all the adverse effects caused by the process.

We Have Offered This Great Value That We Have Created to Our Investors

While putting up an extraordinary fight to prevent the pandemic from damaging our production process, we have also taken very important steps for the future. The first of these steps was undoubtedly our IPO program, which is a turning point not only for our company but for our Group as well. We have offered 30% of our company to the public after a successful book-building process. All of the shares, including additional sales, were sold and the IPO size of Kalekim amounted to TL 509 million.

We Concluded the Year with a Success Above Our Goals

After this successful process, now, we are continuing to walk towards new goals in a much stronger fashion. At the point where we arrived today, we are happy to conclude the year successfully despite the difficulties caused by the

Kalekim®



Kalekim General Manager
Timur Karaoğlu

pandemic and the cost increases. As Kalekim, we were successful above our targets by increasing our sales in all product groups in 2021. In this difficult year, our net sales revenue increased by 54% compared to the previous year and amounted to TL 810 million. Also, our net profit for the period increased by 158% compared to last year and amounted to TL 213.2 million. We have achieved significant success by increasing our domestic sales by 44% compared to the previous year.

We Continue to Grow with New Investments Abroad

As one of the most important brands of Turkey opening up to global markets, we consider export and foreign investments as an important and primary strategic goal. We have made significant investments in order to increase our foreign sales, which accounted for 29.6% of our total turnover in 2020, even further despite the difficult process. As a consequence, we have increased our year-on-year foreign sales by 78% as of the end of 2021. Iraq and France were the countries where we increased our foreign sales the most. As part

Message from the General Manager

We have introduced an important innovation to the decorative coating industry with Visuelle, which we launched in September. **By offering design and application services together, Visuelle offers a new business model directly from the manufacturer to the consumer in this field.**

of our foreign investments, we have established a 50-50% partnership with Sarl Ha Building in Algeria after Kenya, which is our first production base in Africa. The state credit support for this partnership has also been approved. To grow in Central Europe and Eastern Europe, Board decisions for the establishment of companies in the Romanian and French markets were taken. In addition, our marketing activities in Russia are also successfully continuing.

For the production of concentrated products needed by our foreign investments, we made an additional line investment of TL 23 million in our factory located in the Mardin Organized Industrial Zone. As a company that offers its products to consumers and professionals in 80 countries, we plan to further increase our investments and business partnerships abroad in the coming period.

We Offered our New Brand Visuelle in the Field of Decorative Coating to the Market

In line with our growth targets, we continued to lead our industry with our innovative products not only abroad but at home as well. Despite all the risks and uncertainties caused by the pandemic, we launched our new brand, Visuelle, which we brought to life by taking inspiration from nature to the market. We have introduced an important innovation to the decorative coating industry with Visuelle, which we launched in September. By offering design and application services together, Visuelle offers a new business model directly from the manufacturer to the consumer in this field. In the new period, we will continue to add new products to our product range.

Our Call to our Stakeholders: Care for Your World

As a company that respects people and the environment, and adds sustainable value to society, we always work to provide the best and the latest to our stakeholders without compromising on quality at every stage of our production. Sustainability is undoubtedly the most important focus of Kalekim as we move rapidly towards our goals. In particular, we see the "Care for Your World" movement started by our Group as an important call that will change, transform us all, and raise awareness in society for a sustainable world. In line with this call, we are trying to leave a green mark on nature with our projects and practices that make a difference by leading our ecosystem.

In this context, since 2015, we have taken many steps to reduce our “Carbon Footprint” emissions within the framework of ISO 14064 standard ranging from the construction of multiple facilities close to the market and raw materials to the shortening of shipping distances. Thanks to this, our CO₂ emission rate has decreased by 14% in the last 6 years. As a result of this success, we were named “Low Carbon Hero” for the second time in 2021.

From now on, we will continue to work to leave a greener and more livable world for future generations in line with our strategies without compromising on our sustainability approach.

We Received Awards for our Products, Services, and Systems

We are a big family that has adopted the principle of making a difference and adding value, embraced the corporate culture, and integrated its own goals and values with the company’s vision under the roof of Kalekim. Many of our products, projects, and practices that we have implemented within the framework of the values that make us who we are have been crowned with awards in 2021.

At the Golden Plumb International Building Catalog Awards, we received the “Corporate Idea Award” in the Idea category with our product “Bi’Boya Smart Comfort.” We were also granted the “Low Carbon Hero” award for the second time in 2021 in the Chemical industry category by the Sustainable Production and Consumption Association (SÜT-D), and

the “Employee Engagement Award” with the “Fikricin-Recommendation and Risk System” at the Sustainable Business Awards. We won the “Most Commendable” awards in the “Best Customer Experience” and “Best Digital Service” categories at the “2021 Turkey Call Center Awards.”

We Will Continue to Step Up to New Achievements All Together in 2022

As Kalekim, after a successful year, we will continue to step up to new achievements along with our employees, stakeholders, and investors in 2022. As a company that respects people and the environment, and adds sustainable value to society, we aim to lead our industry with our most innovative products and practices and to take our success further in the global market.

We strongly believe that we can achieve this with our 49 years of knowledge, background, and experience, as well as our R&D capacity and human and technology resources, financial strength, and unique potential that we have.

I hope that 2022, a year to write new success stories, brings health, happiness, and success for all of us.

Best regards,

Timur Karaoğlu

Kalekim General Manager

Senior Management



Timur Karaoğlu
General Manager

Timur Karaoğlu graduated from Yıldız Technical University, Department of Civil Engineering in 1998 and completed his Graduate study in Civil Engineering at Istanbul Technical University in 2000.

Distinguished by his experience in management, business development, marketing, and sales strategies development and implementation, Timur Karaoğlu started his business life as Kalekim Product Manager at Kale Marketing, a Kale Group company, in 2001. Timur Karaoğlu graduated from İstanbul Kültür University, MBA program in 2007. After working 4 years as Sales Assistant Manager at Kale Marketing Company, he held the Distribution Channel Sales Manager position, which he assumed in February 2008 at Kale Ceramics, until 2013. Until 2018, he served as Vice Chairperson of Retail Markets and Assistant General Manager of Domestic Sales and Marketing.

After working as the Deputy General Manager of Kalekim Sales and Marketing until February 2018, Timur Karaoğlu works as the General Manager of Kalekim since October 21, 2019.



Murat Gönültaş
Assistant General Manager of Operations

Murat Gönültaş graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Political Sciences and International Relations in 1999. In the same year, he started to work at Kalebodur Seramik A.Ş., a Kale Group company and continued in Kalekim since 2000. Starting as an External Purchasing Officer, he worked as a Planning and Purchasing Supervisor, Planning and Purchasing Assistant Manager, and Purchasing Manager in Kalekim.

Murat Gönültaş, possessing the Sabancı University Leadership Development Program, EFQM Evaluator, and 6 Sigma Green Belt certificates, has been working as the Assistant General Manager In Charge of Operations since February 2019.



Taner Köseoğlu
Domestic Sales Director

Born in Ankara in 1978, Taner Köseoğlu graduated from Dumlupınar University, Department of Business Administration, and received a Master's degree in Sales and Marketing from Okan University. Taner Köseoğlu started working as Kalekim İstanbul Regional Sales Officer in 2002 and then worked as the Northern Marmara Regional Manager, Marmara Regional Manager, Assistant Sales Manager, Domestic Distribution Channels Sales Manager, and Retail Markets Sales Manager. He is currently working as the Domestic Sales Director.



Tuba Özdemir Hesse

Marketing Director

Tuba Özdemir Hesse was born in Karabük in 1980 and studied at the Department of Chemical Engineering of METU. After completing her undergraduate education in 2003, Tuba Özdemir Hesse started to work as an R&D Officer at Kalekim and worked as a Product Brand Assistant Manager between 2007 and 2011 and as a Brand Manager between 2011 and 2016. Tuba Özdemir Hesse has been working as the Marketing Director since 2016.



Çağlar Erdoğan

Subsidiaries, Business Development and Strategic Planning Director

Çağlar Erdoğan graduated from Bilkent University, Department of Business Administration in 1998 and started to work as an Export Responsible at Kalekim in 1999. He worked as a Marketing Assistant Manager, 6 Sigma Black Belt, Strategy Office Assistant Manager, Strategic Planning, Business and Process Development Manager. Çağlar Erdoğan, who has the Sabancı University Leadership Development Program, EFQM Evaluator, and 6 Sigma Black Belt certificates, has been working as the Subsidiaries, Business Development and Strategic Planning Director since May 2021.



Özgün Özmen

Financial Affairs Manager

Özgün Özmen graduated from the Department of Finance of the Faculty of Political Sciences of Istanbul University in 1993. Distinguished by his experience in general accounting, tax, finance, budget reporting and risk management practices, Özgün Özmen started to work as an Accounting Responsible in the Financial Affairs Department at Kale Marketing, a Kale Group company, in 1995. In 2001, he was transferred to Kalekim company within the group and assumed the positions of Accounting Supervisor, Accounting Manager and Finance Manager within the company. Özgün Özmen has been working as the Financial Affairs Manager since 2020.

Senior Management



Serhat Oras

Export Manager

Born in Istanbul in 1973, Serhat Oras received his bachelor's degree from the Business Administration Department, Faculty of Social Sciences, Marmara University in 1997. Serhat Oras started to work as an Import Responsible at Kalekim in 2000, worked as a Market Research Responsible between 2001 and 2002, Export Regional Assistant Manager between 2002 and 2009, and Deputy Export Manager between 2009 and 2011. Serhat Oras has been working as the Export Manager since 2011.



Kağan Özsan

Human Resources Manager

Born in 1980 in Aksaray, Kagan Özsan graduated from the Department of Systems Engineering of the Turkish Army Staff Academy in 2001. He received his Master's degree in Human Resources and Organizational Change from Beykent University in 2011. Following his undergraduate study, after working in different positions at TSK between 2001 and 2012, he worked as Organizational Development Responsible at Şekerbank in 2012, Human Resources Partner Manager at Profilo Payment Systems in 2013, Recruitment and Organizational Development Assistant Manager at Ekol Lojistik in 2014, Human Resources Regional Manager at Kantar (WPP) in 2017. In 2018, Kagan Özsan started working as the Human Resources Manager at Kale Ceramics, a Kale Group company, and on August 01, 2021, he was transferred within the group and continues to work as the Human Resources Manager of Kalekim.

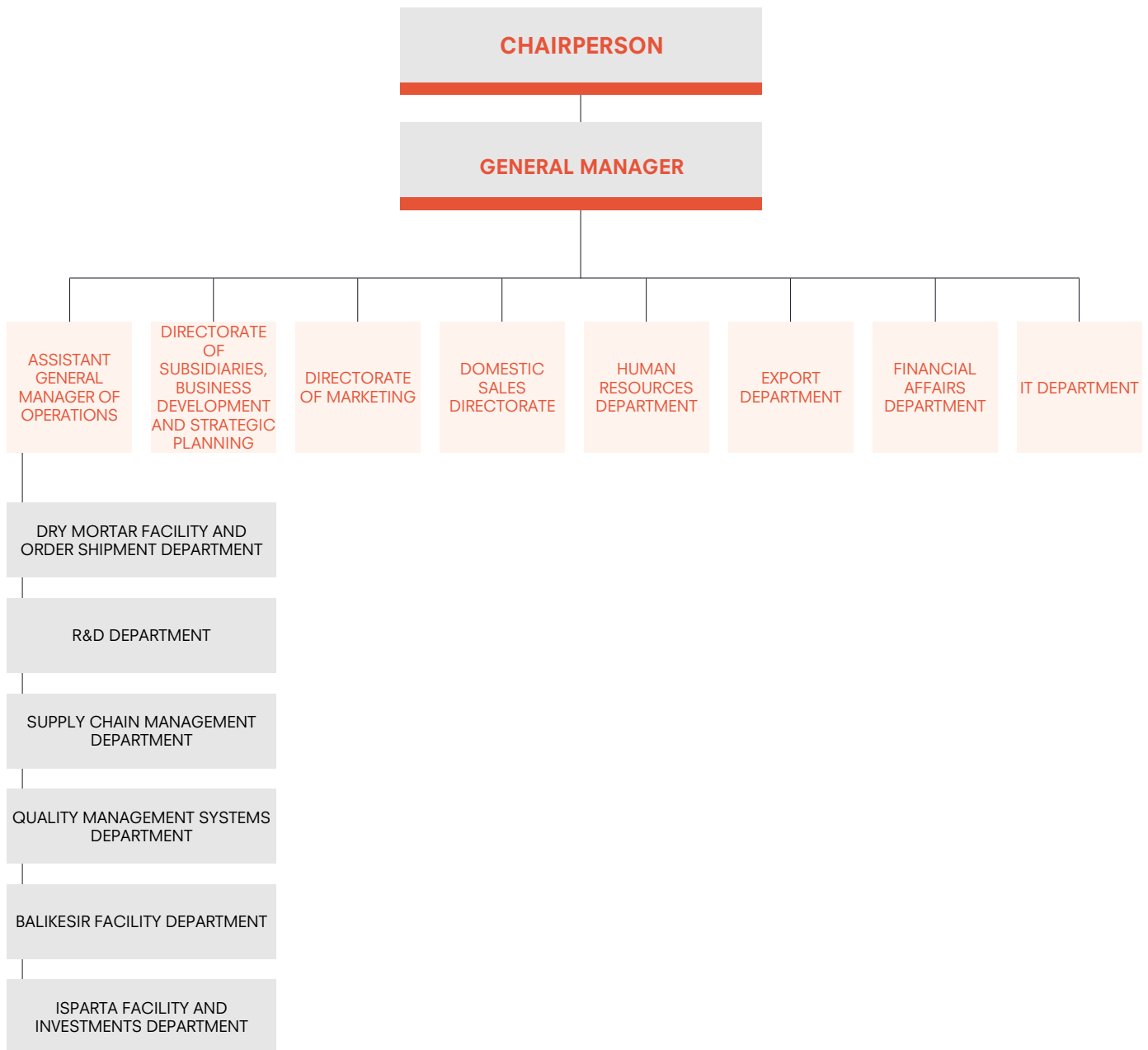


Işıl Fatoş Yeniyoğlu

IT Manager

Işıl Fatoş Yeniyoğlu was born in Istanbul in 1978. She received her bachelor's degree in Computer Engineering from Istanbul University in 1999 and her Master's degree in Business Administration from Işık University in 2004. Işıl Fatoş Yeniyoğlu started working as a Software Development Specialist at Kaledata A.Ş., a Kale Group company, in 1999 and then worked as a Software Development Assistant Manager at Kale Holding A.Ş. between 2005 and 2011, and BI & CRM Assistant Manager at Kale Holding between 2011 and 2017. Işıl Fatoş Yeniyoğlu has been working as the IT Manager at Kalekim since 2017.

Organizational Chart



Overview of the Industry in 2021

The construction materials industry, which is an important component of sustainable development from the perspective of the national economy, has steadily increased its export figures in 2021 as well.

Despite the recent slowdown, the construction industry in Turkey is one of the industries that makes the most important contribution to overall economic growth with its high growth pace. Many elements such as mega-projects of the public, urban transformation, and infrastructure investments continue to lend impetus to the construction industry.

Despite the growth in the first half of 2021, the construction industry shrank by 0.9% in 2021 due to the high shrinkage in the second half of the year. The reasons for this shrinkage include the decrease in new construction starts due to increased costs and the large decommissioning of existing works as well.

In addition, the raw material crisis in construction materials experienced during the Covid-19 period and the depreciation of the Turkish lira observed recently are also seen among the factors hindering the growth of the construction industry.

As of the end of 2021, housing sales in Turkey decreased by 0.5% compared to the previous year, and a total of 1.49 million houses were sold. In the last month of the year, there was a rapid increase in housing sales because state-owned banks reduced interest rates on housing loans. The upward trend in housing prices caused mobility in housing sales as well. In December 2021, housing sales in Turkey increased by 114% compared to the same period in 2020 and amounted to 227 thousand.

In January-December 2021 period, the export of construction materials increased by 47% year-on-year and reached USD 31 billion. Construction activities continued to grow in the last quarter of the year in our export markets, especially in Europe. Accordingly, increases in construction materials orders are continuing. Increases in commodity and product prices also contribute to the size of exports.

The increasing geographical importance of Turkey with the Covid-19 pandemic, the strong competitive potential of the industry, and the increased unit export price due to the increase in foreign exchange-based prices in commodities, energy, and logistics have also contributed to the increase in exports in the construction material industry.

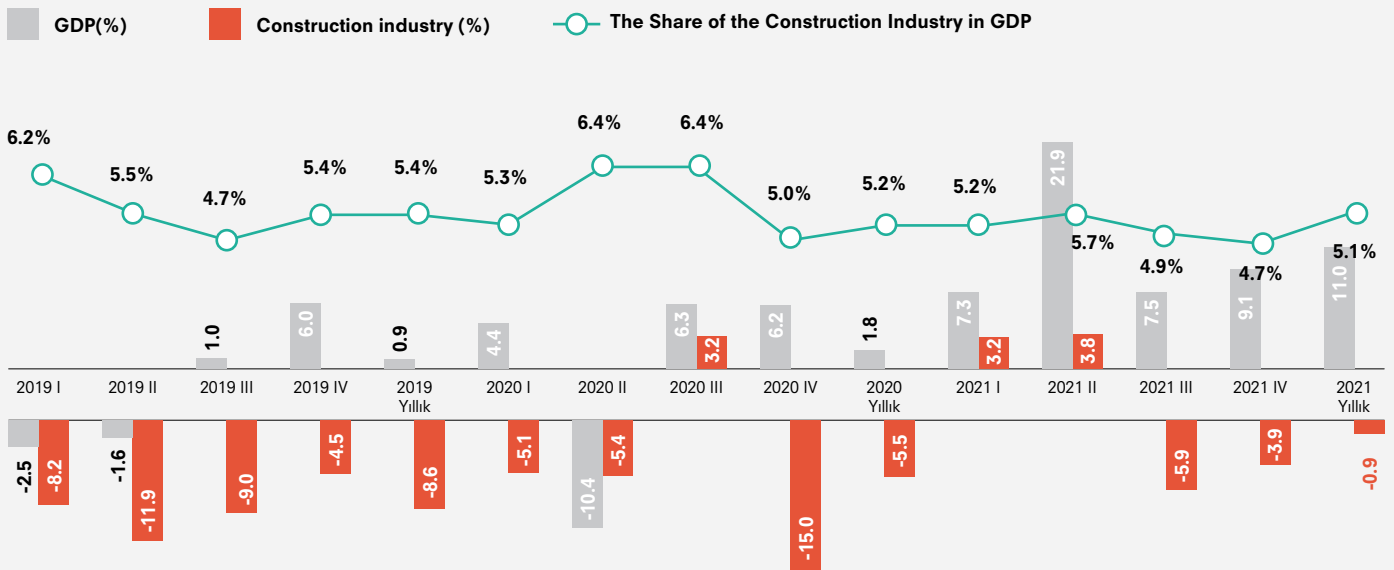
In this period, in which energy efficiency is becoming increasingly important, the efficient use of limited resources in the construction materials industry is also regarded as the basic rule of existence in the future and sustainable success. In this context, it is envisaged that the fact that energy-producing structures come to the fore, not energy-consuming structures, and the energy efficiency that will be provided in new buildings as well as existing ones, can also reduce Turkey's current account deficit.

The construction materials industry, which is an important component of sustainable development from the perspective of the national economy, strives to ensure that all women take their

rightful place in the field they want, in the position they deserve. To ensure gender equality in the industry, which is the fifth of the UN Sustainable Development Goals, the "Attitude Document on Increasing Women's Employment in the Construction Materials Industry" was published by Turkey İMSAD in 2021.

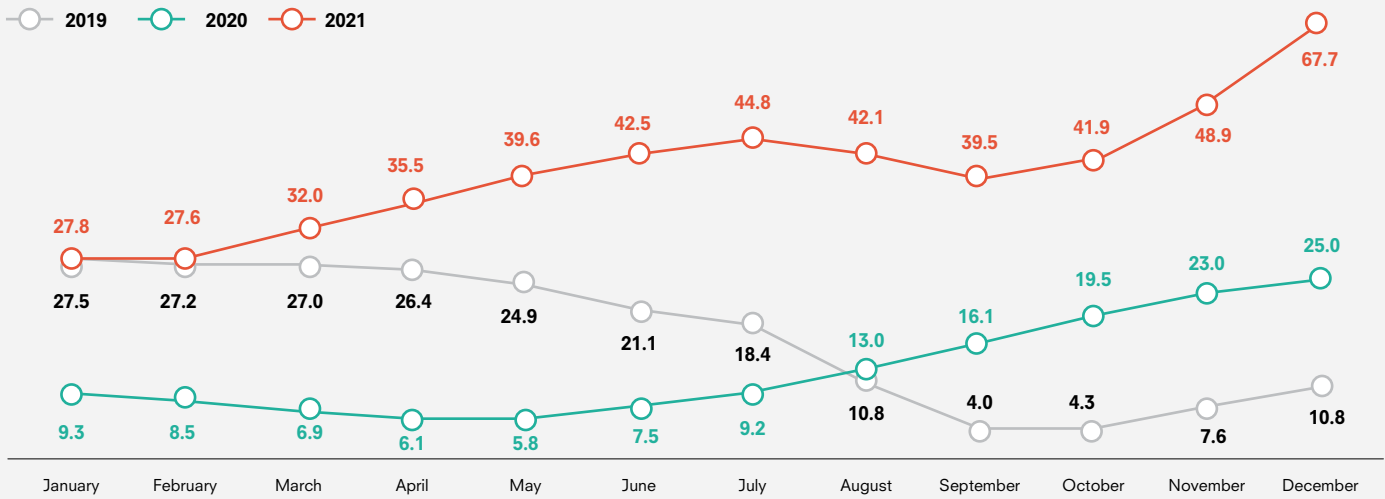
On the other hand, it is seen that globalization, which has marked the last 30 years in the industry and has been realized with incredible speed, has been replaced by regionalization, and there has been a transformation from globalization to regionalization. In this context, it is expected that Turkey will gain importance more and more and that important developments will be experienced in the next decade

GDP and Construction industry Growth Rates (Turkey)

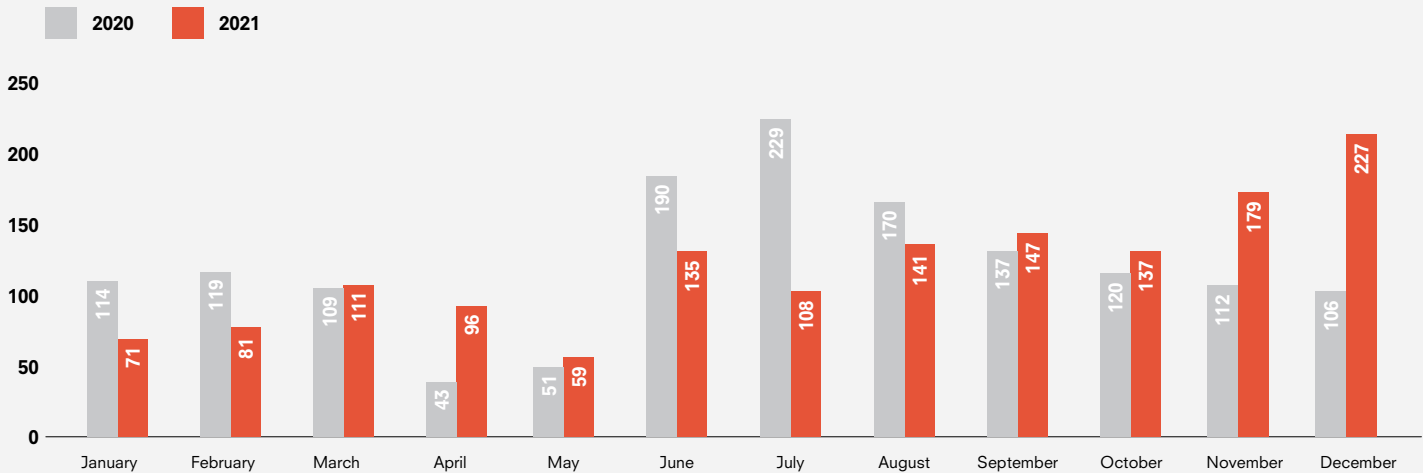


Overview of the Industry in 2021

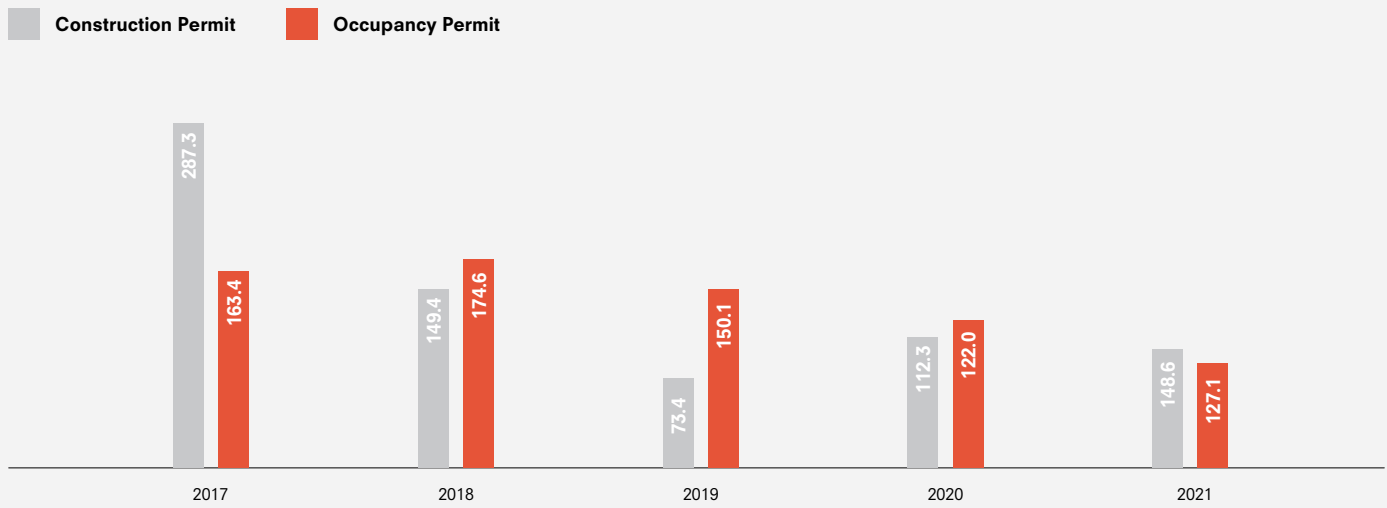
Construction Cost Index



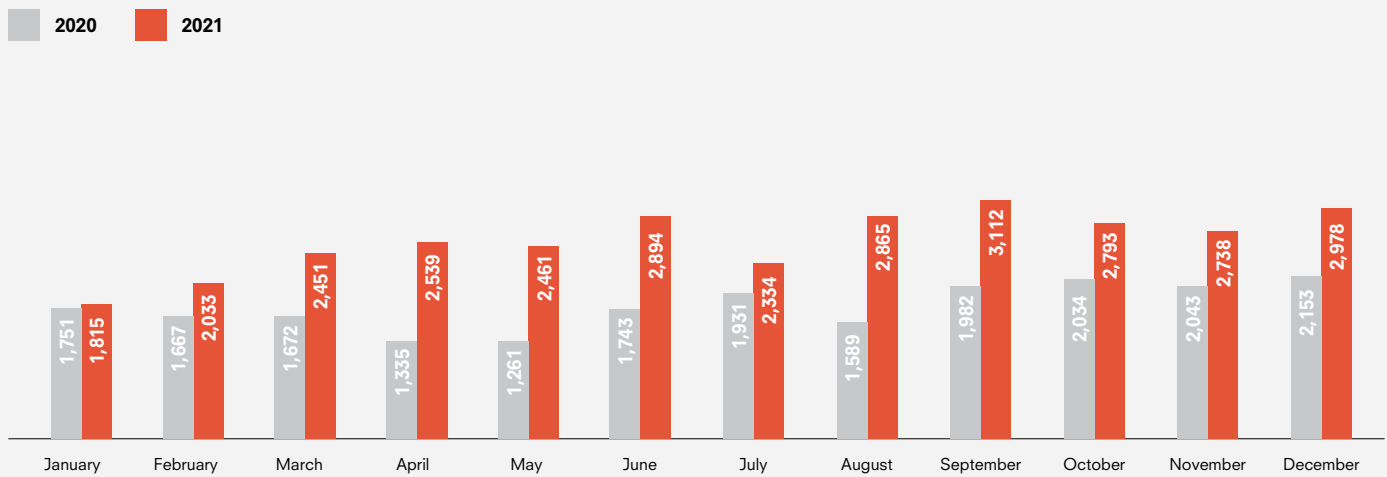
Number of Houses Sold (Thousand)



Building Data Area (Million m²)



Construction Materials Exports (USD Million)



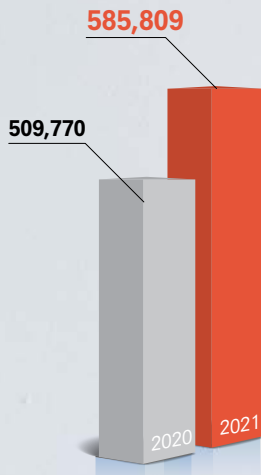
Resource: IMSAD

Manufacturing Facilities

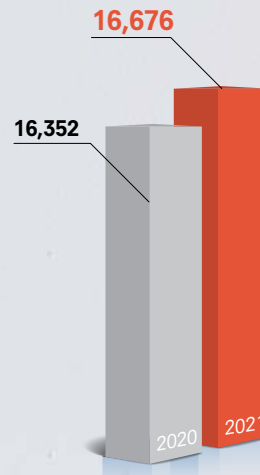
The company produces at Istanbul, Isparta, Mersin, Yozgat, Mardin, Erzurum, and Balıkesir plants in Turkey and at its Albania/Tirana plant abroad. The Dry Mortar capacity utilization rate was 63.0% in 2021. The production volume increased by 14.9% compared to the same period of the previous year and amounted to 585,809 tons.

The Paint/Plaster capacity utilization rate was 33.4% in 2021. The production volume increased by 2.0% compared to the same period of the previous year and amounted to 16,676 tons.

Amount of Dry Mortar Production (Tons)



Paint/Plaster Production Amount (Tons)



As of the end of 2021, Kalekim's dry mortar production **has increased by 76 thousand tons compared to the previous year and reached 586 thousand tons.**



Products

2940 Fugaprotech, a new cement-based, polymer-doped, silicone-based joint filler product that was included in Kalekim's portfolio in 2021, offers high-performance solutions in swimming pools and industrial areas with its resistance to high temperatures and pressures.

Kalekim, which leads the industry in the field of construction, operates in tile applications, paint, insulation solutions, and industrial floor applications with its customer-oriented approach.

Tile Applications: Kalekim produces ceramic adhesives, joint fillers, primers, surface maintenance and cleaning products, mastics, and foams within the scope of tile applications.

Paint Applications: Kalekim also produces interior and exterior paints in the construction paints category, decorative paints, plasters, and coatings in the decorative products category, as well as surface preparation materials and colorants that complement the paint product group. Kalekim, which sells both on the reseller channel and the e-commerce site established under its name with the Bi'Boya brand, launched in 2018, operates with the Kale Paint brand abroad. It offers services in the field of decorative paints/plasters/coatings with the Visuelle brand, launched in 2021.



Insulation Applications: There are waterproofing and thermal insulation products under the insulation applications of Kalekim.

- **Waterproofing Applications:** The waterproofing product range of the Company includes cement, bitumen, polyurethane, acrylic, and textile membrane-based products as well as waterproofing tapes and surface preparation materials. The waterproofing group includes products used for all wet spaces from the foundation to the roof; kitchen, bathroom, pool, and terrace.
- **Thermal Insulation Applications:** Kalekim, in cooperation with Dow Chemical and Mardav, created the Mavi Kale-Blue' Safe brand sheathing system in 2004 and stepped into the thermal insulation industry. Kalekim Thermal Insulation Systems includes thermal insulation boards, adhesives, plasters, decorative coatings, and system accessories.

Floor Applications: In the product range of floor solutions used to make it durable, decorative, and functional indoors and outdoors, there are cement-based hardeners and curing materials, as well as industrial tiles in addition to epoxy-based coatings and primers. The product range offers floor solutions in places such as industrial kitchens, parking lots, hospitals, and schools.



In 2021, Kalekim introduced 22 new products to consumers and carried out optimization activities on 30 existing products and localization studies on 15 products. The Company's new product portfolio offered to customers in 2021 includes:

Fugaprotech: 2940 Fugaprotech, a new cement-based, polymer-doped, silicone-based joint filler product offers high-performance solutions in swimming pools and industrial areas with its resistance to high temperatures and pressures and provides convenience to the practitioner and user thanks to its long-lasting use in all areas. It is an innovative product providing excellent resistance to pool and cleaning chemicals in industrial areas that are exposed to heavy traffic and require mechanical and chemical cleaning with its high technology.

Tecnica 552: Tecnica 552, which offers a solution as a double-component, water-based, aliphatic, polyurethane-based, wear-resistant finishing material on floors with a matte appearance, is included in the Kalekim Floor Solutions product group. The easy-to-clean, transparent product provides an impressive and natural matte finish surface appearance.

Kale Is7anbul Cleanable Aura: Kale Is7anbul Cleanable Aura, which is cleanable, acrylic emulsion based, velvet-pearl effect interior wall decoration paint, has been included in the Kale Paint decorative product group.

Bi'Boya Pure Acrylic Comfort: Bi'Boya Pure Acrylic Comfort, which is 100% pure acrylic emulsion based, water impermeable, long lasting, alkali resistant, semi matte exterior wall paint, has been included in the Bi'Boya exterior product group.

Kale Is7anbul Dream: Kale Is7anbul Dream, which is acrylic emulsion based, ready to use, interior decoration putty that allows two or three dimensional decorative textures and pearly effect, has been included in the Kale Paint decorative product group.

Bi'Boya Radiator Paint Comfort: Bi'Boya Radiator Paint Comfort, which is acrylic emulsion and water based, glossy, long lasting, decorative, top coat radiator paint designed to renew old, yellowed radiator paints, has been included in the Bi'Boya interior product group.

Products

Kalekim continues to produce quality and innovative solutions for the needs of its customers.

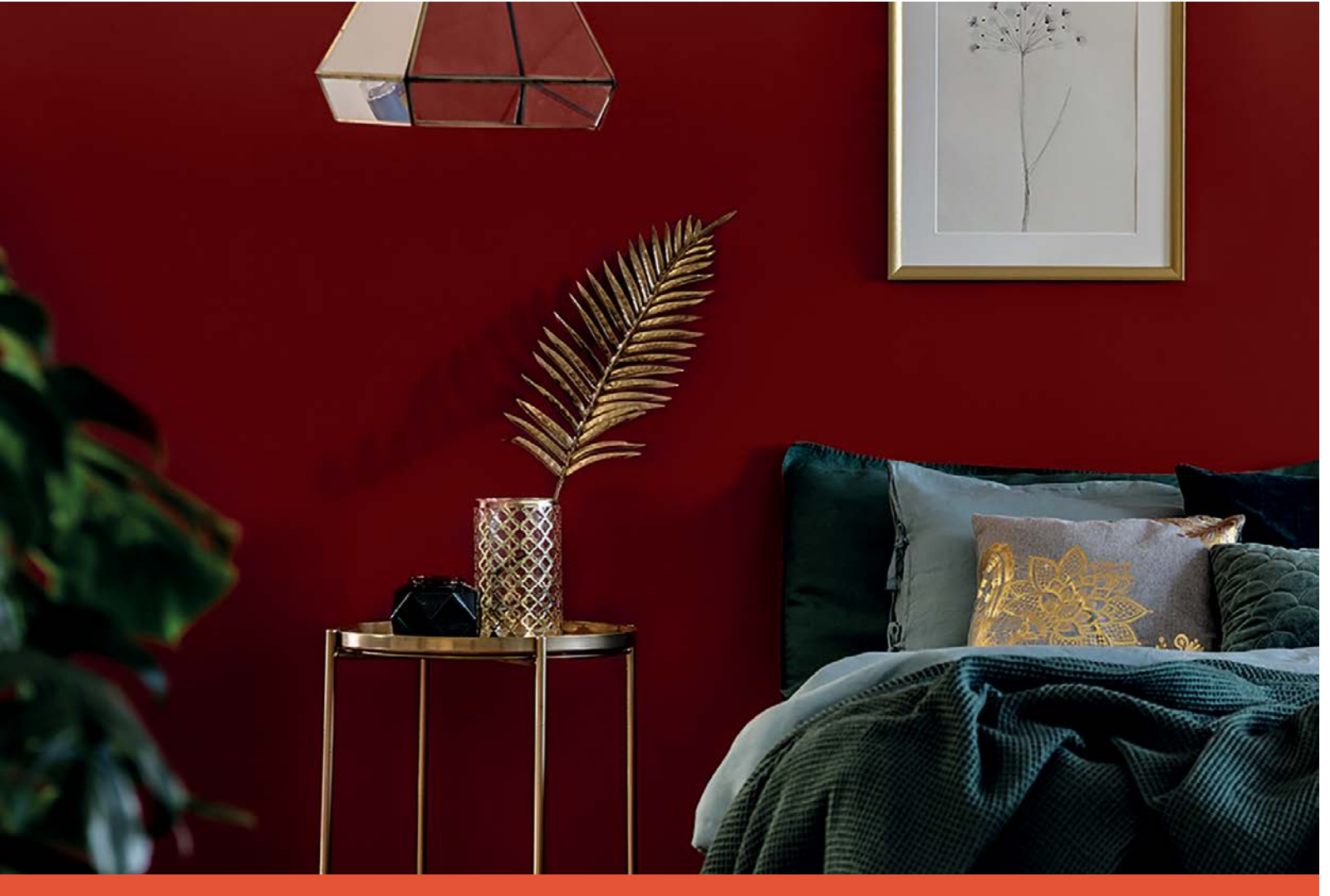
Bi'Boya Anti Alkali Primer Comfort / Kale Anti Alkali Primer: An acrylic polymer emulsion based, ready to use primer that provides superior protection against efflorescence, has been included in Bi'Boya and Kale Paint surface preparation product group.

Bi'Boya Practical Comfort: Bi'Boya Practical Comfort, which is an acrylic emulsion based, ready to use, silicone enhanced, scrub resistant, silk-matte, top coat interior wall paint, has been included in the Bi'Boya interior product group.

Bi'Boya Transfer Primer Trendy: Bi'Boya Transfer Primer Trendy, which is an acrylic emulsion and water based transition primer with high penetration power, has been included Bi'Boya Paint surface preparation product group. Bi'Boya Transfer Primer Trendy can be used prior to interior and exterior coatings to create a transition surface, especially in the transition from solvent based paint to water based paint.

Bi'Boya One Coat Comfort: Bi'Boya One Coat Comfort, which is an acrylic emulsion based, ready to use, silicone enhanced, scrub resistant, matte, interior wall paint, has been included in Bi'Boya interior product group. Bi'Boya One Coat Comfort covers in one coat with its special formula, saving time and labor, giving the wall a perfect, smooth texture.

Bi'Boya Concentrated Primer Trendy: Bi'Boya Concentrated Primer Trendy, which is an acrylic emulsion based surface preparation product with high penetration power to the surface, which can be used before applying any type of water-based interior paints, has been included in Bi'Boya surface preparation product group.



3025 Ultralastic: 3025 Ultralastic, formulated at the Kalekim R&D center, provides a fast and powerful solution for waterproofing at buildings. Ultralastic, a waterproofing and concrete protection mortar consisting of a liquid component based on an emulsion polymer and a powder component containing mineral and special chemical additives that increase water impermeability and workability, provides ultra-performance in insulation due to its flexible structure and high crack bridging feature.

Tecnica 542: It is a finishing coating material with a double component that is water-based, aliphatic, polyurethane-based, and wear-resistant providing a glossy appearance on floors.

Kalekim, which will shape its product range by acting with a focus on sustainability and innovation in the coming period, plans to carry out localization studies on its foreign investments while making improvements to existing products.



Activities in 2021

Institution were also organized; 29 masters participated in the exams held in Adana and Balıkesir.

Kalekim has prepared and released a celebration film featuring various masters as part of the June 11th Master's Day celebrations. The Company also increases interaction with the social media events it organizes for the masters. In this context, a special meeting was held with the writer/trainer Ahmet Şerif İzgören on the Value of the Master's Profession.

In addition, the Kalekim Master's Club Portal (ustakulubu.com) went live in 2021 with new infrastructure and renewed face.

In the advertising campaign prepared for Bi'Boya, the colorful world and privileges of Bi'Boya are narrated with a journey in the dream world of a little girl who set out with her mother. The campaign has been featured on TV, radio, and digital platforms.

Kalekim launched the Visuelle brand, which will provide decorative paint/plaster/coating and architectural workmanship services, in September as part of domestic marketing activities. In the Visuelle working system, which will provide architectural workmanship services to customers in addition to products, the workflow will start with an on-site examination to be carried out based on demand and a turnkey wall design service will be provided by applying the suggestions of Kalekim team suitable for customers' spaces or the textures they like.

Kalekim, which also continues training activities abroad, has organized training for practitioners, dealer employees, and professionals in Iraq, Djibouti, TRNC, and Russia.

In addition to these training sessions, aiming to provide product, application, and technical solution details, detailed practical training was provided to employees of Kenya and TRNC dealers online and to employees of Albania Kalekim Neon in Istanbul.

Within the scope of sales and marketing activities abroad, Kalekim International social media accounts are actively used and ensure interaction with the target audience.

Domestic Marketing Activities

Kalekim has conducted training and seminars for the masters, the largest customer group in Turkey, which it has been unable to perform face-to-face due to the pandemic, through the Facebook account of the Kalekim Master's Club with live broadcasts. Kalekim has performed 19 live broadcasts in the first 9 months of 2021 and reached the masters under the headings of product application, professional development, and occupational safety. The Company also organizes training sessions for masters through the Zoom platform with private participation.

Kalekim, which has started to organize face-to-face master seminars in September 2021 under the pandemic measures, provided paint seminars to 2,914 masters at a total of 33 locations in various provinces of Turkey. During this period, to support the craft knowledge of the masters, the exams of the Kalekim compulsory Vocational Qualification

Targets for 2022

Kalekim, which will continue sales and marketing activities both at home and abroad without slowing down in the coming period, plans to participate in the following fairs:

- Batimat-France
- Construct Iraq - Iraq
- Export Products Fair - Turkmenistan
- Kyiv Build-Ukraine
- Yugbuild-Russia
- Buildexpo-Nigeria

Furthermore, Kalekim, which aims to carry out advertising activities in Albania, Iraq, and Kenya, will carry out training and marketing activities in Russia and France.

Aiming to carry out marketing activities intended for customer groups in 2022, the Company will continue face-to-face and online seminars for masters and increase its interaction through social media campaigns, on-site visits, and focus group meetings. On the other hand, various marketing campaigns are planned for the end consumer.

Kalekim plans to conduct on-site visits, webinars, and special events for architects, another target group.

Investments

Kalekim, which aims to maintain its leading position in the construction chemicals industry, **always preserves efficiency at the highest level with the investments made in all areas of activity.**

Kalekim makes the necessary investments to ensure that the production facilities located in Istanbul, Isparta, Mersin, Yozgat, Mardin, Erzurum, and Balıkesir in Turkey and in Albania/Tirana abroad continue to operate steadily. To keep the efficiency at the highest level in the facilities, Kalekim has invested TL 51.7 million in total in 2021.

The works carried out within the scope of modernization investments in Balıkesir in 2021 are briefly as follows:

- Automation modernization of paint production lines,
- Powder suction system overhaul,
- Establishment of liquid production and filling line,
- Installation of paint and drum robot palletizing line,
- Infrastructure installation of the production monitoring system,
- Installation and commissioning of a new product transfer (pigging) line.

Kalekim activated the investment incentive of the Mardin Dry Mortar Production Facility in January 2021 and started the construction of the building on October 08, 2021. The company, which also placed the orders for the necessary production equipment for the plant, continues to ship the manufactured equipment. Kalekim plans to commission a new production line in Mardin in the first half of 2022.



The company also continues to purchase new equipment within the scope of R&D investments. In this context, Kalekim completed the installation of a new synthesis laboratory within R&D in 2021 and commissioned it.

Furthermore, Kalekim, continuing information technologies investments without slowing down, has made IT investments amounting to TL 5.5 million in 2021.

Kalekim purchased 114 color banks in 2021 and distributed 90 of them to dealers to increase sales of paint products.

In 2021, Kalekim continued to invest in maintenance machinery and maintenance buildings to keep the efficiency of its existing facilities at the highest level. As of the end of 2021, the amount spent is TL 6.5 million.

R&D Activities

Kalekim, which has saved TL 2.6 million in 2021 as part of the current product optimization studies conducted at the R & D center, continues innovation and design-oriented activities with the Design Committee it has created.

Kalekim carries out R&D, design, and innovation-oriented activities in a way that supports the company's strategies, with a focus on innovation and sustainability. Kalekim, which operates with a developed laboratory infrastructure, has established a synthesis laboratory within the R&D center in 2021 to expand the scope of forward-looking R&D activities and conduct deeper chemistry studies.

With this laboratory, the structural examinations of some raw materials used for product development and raw material development/synthesis studies will be focused on and it will be possible to deepen innovative studies. Kalekim has made R&D expenditures* amounting to TL 10.3 million in 2021.

Kalekim conducts design processes with a Design Committee created with the participation of representatives of the R&D, Marketing, Supply Chain Management, Enterprise, Quality Management, etc. departments involved in the process. In 2021, the innovation and sustainability-oriented approach of the Design Committee has been deepened and the number of projects increased.

In 2021, 4 umbrella projects were completed at the Kalekim R&D center and a total of 67 product recipes were published within the scope of these studies. In addition, 12 projects, the works of which have been initiated, will be continued in 2022, and 7 projects are planned to start in 2022.

* The total of R&D expenses and R&D investments before capitalization.

Completed Umbrella Projects:

- The Effect of the impurities and moisture content of sand used in cement-based ceramic tile adhesives on their microstructure and performance
- Research of the optimization/improvement opportunities and new product potentials in joint filler products
- Product development for European biocide regulations
- Development of fading and also alkali resistant exterior wall paint and color formulations

Ongoing Umbrella Projects:

- Products that complement the epoxy floor coatings product line, product optimizations
- Development of rapid-curing thick screeds, and PVC adhesives that will be used for PVC applications on those screeds
- Product development with raw materials specific to the region for the Algerian and Albanian markets
- Research of optimization/improvement opportunities and new product potentials in high-performance tile adhesive products
- New product adaptation studies for the waterproofing group at the liquid production plant
- Development of opportunities to contribute to sustainability through the restoration of historic buildings
- Product monitoring and basic research studies with the internet of things technology in construction materials
- Research of optimization/improvement opportunities and new product potentials in repair mortar products
- Research of optimization/improvement opportunities and new product potentials in waterproofing products
- Research of optimization/improvement and new product potentials in interior wall paint products
- Development of products related to new application methods in exterior products
- Development of opportunities to contribute to sustainability in paint group products



Planned Umbrella Projects:

- Development of waste filling works and opportunities to contribute to sustainability in multi-facility structuring
- Dilatant repair mortar development - supported project application
- Research of optimization/improvement and new product potentials in epoxy group products
- Opportunities to invest abroad and product development
- The effect of cement content changes on microstructure and performance characteristics in construction chemicals products
- Development of functional coating materials
- Development of a water-based decorative paint suitable for metallic surfaces – supported project application

R&D Activities



In the applied research laboratory within Kalekim R&D Department, **2,746 analyses were carried out and reported in 2021.**

Product Development Activities

Within the scope of product development activities at Kalekim R&D center, alternative raw material analyses, detailed application research analyses, customer complaint reviews, competitor analyses, and studies related to investments abroad are carried out.

In 2021, 22 new product studies were conducted, optimization/improvement activities for 30 existing products and 15 localization studies were completed.

In addition, 1 basic research study conducted within the applied research laboratory was completed by the end of the year. Within the scope of the current product optimization studies, TL 2.6 million was saved, and a turnover of TL 5.3 million was generated from the new products developed by R&D Department.

To support the product development activities carried out in 2021, 16 test methods have been developed and put into use. During the year, 200 alternative raw materials were examined in the construction chemicals group and 113 in the paint group. In 2021, a total of 131 customer complaints were reviewed and reported in the construction chemicals group and 163 in the paint group. Based on the requests from the customers, 400 special color studies have been completed. In 2021, 57 competitor product reviews have been completed in the construction chemicals group and 58 in the paint group.

In 2021, 2,746 analyses (raw materials, customer complaints, competitor analyses, etc.) were conducted and reported in the applied research laboratory operating within Kalekim R&D Department.

In addition, in 2021, raw material/product studies were carried out for foreign investments such as Albania and Algeria.

A patent application has been filed for a powder coating material for interior walls following the completed new product studies conducted by the R&D center in 2021. The patent application efforts are ongoing for the interior wall paint Bi'Boya Tek Kat Comfort, which covers with only one layer. In addition, a patent application has been filed for the hydraulic lime characterization method developed within the scope of the ongoing project on the Restoration of Historic Buildings and the Development of Opportunities to Contribute to Sustainability.

On the other hand, in 2021, the studies of 3 articles were completed as the output of the product development and basic research activities and the studies for the publication of the articles were started. The presentation, which includes information about the Golden Plumb award-winning Bi'Boya Fresh Comfort product completed in 2020 and the test method of that product, was presented at the Paint Istanbul & Turkcoat Congress.

Furthermore, 10 cooperation studies are underway with suppliers and universities for product development, method development, and testing support. Within the scope of the Dilatant Repair Mortar project, which is planned to be carried out in 2022, the project plan has been determined by conducting negotiations with universities and suppliers with which cooperation will be made.

Bi'Boya Smart Comfort, a powder coating material for interior walls, the works of which were completed at the Kalekim R&D center in 2021, was granted the Corporate Idea Award by the Golden Plumb International Building Catalog 2021. The studies on Bi'Boya Tek Kat Comfort, the interior paint covering with one layer, which provides ease of use to users thanks to its ready-to-use structure and superior covering feature with one layer, have also been completed.

In 2021, project plans for powder and construction chemicals groups were made under the heading of sustainability and preliminary studies were initiated.

As the result of the basic research and product development activities carried out by Kalekim R&D center in 2021, it is planned to make a presentation at the PaintIstanbul Congress, Drymix Conference, and European Technical Coatings Conference (the "ETCC") in 2022.

Information Technologies

Kalekim, which adds sustainable value to society with its innovative products and applications, **continues its activities as part of the digital transformation roadmap.**

Kalekim has been carrying out various studies since 2019 using Salesforce infrastructure under the headings of customer, channel, and service management as part of the digital transformation roadmap, which was an output of the Deloitte Digital Project completed in 2017. As a result of these studies;

- Conceptual studies started in 2020 with the master's platform studies in community management and were completed in the first quarter of 2021. Immediately after this study, it was planned that dealer employee portal improvements would also be made on Salesforce and conceptual studies for the portal were completed. It is aimed to activate the portal in 2022.
- As regards customer, campaign, and communication, studies, where the results obtained from traditional communication practices touching the customer are reflected in the business processes, are carried out.
- The reporting of the project bidding process's retrospective data on the Salesforce application has been accelerated through preliminary studies, and pricing and profitability management have also been included in the studies as the output of this project. In 2022, it is planned to conduct data analytics and cross-sales algorithms digitally.
- With the spread of the CRM system on the channel, it was made in the Salesforce sales module, activity relationship visit management is carried out through it, and information from the KBY system and channel information is received.

Product Information Management

To improve the product master data structure and develop the master data management structure, biboya.com.tr, kalekim.com, and SAP & kalekim.com, which will support e-commerce, will support the infrastructure and media center development efforts as well as the installation of a PIM (Product Information Management) tool in 2022.



Product Lifecycle Management

Examined under 3 headings, 2 headings in this block were completed non-digitally in 2021. Improving product development efforts with OEM and DIY partners, increasing conversion to sales by comparing competitors with dedicated product development teams, benchmark analyses have been completed. To develop a market-oriented product management structure, PLM Product Lifecycle Management conceptual studies will be carried out in 2022 and the installation of PLM tool will be made.

Industry 4.0

Besides data collection automation, data engineering, data science, and machine learning studies within the scope of paint production processes of the Balikesir factory production monitoring system, factory digital twin studies are also carried out in this block. For the automation of quality control processes and standardization of production process parameters, the SAP QM module has been activated.

SAP PM module process improvement studies have been completed within the scope of preventive and predictive maintenance applications management and spare parts monitoring in all enterprises.

Workflow Automation

The E-flow application infrastructure has been established to manage the processes that need to be digitized to obtain approval from various departments and share information.

As part of the commissioning of RPA (Robotic Process Automation) in business processes, the projects for entering processes such as OGS/HGS payments, POS reconciliation operations, and incoming invoice entries into SAP have been commissioned.

Operational Excellence

SAP IBP module was put into operation in business processes to manage decisions such as meeting or not meeting, delay or early dispatch, and stock-keeping for incoming orders on an operational basis using minimum cost-oriented optimization applications.

Human Resources

Kalekim supports its most important asset, human resources, by constantly investing in the personal and professional development goals of the employees with the training and development opportunities offered to all of them.

Designing human resources processes and practices in accordance with human rights, respectful of the principles of justice and equality, and in line with the values of the Kale Group, Kalekim establishes binding rules and ensures the implementation of these rules with the Code of Ethics, Personnel Regulation, and related Human Resources Policies and Procedures published in this context.

Human Resources Policy

Kalekim is a family whose members have adopted the principle of making a difference and adding value with their efforts, adopted the corporate culture, and integrated their goals and values with the company's vision. The common values of the Company - focusing on customers, efficiency, honesty, respect, trust, openness, social responsibility, teamwork, quality, and continuous improvement - are also the main values of Human Resources Management.

To keep the organization in a dynamic structure, Kalekim Human Resources Management aims to increase the performance of employees with continuous development, create a team spirit, and provide a modern, professional, and peaceful work environment. Kalekim aims to recruit people, who are honest, respected, well-educated, have a high level of education, have developed human relations, participate in teamwork, and dynamic, to the Company, develop them professionally and personally, and work with them for a long time.

Demographic Structure

In addition to the functions of the General Directorate, Kalekim, which has 8 Production Facilities, 8 Regional Sales Offices, and a widespread sales network in Turkey, employs a total of 399 people, 231 of whom are paid monthly and 168 of whom are paid hourly, as of the end of 2021.

The Company also has investments in Kenya, Albania, Algeria, France, and Russia.

Working Conditions

Working hours of the Kalekim General Directorate office are between 8:00 and 18:00 on weekdays; in facilities, working hours are set in shifts from Monday to Saturday.

Compensation and Social Benefits

To measure the relative value that the jobs add to the organization in line with the Company's strategies, a Job Evaluation System is implemented that covers the tasks of all employees. In this system, the jobs are grouped within the scope of "Job Families" created for the Kale Group and at certain levels.

While the job levels that form the basis of the wage management system are determined as a result of job evaluations, the HAY Job Evaluation System, an international system that is based on the content of the job regardless of the titles and persons and measures the impact and contribution of the job in achieving the corporate goals and ensures that it is ranked according to the levels of responsibility, is used in the job evaluation process.

After job evaluation studies, domestic wage markets are closely monitored with market research and after the analysis, competitive and fair wage policies are determined and implemented based on the current wage structures of companies, their position in the market, and their financial strength.

Flexible Benefits

Various types of benefits are provided to the employees with monthly wages and hourly wages as basic benefits and flexible benefits. The Flexible Benefits Program, which is prepared for monthly paid employees to reach the most correct benefits package for them, is made available to employees for choosing in December every year.

Workforce Planning and Recruitment

It is aimed to recruit individuals, who are open to development and innovations, match the qualifications and competencies of the job, have a work ethic, conform to corporate culture, values, and goals, for Kale Group with the Kalekim recruitment process practices.

In evaluating candidates according to the requirements of the position, certain processes are applied, including a general aptitude test, foreign language level determination test, personality inventory, evaluation center application, and competency-based interviews, and as a result of all evaluations, a job offer is made to the candidate who is most suitable for the position.

Performance Management

The Performance Management System is implemented to reduce the company's goals set within the framework of strategic plans to individual goals by linking them with the entire organization and ensuring balanced target dissemination; direct employee performance and efforts to achieve the company's goals; contributing to increasing individual success and therefore company success; ensure that the performance of employees is evaluated in



a fair, systematic, and measurable way while achieving the goals; provide employees with regular feedback on their performance and results; determine and plan employees' individual development needs and contribute to their development by creating a culture of continuous learning.

360° Competency Evaluation

360° Competency Evaluation System is used throughout the Kale Group. The 360° Competency Evaluation is designed as a holistic process in which employees are evaluated by their manager, matrix manager, and subordinates, if any, as well as by colleagues and other evaluators within the framework of the Kale Group Competencies. With this multifaceted evaluation, it is aimed to provide a fairer, more objective, and multidimensional evaluation. With the 360° Competency Evaluation Report, the employee's strengths and weaknesses are identified and development plans are created.

Talent and Career Management

Talent management processes include all holistic and systematic practices coordinated throughout the group to train future leaders, who comply with corporate culture and values, are equipped with the competencies of the modern world, assuring, fair, sincere, work with passion, and are curious, and responsible.

Human Resources

Kalekim always attaches importance to making the right development investment in the education and development process, creating a learning organizational culture, and making it sustainable.

It is aimed at identifying potential employees, providing them with the necessary technical knowledge, skills, development opportunities, and planning their preparation for tasks that require more responsibility. It is a process in which critical positions are determined, critical position requirements are defined, talents are determined, and development is planned and monitored based on Gap analysis between critical position requirements and competencies possessed by talents.

Training and Development

Kalekim always attaches importance to making the right development investment in the education and development process, creating a learning organizational culture, and making it sustainable. In line with the Company's strategic goals and Human Resources policies, it supports its most

important asset, human resources, by constantly investing in ensuring that its employees meet their personal and professional development goals with the training and development opportunities it offers to all of them to maintain a constantly learning organizational culture. In determining the development needs, the development needs are taken into account based on the GAP analysis between the Company's strategies and objectives and the development needs of employees according to the results of the performance and competency evaluation and between the position requirements and the competencies they have.

Training and Development Programs:

- Orientation and On-the-Job Training
- Legal and Compulsory Training
- Vocational and Technical Training
- Competency Development Training
- Leadership Training
- Corporate Development Programs
- From Us to Us Mentoring Program
- Kale Masters- Internal Trainer Training and Development Program
- Postgraduate Studies

Training Hours

In 2021, a total of 17,650 hours of training was organized, including 9,950 hours for monthly paid employees and 7,700 hours for hourly-paid employees.

	Training Hours	Number of Participants	Person/Hours
Monthly Paid	9,950	231	43
Hourly Paid	7,700	168	46
Total	17,650	399	44

Kalegends

Kalegends is a young talent program that reaches young talents to train the future leaders of the Kale Group, supports them with long-term development programs by getting to know them better, and prepares them for professional business life.

Kalegends consists of two main programs: a long-term internship and a new graduate recruitment program. The long-term internship program allows university third-year or graduate students to work at least two days a week and start their careers with a long-term internship. The new graduate recruitment program, on the other hand, provides an opportunity for university senior students or graduate students who will graduate in the next year to make a strong start in their careers by starting their first job at the Kale Group.

Castles of the Future

The Castles of the Future aims to educate the future leaders of the Kale Group, create a common culture within the institution, and strengthen teamwork.

Within the scope of Castles of the Future, General Manager, Assistant General Manager, Vice Chairperson, and Department Heads are trained in senior executive development programs; Director and Manager level executives in leader development programs; Manager, Senior Engineer/Senior Specialist, Engineer/Specialist, and Jr. Specialist in digital transformation and innovation academy programs, and they increase their competencies in their fields.

Kale Masters

To ensure the continuity of the “Learning Organization” culture, and share and widen the knowledge and experiences, the Kalekim Internal Trainer Program has been launched. The Kale Masters Internal Trainer Program enhances the learning culture by disseminating information and increases the impact of the information-sharing process by guiding internal trainers on their development journeys.

Internal Communication

Kalekim carries out various internal communication activities during the year to provide information to its employees in different fields other than business, create a positive working environment, increase loyalty and satisfaction, and support sustainability.

Kalekim employees are also informed at certain intervals through the internal communication bulletin “Biz’den (From Us)” and frequently through online announcements. In this context, social responsibility conducts are exhibited at the Company in steps that will provide sustainable and social benefits under the “Care for Your World” movement.

Employee Engagement Survey

Kalekim conducts an Employee Engagement Survey every year to measure the engagement of its employees, conduct Company- and Group-specific analyses of motivation and engagement, evaluate the effects of satisfaction factors that drive engagement within the organization, identify priority factors that affect engagement, and create an organization with a high level of engagement that will produce better business results by taking action plans to improve these areas.

According to the results of the Employee Engagement Survey conducted in 2021, the satisfaction rate of Kalekim employees was determined to be 73% and the engagement rate was 55%.

Human Resources

Kalekim Human Resources Management has determined its targets for 2022 in line with the Company's strategic priorities and objectives and has taken the necessary actions.

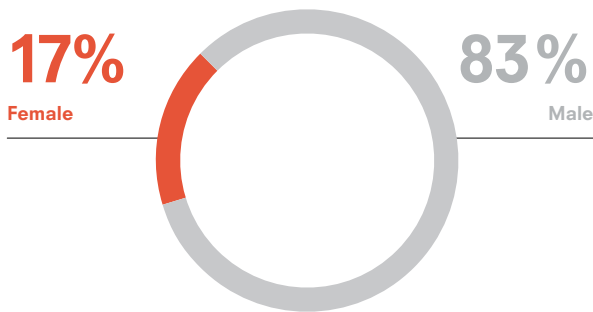
2022 Targets

Kalekim Human Resources Management plans to carry out the following works in the coming year:

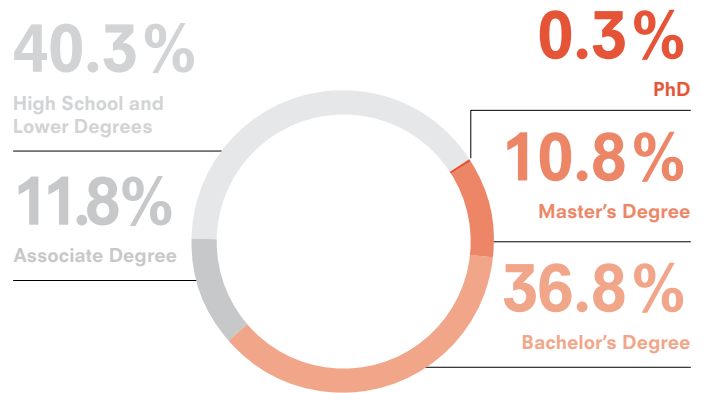
- It is planned to implement team and individual incentives and rewards (birthday leave, etc.) by establishing recognition-appreciation systematics within the scope of strengthening the innovation culture.
- It is planned to provide employees with the opportunity to make their own business planning and work remotely from the place of their choice 1 day a week.
- The new competency model will be integrated into the recruitment, evaluation center applications, 360° competency evaluation, talent management, and promotion/ appointment processes within the scope of the renewed competency model and sub-indicators of conduct in line with the Company's strategic priorities and values.
- Within the scope of digitalization studies, personal development plans will be reviewed along with the new competencies formed after the revision of the competency set, and education and development processes will be supported and monitored by the LMS (Learning Management System) Platform infrastructure.
- Periodic sales premium systematics will be digitized. Recruitment and orientation processes will be carried out through the Peoplise software.
- By commissioning the pulse measurement application, employee satisfaction will be measured at more frequent intervals.
- Within the scope of the transformed organization, a gap analysis will be carried out for the competence development related to foreign growth targets and the necessary actions will be taken for competence development.

Number of Employees	
Grand Total	399
Educational Background Distribution	
PhD	1
Master's Degree	43
Bachelor's Degree	147
Associate Degree	47
High School and Lower Degrees	161
Gender Distribution	
Male	331
Female	68
Seniority Range	
0-1 year	47
1-3 years	62
3-5 years	73
5-8 years	42
8-10 years	36
10-15 years	46
15-20 years	47
20+ years	46
Age Range	
21-25	31
26-30	55
31-35	97
36-40	78
41-45	84
46-50	37
51-55	13
56 +	4

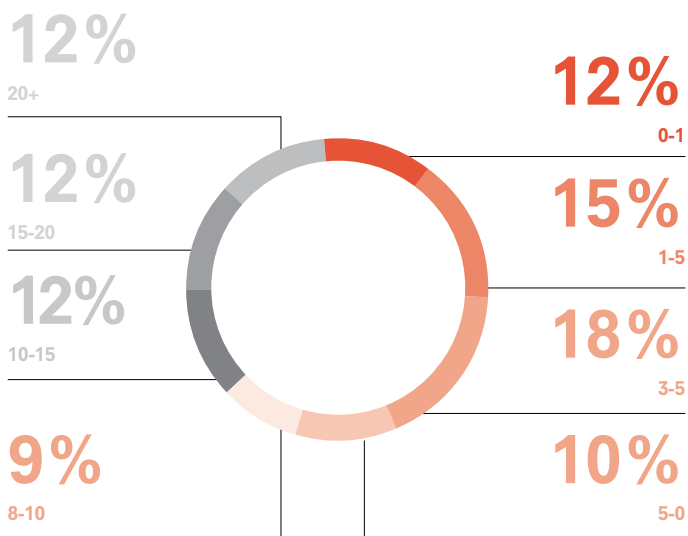
Female-Male Employee Distribution



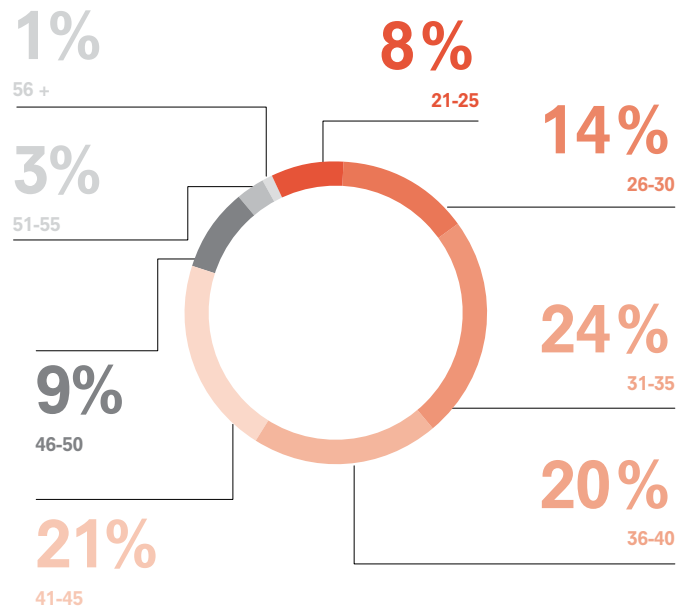
Educational Distribution



Seniority Distribution



Age Distribution



Sustainability Approach

Kalekim manages its sustainability studies with the approach of “There is Sustainability in our Chemistry” in line with the Care for Your World movement.

In parallel with the rapid transformation process in the world that has been experienced in recent years, Kalekim has reviewed its strategies and policies on how it can operate without harming the world. In this context, the Company has included its Sustainability Strategy in 2021-2023 strategies to be able to handle the processes that it has been managing for many years in a single framework and holistically.

Kale Group and its companies have been adopting, prioritizing, and implementing the sustainability approach with their activities since the years they were founded. The Kale Group has included this perspective in its “Common Cause” with the phrase “respectful of people and the environment.”

To support the Kalekim strategies and create a common understanding throughout the entire Kale Group, the “Care for Your World” movement has been created. Care for Your World movement was interpreted with the slogan “Your Home is Your World, the World is Your Home,” integrated with the values of the Kale Group, and stood out as an approach that covers all stakeholders.

For this reason, the Care for Your World movement launched by the Kale Group sheds light on Kalekim and illuminates its path to creating a sustainable future. Kalekim manages its sustainability studies with the approach of “There is Sustainability in our Chemistry” in line with the Care for Your World movement.

Purpose of Sustainability

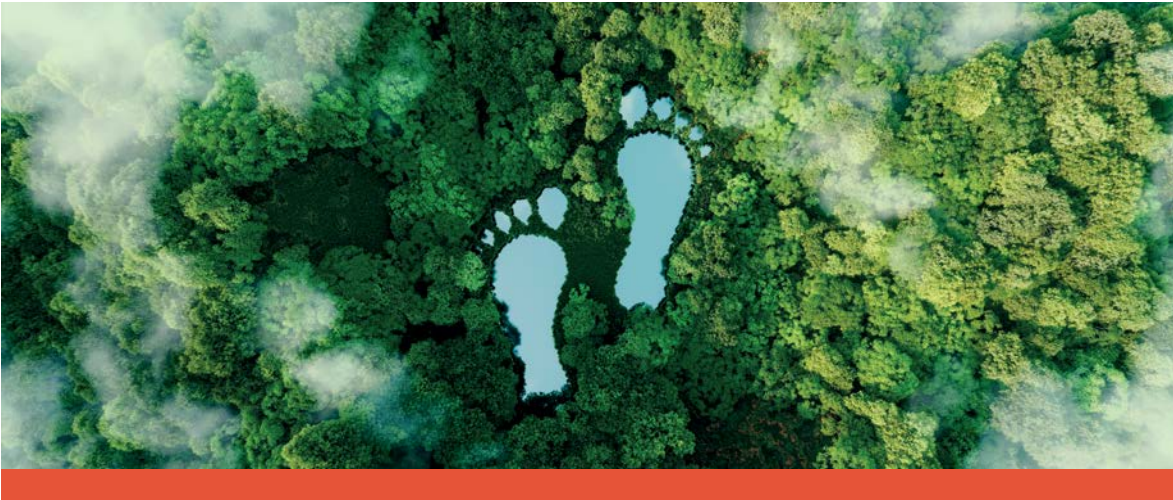
Kalekim aims to leave a more livable planet for future generations by focusing on the common values based on economic, environmental, and social dimensions in line with its strategies and to act with all its stakeholders in its ecosystem for this purpose, to add new meanings to its living spaces, and to move forward by including sustainability in the lifestyle.

Kalekim’s short-, medium- and long-term targets and action plans are reviewed based on economic, environmental, and social dimensions within the framework of its sustainability target, strategy, and the Care for Your World movement. The objectives are addressed based on the United Nations Sustainable Development Goals, the Global Compact, stakeholder requirements and expectations, and sectoral priorities.

Sustainability Priorities

Stakeholder requirements and expectations, industry and Kale Group priorities, strategies, and policies have been established based on three dimensions in line with short/medium and long-term targets as follows:

Economic Benefit: Digital Transformation, Innovation, Stakeholder Satisfaction and Development, Operational Excellence

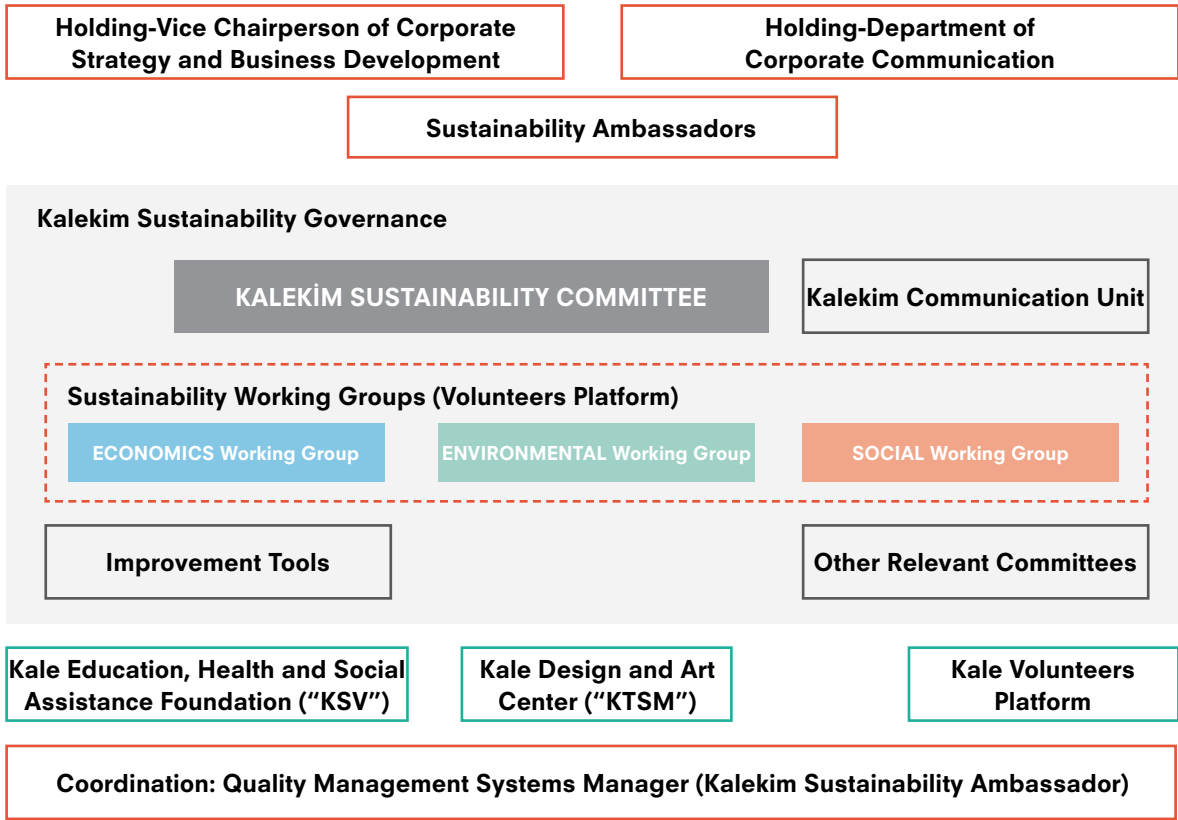


Environmental Benefit: Circular Economy and Waste Management, European Green Consensus, Climate Change, Product Quality and Safety, Energy and Water Management, Raw Material Use, Emission Management

Social Benefit: Employee Experience, Relations with Society & Impact on Society, Opportunity Equality and Diversity, Occupational Health and Safety

Sustainability Governance

At the Kale Group, sustainability studies are managed by the Vice Chairperson of Corporate Strategy and Business Development and the Department of Corporate Communication (“KİBB”). The sustainability governance mechanisms in Kalekim are created based on sustainability dimensions (economic, environmental, and social) and the Kalekim Sustainability Committee consists of the Sustainability Ambassador, Volunteers Platform, Working Groups, and Communication Unit.



Sustainability Approach

Kalekim aims to leave a more livable world for future generations by focusing on the common value based on economic, environmental, and social dimensions within the scope of sustainability studies.

Kalekim Sustainability Committee: It consists of the executive level to determine, prioritize, monitor, and evaluate the activities to be carried out in line with sustainability strategies and processes. The Committee has a strategic position due to its purpose and member composition. It determines strategies, makes decisions, assigns tasks, does not go through implementation details, and evaluates developments regarding the issues within the scope of its purpose. It carries out relations with other committees and mechanisms through its members. Kalekim Sustainability Committee convenes every 3 months.

Kalekim Sustainability Ambassador: It is aimed to create synergy between the Kale Group companies' sustainability activities, and to coordinate, implement, and monitor the effectiveness of the company's sustainability activities. Kalekim Quality Management Systems Manager works as the Sustainability Ambassador. His/her main task is to coordinate all sustainability studies throughout the company. As an ordinary member of the Kalekim Sustainability Committee, he/she is the rapporteur of the committee and ensures the coordination between the working groups.

Sustainability Working Groups (Volunteers Platform): The tasks of the working groups, which are structured based on sustainability dimensions (economy, environment, and social), include creating ideas on their topics, setting priorities, implementing activities, conducting evaluations and analyses, and involving stakeholders in the process. The working groups hold meetings every month and report to the Kalekim Sustainability Committee every three months under the coordination of the Sustainability Ambassador.

Sustainability Activities

Kalekim, which addresses the concept of sustainability on an economic, environmental and social basis, conducts carbon footprint measurements every year to assess its impact on the environment. With the actions taken in this context, the Company has reduced its CO₂ emission rate by 14% in the last 6 years. Kalekim achieved to reduce a carbon emission equivalent to planting 4,675 trees by preventing the carbon emission it will emit to nature in 2020 and this success has been achieved by getting closer to the market and raw materials with its multi-facility structuring, producing raw materials in some locations by itself, and implementing a supplier development program. Kalekim has been granted the "Low Carbon Hero" award at the Carbon Summit in 2019 and 2021 for its carbon footprint reduction efforts.

To consolidate its sustainability efforts, support the cross-sectoral benchmark, and share it with the public, Kale Group became a member of the 'sdgmapturkey' platform in 2021 under the umbrella of the Sustainability Academy.



Kalekim, which cooperates with EAGD (Association for the Support of Recycling of Electronic Wastes) within the scope of the circular economy, established technology classes in schools in need in a total of 5 different provinces in 2021 to recover the electronic wastes generated at its facilities, and support education.

The Company also carries out waste battery and waste oil collection campaigns at its enterprises to raise awareness about waste reduction and separation. 5,840 batteries were collected with the Waste Battery Collection campaign, which prevented the contamination of 3,504,000 m³ of water and 35,040 m² of soil.

Having adopted the Principles of Triple Responsibility, which is a voluntary program, in 1993, Kalekim continued its works in this respect in 2021 as well.

Operational excellence works, which are one of the targets within the Balanced Corporate Scorecard for 2021, consist of improvements and savings related to operational processes. With the completion of the operational excellence studies in 2021, Kalekim has saved TL 6,761,247 in total.

Kalekim, which follows Turkish Standards Institution (TSE), CE, CSTB, G, etc. standards related to product quality and safety, receives the relevant certificates by completing the necessary procedures. Compliance with these standards is reviewed by internal (Marketing, R & D, Quality Control, Quality Management, Export) and external (TSE, Provincial Directorate of Environment and Urbanization and Climate Change, CSTB) mechanisms.

Within the scope of water efficiency efforts, Kalekim has started measuring process water and usage water separately in its enterprises and making improvements that will save water in this regard.

Kalekim organizes various sports events for the employees, conducts master training seminars at various locations, and also organizes online training via social media.

To increase energy efficiency throughout the company, LED lighting has been commissioned by measuring electricity consumption and the number of photocell lighting fixtures has been increased.

Sustainability Approach

Kalekim saved 371,637 kWh of energy with its energy efficiency studies carried out in 2021, preventing the emission of about 185 tons of carbon.

In addition, improvement works that will ensure energy efficiency in enterprises have been put into operation. 371,637 kWh of energy has been saved through energy efficiency works carried out in 2021. This prevented the release of about 185 tons of carbon and saved energy equivalent to the average annual electricity consumption of 122 households of four people.

Kalekim, included in the working groups of various sectoral associations (TKSD, BOSAD, İZODER, İMSAD) to follow the agenda on sustainability and contribute to the industry by sharing company opinions/suggestions, has shared its works on sustainability in various sectoral magazines/newspapers (Construction World, Building Construction Materials Magazine) with the stakeholders.

Kalekim has conducted benchmarking with companies that have good practices in their field to improve sustainability processes. In this context, in 2021, it conducted process benchmarking specific to sustainability with 3 companies that have good practices in their field.

Kalekim, which systematically monitors the satisfaction, development, and feedback of its stakeholders to act in line with its sustainability priorities, conducts stakeholder perception research in this context with independent research companies every year. The loyalty rates for 2020-2021 are as follows:

Suppliers, joint ventures, contractors:	98%
Society:	96%
Business and Governance Stakeholders:	96%

Sustainability Objectives

Kalekim will continue efforts to reduce its carbon footprint as part of sustainability activities in the coming period. Aiming to use natural resources efficiently, the Company will make efficiency measurements and plans related to renewable energy and water efficiency.

Kalekim, which is reviewing all its actions to improve its processes from raw materials to final consumers with its organizational life cycle, aims to increase the contributions and participation of the stakeholders in the supply chain in sustainability studies.

In this context, the Company, which will diversify its activities to increase the awareness of the stakeholders, aims to contribute to the efforts by taking part in industrial NGOs and associations and various activities more actively. In addition, Kalekim analyzes the needs and expectations of its stakeholders with the feedback surveys that it conducts every year.

Kalekim will also increase occupational health and safety measures for the health and safety of all its stakeholders in the coming period.

To provide different perspectives on sustainability studies and benchmark the practices of different groups and companies with their practices, Kalekim will continue to expand its ecosystem and create different business associations with the sustainability projects it will carry out.

Kalekim, which will continue to improve its works on innovation and digitalization in the coming periods, plans to diversify its social projects and carry out studies to make the master's profession more reputable and attractive.

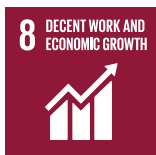
Kalekim, which will continue to implement savings projects with process improvements within the scope of operational excellence, plans the works to recover/recycle the waste as part of the circular economy context and to ensure the use of recycled raw materials/packaging in certain products.

In addition, Kalekim will follow the latest developments in accordance with its activity plan to ensure environmental compliance with Europe and maintain its competitiveness in line with the European Green Deal and will make plans to reduce environmental impacts to prevent climate change.

In addition to all this, Kalekim plans to publish a Sustainability Report to make all the work it has carried out within the scope of sustainability available to the public in a transparent way.

The activities planned by the Company serve the following Sustainable Development Goals (SDGs).

Outstanding United Nations Sustainable Development Goals (SDGs)



Environment

Kalekim donated 10,000 seedlings to TEMA Foundation after the forest fires in many provinces in 2021.



Kalekim Environmental Policy

Kalekim systematically manages its activities based on the environmental dimension of its sustainability strategy with a "Better Environment Happier Life" approach in accordance with the ISO 14001 Environmental Management System, which was certified for all facilities in 2007. In this context, the environmental perspective was addressed separately within the Company's Integrated Management Systems Policy and a common understanding was established to cover the entire company. The Environmental Policy includes, in particular, the commitments of "Being environmentally sensitive when designing processes and products, using energy and natural resources efficiently, and taking precautions against environmental pollution."

To achieve the goals and objectives contained in the environmental policy, process performance indicators are defined, measured at certain intervals, and reviewed by the management.

To achieve the goals contained in the process performance indicators, activity plans have been created based on the relevant management system and studies are being carried out accordingly. Within the scope of management systems, internal and external audits (internal audits, field audits, TSE audits, Ministry's and Provincial Directorates' audits, etc.) are carried out regularly at all locations and the functioning of the system is controlled. To plan improvement activities and follow-up of actions, the relevant meetings/boards convene at regular intervals.

Activities Conducted

Kalekim plans and carries out various projects and activities within the scope of the environmental dimension of sustainability studies. In 2021, within this scope:

- All legislation to which the Company is subject is followed up with a List of Legal Legislations as an internal document, and its timeliness and applications are regularly reviewed.
- As a result of the inspections carried out by the Provincial Directorates of Environment, Urbanization, and Climate Change at the 5 production facilities of Kalekim, it was decided the Environmental Permits would continue. The Environmental Permit of the Isparta Facility has been renewed due to its expiration.
- In 2021, a "Temporary Certificate of Activity" was obtained due to the formation of emission sources within the scope of dedusting at the Balıkesir Facility. The chimney emission measurements of the facility will be made in 2022.
- We act together with the relevant stakeholders in the roadmap prepared in accordance with the Regulation on Registration, Evaluation, Authorization, and Restriction of Chemicals.
- The analysis of the drinking and usage waters received from the facilities is carried out and it is reported that they are in the appropriate ranges. The wastewater generated in our Balıkesir facility is discharged to the Organized Industrial Zone treatment plant by introducing appropriate discharge criteria in the treatment plant.

- All wastes generated in the facilities are separated in line with Industrial Waste Management Plans, temporarily stored, and sent to licensed companies for disposal.
- Within the scope of environmental protection and possible environmental obligations (Regulation on Participation in Recovery, packaging waste declarations, environmental consulting company expenses, etc.), cost items were determined, their budgets were allocated, and payments were made in the specified periods at the facilities in 2021.
- To increase waste management awareness throughout the company, the “Let’s Pay Attention to Our Garbage, Let’s Take Care of Our World” event was organized, and awareness was created among employees and the neighboring/local community.
- In July 2021, 10,000 saplings were donated to TEMA Foundation after the forest fires in various provinces (Antalya, Muğla, Adana, Osmaniye, Mersin, etc.). In addition, a charity campaign has been launched to enable employees to contribute through Kale Education, Health and Social Assistance Foundation (“KSV”).
- An awareness-raising activity has been carried out throughout the company to reduce the color photocopy and printout use and prevent paper waste.
- To contribute to the circular economy and waste management, we minimized the waste pallets/cardboards arising from the reuse of raw material pallets and pallet cardboards in the production and logistics departments.
- With the blue bottle cap collection campaign, blue bottle caps are collected in all facilities. In the coming period, the blue bottle caps collected will be sent to the Spinal Cord Paralysis Association of Turkey and battery-powered and manual chairs will be distributed to those in need.
- Synergy Meetings are held in all facilities every 3 months with the participation of Environmental Officials and Environmental Representatives.
- The emergency action plans have been reviewed by conducting drills to be prepared for environmental emergencies.
- The efforts have been initiated to minimize the environmental impacts by including environmental risks in the recommendation and risk system.
- In addition, environmental proposal notifications from the proposal system are also implemented and inputs are provided to sustainability studies.
- A roadmap has been prepared within the scope of the European Green Deal in 2021 and internal awareness-raising activities have been carried out in this context.

Certificates and Documents Received in 2021

Kalekim, who received the Low Carbon Hero Award at the 7th Carbon Summit with its Leave a Green Mark to the Nature Project, was also a finalist in the Carbon Management category of the 8th Sustainable Business Awards.

2022 Targets

Kalekim will continue environment-oriented activities carried out in line with its sustainability strategy in the coming periods. In this context, the Company plans to implement the following projects in 2022:

- Continuing carbon footprint reduction efforts,
- Continuing to create technology classrooms in schools,
- Drilling a water well in Africa under the Kale Volunteering Program,
- Feasibility of making use of rainwater by collecting and evaluating it as usage water,
- Reducing the amount of waste sludge and reusing exit water by increasing the efficiency of the treatment plant,
- Conducting water footprint measurements and planning improvement activities for the protection of water resources,
- Recovering/recycling wastes within the scope of the circular economy and ensuring the use of recycled raw materials/packaging in some products,
- Implementing awareness-raising projects together with stakeholders,
- Carrying out environmental stakeholder audits,
- Acting with an environmental perspective in supply chain processes and making use of the environmental product certificates,
- Planning projects that will provide energy efficiency by conducting an energy survey,
- Creating the feasibility of the Solar Power Plant (SPP) investment,
- Organizing awareness-raising workshops and conducting awareness-raising activities,
- Moving forward in accordance with the European Green Deal Roadmap,
- Following the Compliance activities with the Legal Legislation and taking the necessary actions.

Occupational Health and Safety

Kalekim addresses the health and safety of its stakeholders within the framework of the Policy determined at all facilities in line with the “We are the Castle of Occupational Safety” approach.

Occupational Health and Safety Policy

Kalekim manages ISO 45001 Occupational Health and Safety Management System within the framework of the Integrated Management Systems Policy.

In this context, Kalekim commits the following to its shareholders, suppliers, employees, customers, and the public in general;

- Preventing occupational accidents and occupational diseases,
- Being sensitive to the environment and protecting human health while designing its processes and products,
- Complying with compliance obligations, (legislation, triple liability, and other relevant requirements),
- Foreseeing the risks that may be encountered in its activities, taking precautions, and seizing opportunities,
- Raising awareness of its employees, customers, and suppliers and increasing their contribution to management systems.

Kalekim defines process performance indicators to achieve the goals and objectives contained in the policy, measures these performances at certain intervals, and reviews them on a management basis. The Company has created an activity plan to achieve the goals contained in the process performance indicators and is working accordingly.

Within the scope of management systems, internal and external audits (internal audits, field audits, TSE audits, Ministry’s and Provincial Directorates’ audits, etc.) are carried out regularly at all locations and the functioning of the system is controlled. To plan improvement activities and follow-up of actions, the relevant boards convene at regular intervals.

Occupational Health and Safety Activities in 2021

Kalekim has reduced the number of accidents with lost days by 42% compared to 2019 in 2020 as a result of its occupational health and safety activities with the zero accident target, and the number of accidents with lost days in 2021 remained the same as the previous year.

Kalekim carries out simultaneous projects in all enterprises with the efforts initiated to reduce occupational accidents concerning Safety and Ergonomics elements within the Kale Continuous Development System (“KSGS”), which is based on the philosophy of Lean Transformation.

It continues efforts to minimize the risks by conducting machine-based risk analyses within the scope of the security element and to make the locking and tagging systematics a corporate culture. As part of the ergonomics element, REBA

(Rapid Entire Body Assessment) analyses have been carried out to ensure that employees work in more suitable environments by identifying areas that will pose an ergonomic risk in all facilities. Kalekim, which made plans to deploy improvement activities based on the risk scores obtained as a result of REBA analyses, improved 19 of the 42 points where REBA analysis was conducted in 2021 and reduced the risk scores to a low level.

According to the regulation on occupational health and safety boards, Kalekim holds occupational health and safety board meetings (which should be held every 2 months) in 6 facilities, every month. The Company evaluates the risk notifications and employee opinions received from occupational health and safety boards to disseminate and evaluate occupational health and safety efforts and conducts occupational health and safety Synergy Meetings involving all enterprises at 3-month intervals. Thus, it aims to increase the dissemination, involve all occupational health and safety professionals in the process, and increase the occupational health and safety culture by sharing improvement efforts.

Reviewing the emergency action plans within the scope of emergency management, Kalekim checked whether it was prepared for emergencies in accordance with these plans by conducting drills.

To increase employee awareness, Kalekim regularly provides training to all relevant employees on issues related to occupational safety legislation, vocational qualification training, vocational training, first aid, emergencies, etc., and records them.

Carrying out workplace environment measurements (noise, dust, vibration, volatile organic compounds, thermal comfort, etc.) every 2 years to create a safe and healthy working environment in all facilities, Kalekim has prepared Explosion Protection Documents within the scope of the "Regulation on the Protection of Employees from the Dangers of Explosive Environments" to ensure environmental and occupational safety about the use of hazardous substances in facilities and planned the necessary improvements by identifying risky areas.

To continuously improve occupational health and safety processes, it conducts benchmarking studies with the companies having good practices in their field and adapts applicable good practice examples to its relevant processes.



Due to the Covid-19 pandemic, Kalekim is meticulously following and implementing the measures taken by the Ministry of Health and the competent authorities as per the TSE Safe Production Certificate in all working areas.

In 2021, the Company, launching efforts to expand and improve occupational health and safety efforts in such a way as to cover the employees of all subcontractors, manages occupational health and safety activities in all enterprises through the Meditek information system. Kalekim, which applies all the measures it takes on occupational safety issues to suppliers/subcontractors/visitors at the same time, monitors the works performed with Work Permit Forms.

Certificates Received in 2021

Kalekim, which received an award in the category of Employee Engagement in the 8th Sustainable Business Awards organized by the Sustainability Academy in 2021 with its Fikricin-Recommendation and Risk System, ensures the engagement of all its stakeholders, especially employees, in the processes with this system and evaluates creative ideas and opinions and uses them for improvement purposes.

In addition, the Always Best Kaizen Project Team of Kalekim was granted the "Jury Incentive Award" at the 24th Quality Circles and Kaizen Award Ceremony organized by KalDer Ankara Branch. Within the scope of this project, by combining the Special Gray Line and the Colored Fuga Line, Kalekim has increased productivity and improved occupational safety ergonomic risks.

Occupational Health and Safety

Kalekim has set its 2022 targets in line with the development of occupational health and safety culture and the goal of zero accidents.

2022 Targets

The improvements that Kalekim plans to make in the coming period in parallel with the development of occupational health and safety culture and the goal of zero accidents are as follows:

- Development of fire extinguishing systems,
- Continuing ergonomic improvement efforts,
- Development of a locking and tagging system,
- Improvement of the raw material handling area,
- Development of subcontractor management system,
- Development of the work permit system,
- Revising the Explosion Protection Document,
- Activities that will ensure the development of occupational health and safety culture.

Quality Management Systems

ISO 9001 Quality Management System and ISO 10002 Customer Satisfaction Management System are applied in all locations of Kalekim and they are managed within the framework of the Integrated Management Systems Policy.

Kalekim has been operating in line with the EFQM Corporate Excellence Model and the understanding of "There is Excellence in Our Chemistry" since 2010. Kalekim received the Turkish Excellence Award in 2019 for its work as part of this model, which creates a sustainable understanding and foundation for the Company. The EFQM Model was comprehensively updated in 2020 and the concepts such as the United Nations Sustainable Development Goals, the Global Compact, the Circular Economy, etc. were included in the content of the model. In this context, the Company, which is continuing compliance efforts with the updated model at full speed, carries out activities such as employee training, awareness studies, management committee meetings, etc.

Having conducted its first self-assessment in 2021 by the EFQM Model-2020 version, Kalekim has addressed the improvement opportunities within the scope of the continuous improvement circle.

Corporate Social Responsibility Projects

Kalekim, which acts with the approach of adding value to society in all activities, has implemented many social responsibility projects in 2021.

Kalekim, which works to produce common value economically, socially, and environmentally in all areas of operation, focuses on creating local development and social benefits by “taking good care” of the world and people, and prioritizes and attaches value to investing in cyclical projects that have a positive impact in line with this basic approach.

Kalekim Master’s Club, which is the first and leading practice in its industry, implemented with the focus on sustainable impact within the framework of Kalekim’s customer-oriented approach, develops the professional skills of its member masters and ensures the training of qualified masters in the industry. It is also aimed at the emergence of qualified practices with the master, who is an important decision-maker in the industry.

Various social business associations and many projects are being launched within the Kale Group by acting together. In this context, a relief campaign has been launched in which employees can contribute through Kale Education, Health and Social Assistance Foundation (“KSV”) after the forest fires that broke out in 2021.

Kalekim cooperated with the Foundation for the Support of People with Autism within the scope of Mother’s Day week and New Year events in 2021 and sold the products prepared by volunteers with manual labor at the Balıkesir Enterprise.

Within the scope of the support activities for education, Kalekim has provided various product supports to the school on June 8, 2021, after a request was sent to KSV from Keçiborlu Akçeşme Secondary School in Isparta to build a sports arena. In addition, Kalekim, which prepared a TEGV (the Education Volunteers Foundation of Turkey) donation e-certificate for the survey participants on 05.10.2021 as part of the Stakeholder Perception Survey, thus covered the education costs of 25 children and informed the survey participants of this issue.

Kalekim organized various experience-sharing events for University/High School students to prepare them for business life and how they can cope with the challenges they may face in the future. In this context, it participated in the events of Istanbul Kültür University, Yıldız Technical University, Anadolu University, and Darüşşafaka High School.

Kalekim provided support to the girls before the new year with the financial revenues generated from the event organized within the company to support the girls living in Koruncuk villages together with the Kale Volunteers.

Kalekim, collaborating with the KTSM within the scope of the Earth Day Event, emphasized the theme that wastes can be used within the context of the circular economy by making designs from waste papers. In this context, the Company organized an exhibition and sent a note along with an object recycled from paper wastes to the press members on April 22 with the message “Care for Your World” signed by the Chairperson/General Manager of the Kale Group.

Agenda of the Ordinary General Assembly Meeting

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET AŞ.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF THE ACTIVITY YEAR 2021 DATED 31.03.2022

1. Opening and election of the Presiding Board,
2. Authorizing the Presiding Board to sign the minutes of the General Assembly Meeting,
3. Reading and deliberation of the Board of Directors Annual Report for the 2021 activity year,
4. Reading the summary of the Independent Audit Firm's Report for the 2021 activity year,
5. Reading, discussing, and approving the consolidated CMB and TCC balance sheet and profit and loss accounts for the 2021 activity year,
6. Release of the Members of the Board of Directors separately due to their activities and transactions in the 2021 accounting period,
7. Discussing and making a decision on the proposal of the Board of Directors regarding the profit distribution and distribution date for the 2021 accounting period,
8. Discussing, deciding, and approving the amendment of Article 9 of the Articles of Association of the Company that includes the permits of the Capital Markets Board and the Ministry of Commerce,
9. Discussing and deciding on the election of members of the Board of Directors and the determination of their terms of office,
10. Discussing and deciding on the membership remuneration of the members of the Board of Directors for the 2022 activity year,
11. Providing information about donations and aids made in the 2021 activity year and discussing and deciding on the donation limit for the 01.01.2022- 31.12.2022 activity year,
12. Discussing and deciding, in accordance with the Turkish Commercial Code and the Capital Markets Law, on the proposal of the Board of Directors on the election of an independent external audit firm for the audit of accounts and transactions of the 2022 activity year,
13. Authorization of the Board Members to perform the transactions set forth in Articles 395 and 396 of the Turkish Commercial Code;
14. Providing information to shareholders about the guarantees, pledges, and mortgages issued by the Company in favor of 3rd parties in accordance with the regulations of the Capital Markets Board, as well as income or benefits they have generated,
15. Closing

Dividend Distribution Proposal for 2021

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş. RESOLUTION OF THE BOARD OF DIRECTORS

Resolution Date : 09.03.2022
Resolution Number : 2021/15
Members : H. İBRAHİM BODUR HOLDİNG A.Ş. (represented by Dr.(h.c.) HATİCE ZEYNEP BODUR OKYAY), KADRİ TARIK ÖZÇELİK, HALUK ALPERAT, ENDER FERRUH ARSLAN, ADİLE ESRA TÖZGE, FERDİ ERDOĞAN, MUSTAFA YILMAZ, FEVZİ TAYFUN KÜÇÜK

The Board of Directors of Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. convened today at the company's head office and as a result of the deliberations held unanimously by the members participating in the meeting that

Within the scope of our Company's articles of association and profit distribution policy; the distribution of gross profit of TL 50,000,000 (fifty million Turkish Liras), corresponding to the gross cash dividend of TL 0.434783 (net TL 0.391304) for each share with a nominal value of TL 1, which corresponds to 24.34% of the total distributable net profit figure for the accounting period of 2021, to shareholders in cash from April 07, 2022, based on the dividend distribution proposal table prepared for the relevant accounting period, in accordance with the principles stipulated in the legislation, shall be submitted to the approval of the shareholders at the Ordinary General Meeting of the Company along with the attached dividend distribution proposal table to be discussed and decided, and this decision shall be published on the Public Disclosure Platform and our Company's website.

The Management is authorized to carry out all kinds of works and transactions within the scope of this decision.

ANNEX: Dividend Distribution Proposal Table for the 2021 Accounting Period

Dr.(h.c.) HATİCE ZEYNEP BODUR OKYAY
Chairperson of the Board of Directors and
Executive Board Member
The representative of H. İBRAHİM BODUR
HOLDİNG A.Ş.



Board Member
ENDER FERRUH ARSLAN



Independent Board Member
MUSTAFA YILMAZ



Vice Chairperson
KADRİ TARIK ÖZÇELİK



Board Member
ADİLE ESRA TÖZGE



Vice Chairperson
HALUK ALPERAT



Board Member
FERDİ ERDOĞAN



Independent Board Member
FEVZİ TAYFUN KÜÇÜK



Dividend Distribution Table for 2021

KALEKİM KİMYEVİ MADDELER SAN.VE TİC. A.Ş. DIVIDEND DISTRIBUTION TABLE FOR 2021 (TL)				
1	Paid-in/Issued Capital			115,000,000.00
2	Total Legal Reserves (According to Legal Records)			23,504,658.66
	If there are privileges for the distribution of profits according to the Articles of Association, information on such privileges	There is no privilege		
			According to CMB	According to Legal Records
3	Profit for the Period		242,017,287.07	205,913,205.06
4	Taxes Payable (-)		28,772,581.62	20,137,952.48
5	Net Profit for the Period (=)	(3-4)	213,244,705.45	185,775,252.58
6	Previous Year's Losses (-)		0.00	0.00
7	Primary Legal Reserve (-)	(5 LG - 6 LG) * 0.05]	9,288,762.63	9,288,762.63
8	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	(5 - 6 - 7)	203,955,942.82	176,486,489.95
9	Donations Made During the Year (+)		1,439,202.32	
10	Endowment added distributable net period profit on which the first dividend is calculated	(8 + 9)	205,395,145.14	
11	1 st Dividend to Shareholders	(1 or 10 * The ratio determined by the partnership) The amount determined by the General Assembly is taken into account as TL 50,000,000	50.000.000,00	
	- Cash		50.000.000,00	
	- Bonus		0.00	
	- Total		50.000.000,00	
12	Dividend Distributed to Holders of Privileged Shares	The amount of dividends to be distributed to privileged shareholders in accordance with the provisions of the articles of association	0.00	
13	Dividends distributed to members of the board of directors, employees, etc.		0.00	
14	Dividends distributed to holders of redeemed shares		0.00	
15	Secondary Dividend to Shareholders	Total Amount to be Distributed	0.00	
16	Secondary Legal Reserve (-)	[(11+12+13+14+15+20) - (1 * %5)] * %10	4,425,000.00	
17	Statutory Reserves		0.00	
18	Special Reserves			
19	EXTRAORDINARY RESERVES	8 - (11+12+13+14+15+16+17+18)	149,530,942.82	122,061,489.95
20	Other Distributable Items		0.00	0.00
	- Retained Earnings			
	- Extraordinary Reserves			
	- Other Distributable Reserves as per the Law and Articles of Association			

INFORMATION ON THE RATE OF DIVIDEND DISTRIBUTED				
INFORMATION ON DIVIDEND PER SHARE				
	GROUP	TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND PER SHARE WITH A NOMINAL VALUE OF TL 1	
			AMOUNT (TL)	RATE (%)
GROSS	GROUP A	95,652.17	0.43	43.48
	GROUP B	49,904,347.83	0.43	43.48
	TOTAL	50.000.000,00		
Withholding tax will be deducted from the distributed gross dividend in accordance with the tax laws applicable on the day of distribution				
NET	Group B (*)	48,396,978.80	0.42	42.16
THE RATIO OF THE DIVIDEND DISTRIBUTED TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PROFIT				
THE AMOUNT OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)		THE RATIO OF THE DIVIDEND DISTRIBUTED TO THE SHAREHOLDERS TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PROFIT (%)		
50.000.000,00		24.34		

(*) Withholding tax will be deducted from the portion corresponding to the real person full taxpayers (earnings that are not exceptions). When calculating the Group B net dividend to be distributed, in calculating the portion of the legal entity that is known not to be subject to withholding tax without deducting the withholding tax, the calculation was made assuming that withholding tax should be deducted from the entirety of the unknown portion.

Subsidiary Report

Within the framework of the provisions under Article 199 of the Turkish Commercial Code, in accordance with the subsidiary report adopted by the resolution of the Board of Directors of the Company dated 01.03.2022 and numbered 2022/14, in the 2021 activity year, the Company had no legal transactions made for the benefit of either the controlling shareholder H. İbrahim Bodur Holding A.Ş /controlling entity, or the subsidiaries of the controlling shareholder H. İbrahim Bodur Holding A.Ş /controlling entity, or for the benefit of the controlling shareholder/controlling entity or its subsidiaries under the direction of the controlling shareholder H. İbrahim Bodur Holding A.Ş /controlling entity, or had no precautions taken or avoided to be taken for the benefit of controlling shareholder H. İbrahim Bodur Holding A.Ş /controlling entity or its subsidiaries. In the 2021 activity year, all services and/or merchandise transactions performed within the scope of commercial activities between the controlling shareholder/controlling entity as well as the subsidiaries of the controlling shareholder/controlling entity and the Company were carried out at arm's length.

Financial Rights Granted to the Board Members and Senior Executives

Within the scope of the Capital Markets Board regulations, the Company's "Remuneration Policy," which includes all kinds of rights, benefits, and wages granted to the members of the Board of Directors and senior executives and the criteria used to determine them, was adopted by the Company's Board of Directors' resolution dated 10.03.2021 and numbered 2021/11, announced on the Company's corporate website, and then submitted to the information of the shareholders with a separate agenda item at the Ordinary General Assembly Meeting for the 2020 accounting period dated 15.04.2021 enabling them to provide their opinions.

The members of the Board of Directors of the Company are paid a membership fee in an amount determined by the General Assembly every year, for the remuneration of the Independent Members of the Board of Directors, care is taken to ensure that the fee is at a level that protects the independence of the members, and the sum of payments made to the Members of the Board of Directors and Senior Executives within the framework of the Remuneration Policy is evaluated by the Corporate Governance Committee and the Board of Directors every year.

In the footnotes of the financial statements, payments made to the members of the Board of Directors and senior executives are disclosed to the public collectively in parallel with general practices. There are no practices that will lead to conflicts of interest such as lending to the members of the Board of Directors and senior executives, extending loans, and giving guarantees in their favor by the Company. Share options or payment plans based on the company's performance are not used for the remuneration of independent members of the Board of Directors, no dividend payments are made."

Internal Audit and Internal Control Activities

The Company's internal audit activities are carried out by the Internal Audit Department, operating under the Board of Directors of Kale Holding.

The purpose of internal audit activities is to ensure the protection of its tangible and intangible assets, ensure the proper conduct of activities in accordance with internal and external legislation, strengthen internal control processes to increase effectiveness and efficiency in business processes, as well as take corrective measures promptly.

Communication with functions is maintained at the highest level in internal audit activities and it is aimed to increase management effectiveness with risk-oriented internal audit activities.

Compliance of the Internal Audit Department's activities with the International Internal Audit Standards in line with the criteria of the International Institute of Internal Auditors (IIA) has been documented as a result of the Quality Assurance Assessment (QAR) studies conducted by KPMG in 2020.

In 2020, the Internal Audit Department was granted the Corporate Awareness award by TIDE (Turkish Institute of Internal Audit) for its efforts to raise awareness in society about the internal audit profession, and their works and contributions to institutions.

Audit activities are carried out according to the approved annual internal audit plan.

The Internal Audit Department periodically reports to the Audit Committee.

The Audit Committee is composed of two independent members of the Board of Directors of the Company, closely monitors the internal audit works carried out, and provides the necessary guidance.

Information on Risk Management Practices

Risk Management and Risk Management Committee Studies

As part of compliance with Article 378 of the Turkish Commercial Code No. 6102 and the Corporate Governance Communiqué of the CMB and to ensure the effective functioning of the committees within the Board of Directors; Kalekim Kimyevi Maddeler San. ve Tic. A.Ş. established the Early Detection of Risk Committee to carry out works for the early detection of risks that may endanger the existence, development, and continuity of the Company, to take necessary actions regarding the identified risks, and to manage risks. The committee consists of 3 board members, and the Chairperson of the committee is elected from among the independent board members. The Early Detection of Risk Committee advises the Board of Directors on the early detection and evaluation of risks that may affect the Company, calculating their impacts and possibilities, managing and reporting these risks in accordance with the Company's corporate risk appetite, taking necessary measures to reduce the impacts and possibilities of the identified risks, and, in this direction, the establishment of effective internal control systems. In this context, the Early Detection of Risk Committee held 4 meetings in 2021. The Committee convenes with the participation of all members and the decisions are taken by the majority of the members attending the meeting, and the dissenting opinions, if any, are recorded. The resolutions of the Committee are advisory to the Board of Directors.

The General Manager of Kalekim is responsible for the implementation of the corporate risk management process and corporate risk management at the highest level on behalf of the Board of Directors within the Company. The Director of Subsidiaries, Business Development, and Strategic Planning is responsible for carrying out all the works in the corporate risk management process determined by the Early Detection of Risk Committee. The Director of Subsidiaries, Business Development, and Strategic Planning manages, coordinates, and supervises financial, strategic, operational risks, compliance, and external risks that may affect the company through its risk management system he/she has established and reports them to the Early Detection of Risk Committee.

The risk owners designated for the risks are the main owners of the corporate risks and they are responsible for taking the necessary precautions against the risks, determining the actions, operating the early warning mechanism, and ensuring that urgent actions are taken by notifying the Director of Subsidiaries, Business Development and Strategic Planning when an unforeseen new risk arises. In principle, all Kalekim employees are responsible for anticipating and evaluating the risks inherent in their work, acting as required by the job and in such a way as to protect the company's interests.

Internal Control System and Internal Audit

For the sound functioning of the internal control mechanism, the Internal Audit Management, which was created within the Kale Holding Deputy General Director for Finance and Financial Affairs, informs the Audit Committee at the meetings held during the year. The committee, which constantly checks the functioning and effectiveness of the system, submits the problems related to risk management and internal control mechanism and the solution suggestions related to these problems to the Board of Directors when necessary.

Corporate Risk Management

Kalekim Kimyevi Maddeler San. ve Tic. A.Ş. takes into account global risks and sectoral and industrial risks in the world to achieve its strategic goals and ensure the company's long-term sustainability, and implements the risk management process by taking into account the best practices at the global level.

The risks are defined under 5 main categories: financial, strategic, operational, compliance, and external within Kalekim; the impact and probability analyses of the risks are carried out; grades are identified and prioritized in accordance with the determined five-point scales. In this way, it is determined which risks should be focused on, risk management is applied at every level of function and operations, and it is ensured that the Senior Management is intertwined with the decision-making mechanisms. In particular, the risk response of high and very high risks is determined and the actions mitigating the impact and probability of the risk are defined. During the year, it is constantly reviewed by the relevant risk owner, and actions are put into practice by the action owners. The evaluations regarding the material risks and the important actions taken are followed up by the Senior Management. All activities related to risk management and risks are periodically reported to the Early Detection of Risk Committee.

Information on Risk Management Practices

The risks that are specifically monitored within the framework of the Corporate Risk Management Program and the practices addressed in 2021 are summarized below.

Outstanding Risks in the World and Kalekim

Emerging risks are proactively followed, their possible long-term impacts on the Company are evaluated, and the Senior Management and the Early Detection of Risk Committee are informed about the issues.

Within this framework, environmental risks (climate change, extreme weather events, damages caused by humans to the environment, loss of biodiversity, reduction of natural resources, etc.) stand out both in terms of impact and probability. Kalekim carries out activities to increase the level of awareness in the company and society about this issue and prepares priority areas and action plans with the Sustainability Committee established in 2021.

The impacts and possibilities of monopolization of digital power, digital inequality, collapse in technological infrastructure, cyber attacks, and information security risks are also increasing with the increasing speed of digital transformation. Kalekim takes measures at all levels of information technologies and operational processes to prevent the loss of reputation, income, market share, and brand value that may be caused by cyber-attacks and information security risk, carries out projects, develops strategic cybersecurity collaborations, conducts information security awareness training, and performs periodic tests/checks in this context. In addition, it implements projects on digital transformation roadmaps that are updated every year to lead the company into the future.

The infectious disease risk has been experienced with Covid-19 all over the world, and it is predicted that this risk will continue to remain on the agenda due to different viruses in the coming years. Kalekim monitored the developments regarding the Covid-19 pandemic closely on a national and international scale and took actions to protect the health of all employees, stakeholders, business partners, and consumers without disrupting production and services for the basic needs of society due to the risks that arose and will arise.

It continues its activities without interruption under the Business Continuity Plan and the extensive measures taken for the health of its employees.

Again, the disruptions experienced in the supply chain due to the impact of the pandemic, the risk of supply reliability, and the increase in commodity prices have become the top priority risk for Kalekim as was the case all over the world in 2021. Kalekim foresaw these risks very early thanks to its proactive management of supplier and supply prices, took the necessary precautions, increased inventory levels accordingly, and eliminated the risks with supplier diversification in critical materials.

In addition, the risks of not keeping up with the pace of innovation and new competencies are among the important global risks that need to be managed to ensure the continuity of the business. Kalekim, in this regard, focuses on competence development, implements training programs, and strengthens the learning system infrastructure.

In economic and social terms, debt crisis risks caused by increased debts for states, people's livelihood problems, and social cohesion erosion also stand out as rising risks at the global level. Trade wars and the disintegration of interstate relations are among the significant global risks. Kalekim monitors the markets and customers very closely and is very sensitive to growing abroad, diversifying its markets, and managing its product mix in a way that maximizes the gross profit.

Receivables Risks and Financial Risks

Kalekim Kimyevi Maddeler San. ve Tic. A.Ş.'s receivables risks are managed by the Receivables Risk Committee. Kalekim's sales reach customers through the dealer channel, its commercial relations are with the dealers, and the dealer receivables are guaranteed with the collaterals taken. Monthly consolidated receivables risks are reported to the committees consisting of the Company's senior management, and the risks monitored within the framework of the determined methodology are evaluated and approved by the relevant committees. To support the comprehensive analysis of receivables risks, risk scores are calculated on a customer basis and the entire process can be monitored in a consolidated manner in the ERP environment.

Kalekim has no credit and has low financial risks. However, short-term liquidity management is carried out with the alignment of receivable and debt maturities and effective stock management, and a calculated cash level is maintained to eliminate any risk factor in the balance sheet.

Other Explanations

Changes Occurring from the Period-End to the Issuance of the Report

Share Transfer Agreement

Group decided to purchase 11,250 registered shares, each having a nominal value of one hundred (100) Turkish Liras, constituting 75% of the Company's total shares representing the capital of Lyksor Kimya A.Ş. ("Lyksor"), headquartered in İzmir and engaged in the production and sales of concrete and cement chemicals, raw materials used in concrete and cement chemicals, architectural concrete products, concrete curing, and protective materials, concrete waterproofing additives, mineral grinding facilitators, macro synthetic micro and steel fibers used in concrete, being 50% from Savaş TATAR and 25% from Bimen KADİROĞLU, for a price of TL 125.000.000,00 (One hundred and twenty-five million Turkish Liras), and in this context, the Share Transfer Agreement and the Shareholders' Agreement were signed on February 12, 2022.

Exchange Rate-Protected Deposits

Pursuant to the resolution of the Board of Directors dated February 9, 2022, and numbered 2022/6, as a result of using the deposit accounts within the framework of near-term investment plans and short term cash flow program and in the context of the provision of provisional article 14 of the Law on Amendments to the Tax Procedure Law published in the Official Gazette, numbered 31734 and dated January 29, 2022, it has been decided, considering the advantage of corporate tax exemption, to deposit a total of TL 78,030,050 to an Exchange Rate Protected Deposit Account with six-months maturity. As a result of this resolution, it is expected that the Company will enjoy a Corporate Tax Exemption advantage of approximately TL 2,346,817 within the scope of the provisions of the law.

The effects of the war between Russia and Ukraine and possible sanctions

The possible effects of the current conditions between Russia and Ukraine related to the Ooo Kalekim ("Kalekim-Russia"), which is a 100% subsidiary of the Company, located in Russia, are being monitored. Considering that the impact of Kalekim-Russia on

sales, net profit for the period, and total assets are less than 1% in the consolidated financials, it is not expected that it will have a significant impact as of the date of approval of the consolidated financial statements. No up-to-date valuation report has been received after the real estate valuation study conducted on November 26, 2021, for investment properties located in Russia and carried with a fair value of TL 51,147,668. Assuming that the fair value in rubles (RUB 295,600,000) in the valuation report remains the same, its Turkish lira equivalent as of March 1, 2022, is TL 49,282,432.

Amendments to Legislation in 2021

There have been no legislative changes in 2021.

Information Related to the Company's Acquired Own Shares

The company does not have a share repurchase program.

Information Regarding the Lawsuits Against the Company, which Could Affect its Financial Situation and Activities, and their Possible Consequences

There are no lawsuits filed against the Company, which could affect its financial situation and activities.

Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Contrary to Legislative Provisions

There are no administrative or legal sanctions imposed on the Company or its executives due to actions in violation of the law.

Ratings

None.

Information Related to the Private Audit and Public Audit Conducted in 2021

The Company has not been subject to any private and public audits in 2021.

Statements of Independence

STATEMENT OF INDEPENDENCE

I hereby agree, represent, and undertake that I read and understood the Corporate Governance Principles under Capital Market Legislation, Articles of Association, and the Capital Markets Board's Corporate Governance Principles attached to the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1; and that I meet all the criteria for Independent Board Membership as specified in principle no. 4.3.6 that is attached herein. 04/03/2021

NAME SURNAME
MUSTAFA YILMAZ
SIGNATURE



ANNEX:1 Capital Markets Law

ANNEX:2 "Corporate Governance Communiqué" No. II-17.1 of the Capital Markets Board and the Corporate Governance Principles of the Capital Markets Board attached to it

ANNEX:3 Capital Markets Board, Corporate Governance Principle No. 4.3.6.

"4.3.6- A member of the board of directors who meets all of the following criteria shall be referred to as an "independent member."

- a) Not to have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies in which the corporation holds control of management or has significant effect (in determining the control and significant effect, the provisions of TFRS 10 and Turkish Accounting Standards 28 should be referred to, respectively) and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities in which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree (In case that the corporations within the scope of this subparagraph are non-active in the last three accounting periods, there shall not be a violation of the independence criteria. In case the ratio of the turnover/profit before tax obtained from the significant commercial relation is 20% or higher than the total turnover/profit before tax obtained from the same kind of business in respect to any of the candidates for an independent member or any person from the corporation, independence shall be deemed damaged).
- b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or a member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the period when the corporation purchases or sells services or goods).
- c) To have professional education, knowledge, and experience to duly fulfill the duties assigned for being an independent board member.
- d) Not to be a full-time employee at public authorities and institutions after being elected, except being an academic member at a university provided that it complies with the relevant legislation.
- e) To reside in Turkey as per the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.
- f) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation, and experience to freely take decisions by considering the rights of the stakeholders.
- g) To be able to allocate time for the corporation's business to follow up the activities of the corporation and duly fulfill the allocated duties.
- h) Not to have acted as a member of the board of directors for more than a term of six years in the last ten years.
- i) The same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.
- j) Not to be registered and announced as a board member representing a legal entity.



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FEVZİ TAYFUN KÜÇÜK
SIGNATURE



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- b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or a member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the period when the corporation purchases or sells services or goods).
- c) To have professional education, knowledge, and experience to duly fulfill the duties assigned for being an independent board member.
- d) Not to be a full-time employee at public authorities and institutions after being elected, except being an academic member at a university provided that it complies with the relevant legislation.
- e) To reside in Turkey as per the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.
- f) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation, and experience to freely take decisions by considering the rights of the stakeholders.
- g) To be able to allocate time for the corporation's business to follow up the activities of the corporation and duly fulfill the allocated duties.
- h) Not to have acted as a member of the board of directors for more than a term of six years in the last ten years.
- i) The same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.
- j) Not to be registered and announced as a board member representing a legal entity.



Statement of Compliance with the Corporate Governance Principles

The shares of our company started to be traded on the Star Market of Borsa Istanbul as of May 18, 2021.

As of this date, the Company has been subject to the obligations of the corporations included in the third group, taking into account their market values and the market values of the shares in actual circulation, due to the fact that their shares were offered to the public for the first time and started to be traded on the stock exchange in accordance with the CMB Corporate Governance Communiqué.

With the awareness of its responsibilities towards shareholders, the Company has adopted the concepts of "equality," "transparency," "accountability," and "responsibility," which are the basis of corporate governance, in its activities, and the Company believes in the importance of full compliance with the Corporate Governance Principles within the framework of the provisions of the articles of association.

In this context, the Company has taken maximum care and made efforts to comply with the Capital Markets Law and secondary regulations and decisions of the CMB, adopted and applied the corporate governance principles attached to the Corporate Governance Communiqué and required to be applied for the group it is included in by the relevant legislation before the public offering of the shares.

At the extraordinary general assembly meeting of the Company dated 10/03/2021, 2 independent members, having all the independence criteria in accordance with the capital market legislation and submitting their independence statements, were elected to the board of directors consisting of 6 people in accordance with the provisions of the articles of association to serve for a period of 1 year; the Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee have been established based on the resolution of the Board of Directors with the same date; and Corporate Governance Committee also performs the duties of Nomination Committee and Remuneration Committee as stipulated in the Communiqué. The Committees are chaired by Independent Members of the Board of Directors. The working principles of the committees have been approved by the resolution of the Company's Board of Directors dated 10.03.2021.

The Company adopted the Profit Distribution Policy with the Resolution of the Board of Directors, dated 19/02/2021 and numbered 2021/8, the Donations and Aids Policy with the Resolution of the Board of Directors, dated 19/02/2021 and numbered 2021/8, and they were approved at the extraordinary general assembly meeting, dated 10.03.2021. The Company adopted the Disclosure Policy and the Remuneration Policy with the resolution, dated 10.03.2021 and numbered 11, and the Remuneration Policy was submitted for the information of the shareholders at the ordinary general assembly meeting for the 2020 accounting period, held on 15.04.2021.

Within the framework of the CMB's determination on the groups that companies are included in for 2022, in accordance with the mandatory corporate governance principles for the second group that we are included in, considering the obligation to have at least three independent board members in respect of the number of board members, by providing the necessary legal infrastructure, 3 independent members will be elected at the ordinary general assembly of the 2021 accounting period to be held and, thus, the Company will comply with this mandatory principle.

Although full compliance with the corporate governance principles, which are not mandatory by the relevant legislation, is also aimed at, we have not yet fully complied with some of the voluntary principles below, about which there is no conflict of interest between the stakeholders in the current situation regarding the corporate governance principles, which cannot be fully complied with.

About principle no. 1.3.10, a separate item has been included in the agenda of the General Assembly aimed at informing shareholders about donations and aids. The total amount of donations and aids is disclosed and detailed information about the amount on a donation basis and the beneficiaries is provided at the request of the shareholders at the General Assembly.

About principle no. 1.5.2, the scope of minority rights has not been expanded in the Articles of Association, the general provisions provided for in the relevant legislation apply, and no amendments to the Articles of Association are planned in this regard.

About principle no. 2.1.4, the information contained on the corporate website of the Company is also English, limited to general information that may affect the investment decisions of foreign investors. It is planned that all information, including annual reports, will be published in English within the framework of time and cost management.

About principles no. 3.1.3., 3.1.4., and 3.5.1., the efforts are underway to include the policies and procedures related to the rights of stakeholders which are regulated within the scope of the Kale Group Ethical Codes Regulation in the Ethical Line communication channels, and on the company's website, and it is planned that they will be completed in 2022.

About principles no. 4.2.5. ve 4.4.5., although there are processes that have been carried out consistently for many years in our Company regarding how the board of directors meetings will be held, there are no written internal regulations specific to this issue. Considering the effective works of the board of directors, there is no urgent need to make a definition on this issue.

About principle no. 4.2.8., the efforts related to executive professional liability insurance are ongoing and are being evaluated by the Company.

About principle no. 4.3.9., although our Female Member rate is 25% in our Board of Directors, no policy has been established on this issue.

About principle no. 4.4.1., due to the COVID-19 pandemic conditions, the Board of Directors Meetings were held in a hybrid way, partly face-to-face and partly with remote participation.

About principle no. 4.4.7., the Board members are not prohibited from taking other positions outside the company. It is not planned to impose any restrictions on this issue. The duties assumed by the board members outside the company are included in the annual reports.

About principle no. 4.5.5., due to the number of members of the Board of Directors and the committee structuring requirements, two independent members of the Board of Directors serve on more than one committee. Considering the number of independent members of the Board of Directors, no changes in the current situation are planned.

About principle no. 4.6.1., no work is planned on the performance evaluation of the Board of Directors.

About principle no. 4.6.5., in line with the general practices, the fees paid to the members of the board of directors and the managers with administrative responsibility are disclosed collectively in the annual report.

We will continue our work for better operation of the organization's corporate governance mechanisms in the future within the framework of the mentioned principles and for the development of corporate governance practices, including the limited number of voluntary principles that could not be put into practice yet.

The Corporate Governance Compliance Report and Corporate Governance Information Form for the year 2021, conforming to the new reporting formats of our Company, prepared in accordance with the CMB's decision dated 10.01.2019 and numbered 2/49, have also been disclosed to the public on the corporate website of the Public Disclosure Platform (www.kap.gov.tr) within the period specified by the CMB.

Corporate Governance Principles Compliance Report and Information Form

	Yes	Partial	No	Exempt	Not applicable	Explanation
1.1. FACILITATION OF EXERCISING SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There were no transactions within this scope in 2021.
1.3.8 - Members of the Board of Directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				A separate item was included in the agenda of the General Assembly to inform the shareholders about donations and aids. The total amount of donations and aids is disclosed, and detailed information on the amount on donation basis and beneficiaries is given at the General Assembly upon the request of the shareholders. It is planned that the practice will continue in this direction in the following General Assemblies.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.					X	There is no obstacle in the articles of association. The 2021 accounting period, which will be held after the public offering, will be evaluated before the ordinary general assembly.
1.4. VOTING RIGHT						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The company does not have a cross-shareholding relationship that brings with it a dominance relationship.

	Yes	Partial	No	Exempt	Not applicable	Explanation
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Incorporation extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights is not expanded in the Articles of Association, and the general provisions stipulated in the relevant legislation are valid. No amendments to the Articles of Association are planned in this regard.
1.6. DIVIDEND RIGHT						
1.6.1 - The Dividend Distribution Policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The Dividend Distribution Policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	It has not been implemented yet.
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The Company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The Company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Except for the annual reports, general information that may affect the investment decision of foreign investors is also available in English on the Investor Relations website. Annual reports are planned to be published in English within the scope of time and cost management.
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.					X	The company will publish its first annual Activity Report after the IPO in 2022.

Corporate Governance Principles Compliance Report and Information Form

	Yes	Partial	No	Exempt	Not applicable	Explanation
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.			X			Within the Kale Group Ethical Codes Regulation, policies and procedures regarding the rights of stakeholders are defined. Work continues to include the relevant policies and procedures on the company's website.
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.		X				With Kale Group Ethics Line communication channels (web, telephone, e-mail), it is possible to identify, monitor and take measures against illegal and unethical practices that may arise. Efforts are underway to include the Ethics Line communication channels on the corporate website.
3.1.5 - The Company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY						
3.2.1 - The Articles of Incorporation, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The Company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Employees are informed about decisions that may affect employees, but they are not affiliated with any union structure or syndication.

	Yes	Partial	No	Exempt	Not applicable	Explanation
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The Company ensures freedom of association and supports the right for collective bargaining.					X	There is no collective bargaining agreement in the company. On the other hand, there is no prohibitive regulation on the aforementioned issues.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The Company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The Company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The Company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of the corporation has adopted a code of ethics, disclosed on the corporate website.		X				Although there is a Regulation determined for all Kale Group companies and published on the Kale Group website, there is no separate place on the Company's website. It is planned to include the Ethical Principles on the Company's corporate website, along with the Ethics Reporting line, in 2022.
3.5.2 - The Company is considerate of its social responsibilities. Measures have been taken to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the Board of Directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

Corporate Governance Principles Compliance Report and Information Form

	Yes	Partial	No	Exempt	Not applicable	Explanation
4.2. BOARD OF DIRECTORS' PRINCIPLES OF ACTIVITY						
4.2.1 - The Board of Directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the Board of Directors are disclosed in the annual report.	X					
4.2.3 - The Board has ensured the Company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.		X				The chairman of the board of directors and the chief executive officer (general manager) are separate persons. The internal regulation work on the working principles of the Board of Directors, including job descriptions, continues.
4.2.7 - The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes among shareholders and communicating with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			X			Studies on managerial professional liability insurance continue and are being evaluated by the company.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The Board of Directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				Although the rate of female members in our Board of Directors is 25%, no policy has been established in this regard.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				Due to the pandemic conditions, the Board of Directors Meetings were held in a hybrid structure with face-to-face and remote participation.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	All board members attended the meetings physically or online.

	Yes	Partial	No	Exempt	Not applicable	Explanation
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.			X			Although there are processes that have been carried out consistently in our Company for many years, there is no written internal regulation specific to this issue. Considering the effective work of the board of directors, there is no urgent need for a definition on this issue.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			There are no limitations on the external duties held by the Members of the Board of Directors. No restrictions are planned in this regard. Duties assumed by the members of the Board of Directors outside the company are included in the annual reports.
4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS						
4.5.5 - Board members serve in only one of the Board's committees.			X			Due to the number of Board members and committee structuring requirements, two independent Board members take part in more than one committee. Due to the number of independent members of the Board of Directors, no change is planned in the current situation.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy service received in this direction.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS OF THE BOARD MEMBERS AND EXECUTIVE DIRECTORS						
4.6.1 - The Board of Directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No work is planned regarding the performance evaluation of the Board of Directors.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			In parallel with the general practices, the remunerations given to the members of the board of directors and executives with administrative responsibility are explained collectively in the annual report.

Corporate Governance Principles Compliance Report and Information Form

1. SHAREHOLDERS	
1.1. Facilitation of Exercising of Shareholder Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	1 investor conference was attended, 2 online meetings were held for institutional investors and analysts to announce quarterly results.
1.2. Right to Obtain Information	
The number of special auditor requests	There were no special auditor requests.
The number of special auditor requests that were accepted at the general assembly meeting	There were no special auditor requests that were accepted at the general assembly meeting.
1.3. GENERAL ASSEMBLY	
The link of the announcement made in the Public Disclosure Platform (KAP) that includes the information requested under the principle 1.3.1 (a-d)	https://www.kap.org.tr/en/Bildirim/1008804
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously	Not
The links of the announcements made on KAP associated with the transactions that are not approved by the majority of independent members or by unanimous votes of present board members in the context of Principle 1.3.9.	There is no such transaction.
The links of the announcements made on KAP related to the transactions carried out with related parties, under the Communiqué on Corporate Governance (II-17.1), Article 9	There is no such transaction.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	There is no such transaction.
The heading of the section on the corporate website that contains the policy regarding donations and aids	Investor Relations / Policies / Donation and Aid Policy
The link of the announcement made on KAP with the minutes of the General Assembly Meeting where the donation and aid policy has been approved	https://www.kap.org.tr/en/Bildirim/933270
The number of the Article in the Articles of Association governing stakeholders' attendance at general assembly	Article 15
Information regarding the stakeholders who attend general assemblies	Stakeholders were represented by 99.65% in the General Assembly.
1.4. Voting Rights	
Whether there are any privileged voting rights	No
In case there are voting privileges, indicate the privileged shareholders and their voting percentages.	-
Shareholding rate of the majority shareholder	68.67%
1.5. Minority Rights	
Whether the scope of minority rights is expanded (in terms of content or percentage) in the Articles of the Association	No
If yes, specify the relevant provision of the Articles of Incorporation.	-
1.6. Profit Distribution Rights	
The heading of the section on the corporate website that includes the policy on dividend distribution	Investor Relations / Policies / Dividend Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	Dividend has been distributed.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

2. PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

The headings of the sections on the corporate website that include information required by the corporate governance principle numbered 2.1.1	www.kalekim.com/en/yatirimci-iliskileri
The heading of the section on the corporate website that includes the list of real person shareholders who own more than 5% of the Company's shares, directly or indirectly	www.kalekim.com/en/yatirimci-iliskileri/sirket-bilgileri/ortaklik-yapisi
Languages in which the corporate website is presented	Turkish and English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) Page number or heading of the section in the annual report that presents board members' and executives' external commitments, and board members' independence statements	Board Committees and Board Evaluation, Independence Statements of Independent Board Member Candidates
b) Page number or heading of the section in the annual report that provides information on the committees established under the Board of Directors	Board Committees and Board Evaluation
c) Page number or heading of the section in the annual report that includes the number of board meetings held throughout the year, and the members' attendance status	Board Committees and Board Evaluation
d) Page number or heading of the section in the annual report that provides information on regulatory changes that can have a material impact on the Company's activities	-
d)The page number or heading of the section that includes information regarding important lawsuits filed against the company and possible consequences thereof	-
f) Page number or heading of the section in the annual report that provides information on the conflicts of interest between the Company and entities providing investment advisory and rating services to the Company, and the precautions taken to prevent these	There is no such situation.
g) Page number or heading of the section in the annual report that includes information on cross holding cases where direct shareholding exceeds 5%	There is no such situation.
h) Page number or heading of the section that provides information on employees' benefits and professional training, as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts	Human Resources, Corporate Social Responsibility Projects

Corporate Governance Principles Compliance Report and Information Form

3. STAKEHOLDERS

3.1. Company Policy Concerning the Stakeholders

The heading of the section on the corporate website that includes the policy on compensation	None.
The number of final court verdicts against the Company that result from violation of employee rights	0
The title of the individual in charge of the whistleblowing programme	Notifications received through Kale Group Ethics Line Communication Channels are recorded according to confidentiality principles and evaluated by the Kale Group Ethics Committee.
Contact information of the Company's mechanism to report violations	-- etikhat@kale.com.tr +90(212)3715450

3.2. Encouraging Stakeholder Participation in Management of the Company

The heading of the section on the corporate website that includes internal regulations on employees' participation in the managerial bodies of the Company	-
Managerial bodies in which employees are represented	In our company, our colleagues participate in the management through various methods and share their opinions. With the Employee Engagement Survey conducted every year, the opinions of each of our colleagues are collected anonymously in the form of questionnaires and open-ended answers.

3.3. Human Resources Policy of the Company

The role of the Board in the development of a succession plan for key management positions	None.
The heading of the section on the corporate website that includes the human resources policy on equal opportunities and recruitment criteria, or a summary of the related articles of the policy	--
Whether there is a plan to grant shares to employees	No share-granting plan is in place.
The heading of the section on the corporate website that includes the human resources policy on preventing discrimination and harassment, or a summary of the related articles of the policy	Although there is a regulation determined by Kale Holding to be implemented for all Group companies and published on the Kale Group website, it is not included on the Kalekim website. It is planned to include the relevant policies on the Company's corporate website in 2022.
The number of final court verdicts against the Company that result from the liabilities associated with occupational accidents	0

3.5. Ethical Principles and Social Responsibility

The heading of the section on the corporate website that includes the policy on ethical principles	Although there is a regulation determined by Kale Holding to be implemented for all Group companies and published on the Kale Group website, it is not included on the Kalekim website. It is planned to include the relevant policies on the Company's corporate website in 2022.
The name of the section on the company website that demonstrates the corporate social responsibility report. If there is no report on corporate social responsibility, precautions taken with respect to the environmental, social and corporate governance issues	--
Precautions taken to fight against all kinds of corruption, including fraud and bribery	All necessary obligations in this regard are fulfilled. Within the scope of the audit activities of the Holding group companies, preventive and deterrent audits are carried out, helping to strengthen the awareness and measures of internal control.

4. BOARD OF DIRECTORS - I**Fundamentals of Activities of Board of Directors**

The date of the last board performance assessment conducted	None.
Whether the board assessment was externally facilitated	-
Whether all Board Members are discharged	Yes
Name(s) of the Board Member(s) with specific delegated duties and authorities, and descriptions of such authorities	No delegation of authority has been made among the members of the board of directors.
The number of reports presented to the Supervisory Board or other related committees by the internal control department	3
The heading of the section or page number in the annual report that contains the evaluation on the efficacy of the internal control system	Information on Risk Management Practices
Name of the Chairman of the Board	Hatice Zeynep Bodur Okyay
Name of the Chief Executive Officer/General Manager	Timur Karaoğlu
The link of the announcement made on the Public Disclosure Platform (KAP), where the reasoning is explained for the chairman and the chief executive officer/general manager to be the same person	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	None.
The heading of the section on the corporate website that includes the current diversity policy targeting female Board Members	None.
The number and ratio of female Board Members	2 (25%)

STRUCTURE OF THE BOARD OF DIRECTORS

Name / Surname of Member of the Board of Directors	Executive or Not	Independent Member or Not	Date of Initial Election to the Board	Link to PDP Announcement with Declaration of Independence	Whether the Independent Member is Evaluated by the Nomination Committee	Whether a Member Ceased to Qualify as an Independent Member	Whether Minimum 5 years of Experience in Audit/ Accounting and/or Finance is held
Hatice Zeynep Bodur Okyay	Executive	Not Independent Member	27.03.2008	-	Not applicable	No	-
Kadri Tank ÖZÇELİK	Executive	Not Independent Member	19.02.1998	-	Not applicable	No	-
Haluk ALPERAT	Executive	Not Independent Member	27.03.2008	-	Not applicable	No	Yes
Ender Ferruh ARSLAN	Non-executive	Non-Independent	08.07.2013	-	Not applicable	No	-
Adile Esra Yazıcı TÖZGE	Non-executive	Non-Independent	18.07.2016	-	Not applicable	No	-
Ferdi ERDOĞAN	Non-executive	Not Independent Member	30.04.2002	-	Not applicable	No	-
Mustafa YILMAZ	Non-executive	Independent Member	10.03.2021	https://www.kap.org.tr/en/Bildirim/936625	Not applicable	No	-
Fevzi Tayfun KÜÇÜK	Non-executive	Independent Member	10.03.2021	https://www.kap.org.tr/en/Bildirim/936625	Not applicable	No	Yes

Corporate Governance Principles Compliance Report and Information Form

4. BOARD OF DIRECTORS - II

4.4. Format of the Board of Directors Meetings

The number of physical board meetings involving members attending in person in the reporting period	6 Board of Directors meetings were held as a hybrid (physical + online) under pandemic conditions.
Average attendance rate at the board meetings	100%
Whether the board uses an electronic portal to facilitate its works or not	No
Number of days prior to the meeting for the information and documents to be presented to the members pursuant to the Board of Directors' principles of activity	Although there is no written rule, in practice, information and documents related to the issues included in the agenda of the Board of Directors meeting are submitted to the members of the Board of Directors for examination, sufficient time before the meeting, in order to ensure an equal flow of information.
The heading of the section on the corporate website that includes information on internal regulations of the Company specifying the rules for board meetings	None.
The upper limit set forth in the policy for the Board Members to assume other duties outside the Company	None.

4.5. Committees Created under the Board of Directors

Page number or section heading of the annual report which include information on the committees of the Board of Directors	Board Committees and Board Evaluation
The link of the announcement made on KAP that includes the principles of activity for committees	https://www.kap.org.tr/en/Bildirim/933270
Specify where the activities of the audit committee are presented in your annual report or corporate website (Page number or heading of the section)	Board of Directors Committees and Board of Directors Evaluation / --
Specify where the activities of the corporate governance committee are presented in your annual report or corporate website (Page number or heading of the section)	Board Committees and Board Evaluation / --
Specify where the activities of the nomination committee are presented in your annual report or corporate website (Page number or heading of the section)	The activities of the Nomination Committee are carried out by the Corporate Governance Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or corporate website (Page number or heading of the section)	Board of Directors Committees and Board of Directors Evaluation / --
Specify where the activities of the remuneration committee are presented in your annual report or corporate website (Page number or heading of the section)	The activities of the Remuneration Committee are carried out by the Corporate Governance Committee.

4.6. Financial Rights of the Board Members and Executive Directors

The page number or the heading of the section in the annual report where information on operational and financial performance goals, and whether they have been achieved is presented.	Board of Directors Report and Chairman's Message & CEO's Message
The heading of the section on the corporate website that includes the remuneration policy for executive and non-executive board members.	Investor Relations / Policies /Remuneration Policy
Page number or heading of the section in the annual report which states the wages and other benefits provided to Board Members and other executives with administrative responsibilities	Financial Rights Provided to the Members of the Board of Directors and Senior Executives

Composition of Board Committees-I				
Names of Board Committees	Name of the Committee Designated as "Other" in the First Column	Committee Members' Name-Surname	Committee Chair or Not	Board of Directors Member or Not
Audit Committee	-	Mustafa Yılmaz	Yes	Board Member
Audit Committee	-	Fevzi Tayfun KÜÇÜK	No	Board Member
Corporate Governance Committee	-	Fevzi Tayfun KÜÇÜK	Yes	Board Member
Corporate Governance Committee	-	Adile Esra Yazıcı TÖZGE	No	Board Member
Corporate Governance Committee	-	Ömer Karakaşoğlu	No	Not a Board Member
Early Detection of Risk Committee	-	Mustafa Yılmaz	Yes	Board Member
Early Detection of Risk Committee	-	K. Tarık Özçelik	No	Board Member
Early Detection of Risk Committee	-	Ender Ferruh ARSLAN	No	Board Member

Composition of Board Committees-II					
Names of Board Committees	Name of the Committee Designated as "Other" in the first column	Ratio of Non-Executive Members in the Committee	Ratio of Independent Members in the Committee	Number of Physical Meetings Held by the Committee	Number of Reports Presented to the Board by the Committee on its Activities Number of Reports
Audit Committee	-	100%	100%	3	3
Corporate Governance Committee	-	100%	33%	1	1
Early Detection of Risk Committee	-	66%	33%	4	4

Amendments to the Articles of Association

Within the framework of the resolution of the Board of Directors of the Company, dated 08.02.2021 and numbered 2021/06, pursuant to the Capital Markets Law, Turkish Commercial Code, and relevant legislation, due to the public offering of some of the existing shares of the shareholders and within this framework, the Company will be included in the capital market legislation, under the permit of the Capital Markets Board, dated 05.03.2021, numbered E-29833736-110.03.03-2892 and the permit of the Directorate General of Domestic Trade of the Ministry of Commerce, dated 09.03.2021 and numbered 62157718, the amendment of articles of association of the Company, including the amendment of articles 3, 4, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 and 23 and the revocation of articles 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40 ve 41, and the transition to the registered capital system with a ceiling of TL 300,000,000 in accordance with the provisions of Article 18 of the Capital Markets Law and the provisions of secondary legislation, and the amendment of Article 6 of the articles of association for this purpose were approved by the Extraordinary General Assembly resolution of 10.03.2021, registered on 15.03.2021, and announced in the Turkish Trade Registry Gazette, dated 18.03.2021 and numbered 10290.

Because the issued capital of our company in the amount of TL 100,000,000 under the registered capital ceiling of TL 300,000,000 was increased to TL 115,000,000 by completely restricting the pre-emptive rights of existing shareholders, the increased shares with a nominal value of TL 15,000,000 and the shares with a nominal value of TL 19,500,000, as part of shareholder sale including the additional right to sell, thus, in total, the shares with a nominal value of TL 34,500,000 were sold on the Borsa Istanbul Primary Market on May 6-7, and the issued capital of our company increased to TL 115,000,000.

Because the IPO process of the shares with a nominal value of TL 15,000,000 increased in cash has been completed and their prices have been paid in cash and in full, within the scope of the permit of the Capital Markets Board, dated 03.06.2021 and numbered E-29833736-105.01.01.01-6821 regarding capital increase transactions, the amendment of Article 6 of the articles of association titled "Capital of the Company" was registered on 11.06.2021 and announced in the Turkish Trade Registry Gazette, dated 11.06.2021 and numbered 10347.

Annual Report Compliance Statement

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD OF TURKEY

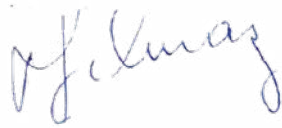
DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON THE ADOPTION OF THE ANNUAL REPORT: 09.03.2022
RESOLUTION NO.: 2022/16

About the annual report for the period 01.01.2021 - 31.12.2021 prepared by our company in accordance with the Turkish Commercial Code and the Capital Markets Board's (the "CMB") "Communiqué on the Principles of Financial Reporting in the Capital Market" numbered II-141 (the "Communiqué") and independently audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., we submit to your information that;

- it has been examined by us in line with the CMB regulations,
- they do not cover any misstatements on important issues or any incomplete information that may be misleading as of the statement date, within the framework of the information we have in the areas of responsibility and duty at the Company,
- We declare that the Annual Report prepared as per the Communiqué honestly reflects the development and performance of the business and the financial situation of the Company along with those within the scope of consolidation, as well as the significant risks and uncertainties faced, within the framework of the information we have in the areas of responsibility and duty at the Company

and we declare our responsibility for the statement made.

Regards,



Mustafa YILMAZ
Chairperson of the Audit Committee



Fevzi Tayfun KÜÇÜK
Member of the Audit Committee

Financial Affairs Manager
Özgün ÖZMEN



Annual Report Compliance Opinion



Güney Bağımsız Denetim ve SMMM A.Ş.
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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Kalekim Kimyevi Maddeler Sanayi ve Ticaret Anonim Şirketi

1) Opinion

We have audited the annual report of Kalekim Kimyevi Maddeler Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries (the "Group") for the 1/1/2021-31/12/2021 accounting period.

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

2) Basis for Opinion

We conducted our independent audit in accordance with standards on independent auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibility is disclosed under the Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report section in detail. We hereby declare that we are independent of the Group by the Ethical Rules for Independent Auditors (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 independent audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3) Our Auditor's Opinion on the Full Set of Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated March 1, 2022, on the full set of consolidated financial statements for the January 1 - December 31, 2021 accounting period.

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

The Group's Management is responsible for the following in accordance with Articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- To prepare the annual report within the first three months following the balance sheet date and submit it to the general assembly;
- To prepare the annual report to reflect the Group's operations in that year and the consolidated financial position in a true, complete, straightforward, fair, and proper manner in all respects. In the report, financial position is evaluated based on consolidated financial statements. Also in the report, developments and possible risks that the Group may encounter are indicated. The Board of Directors' assessment of such issues is also included in the report.
- The annual report also includes the following issues:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Compensation including salaries, premiums, and bonuses paid to Board members and senior managers; and other benefits such as allowances, travel, accommodation and representation expenses, cash and in-kind benefits, insurance, and similar guarantees.

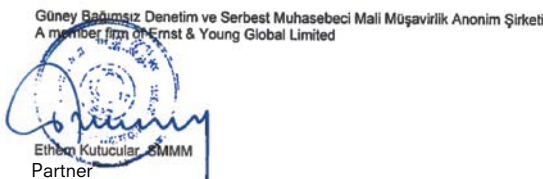
When preparing the annual report, the Board of Directors also considers the secondary legislation regulations issued by the Ministry of Trade and related institutions.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is, within the framework of the provisions of the Turkish Commercial Code and the Communiqué, to give an opinion on whether the consolidated financial information contained in the annual report and the discussions of the Board of Directors are consistent with the audited consolidated financial statements of the Group and the information obtained during the independent audit and reflect the truth and to prepare a report containing this opinion.

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

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.



March 9, 2022
Istanbul, Turkey

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş. and Subsidiaries

Consolidated financial statements as at
December 31, 2021 and
independent auditor's report

(Convenience translation of the independent auditor's report and
consolidated financial statements originally issued in Turkish)



Güney Bağımsız Denetim ve SMMM A. Ş.
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Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kalekim Kimyevi Maddeler Sanayi and Ticaret Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements Kalekim Kimyevi Maddeler Sanayi and Ticaret Anonim Şirketi (the Company) and its subsidiaries (the Group) which comprise the statement of consolidated financial position as at December 31, 2021, and the statement of consolidated comprehensive income, statement of consolidated changes in equity and statement of consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for opinion

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

3) Key Audit Matters

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



(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Key Audit Matter	How key matters addressed in the audit
<p>Provision for trade receivables from third parties</p> <p>Trade receivables from third parties are considered as an important balance sheet item since they constitute 20% of total assets in the consolidated statement of financial position. In addition, the collectability of trade receivables is an significant element for the Group's credit risk and working capital management and includes significant judgments and estimates of management.</p> <p>As of 31 December 2021, there is a provision for impairment of TL 21.327.597 on trade receivables from third parties amounting to TL 196.388.834 in the consolidated statement of financial position.</p> <p>Existence and collectability of trade receivables is considered as a key audit matter due to the size of the amounts and the judgment required in the collectability assessments of trade receivables and the complexity and comprehensiveness of the applications related by TFRS 9.</p> <p>Details of trade receivables are disclosed in Note 7 of the consolidated financial statements.</p>	<p>The following procedures have been followed for the audit of the provision for trade receivables:</p> <ul style="list-style-type: none"> Analytical review of aged receivables and comparison of the collection turnover rate with prior period, Testing Trade Receivables by sending confirmation letters to selected samples, Testing subsequent collections of selected Trade Receivables Testing guarantees taken for receivables selected by sample and evaluating the liquidity of the guarantees, Evaluating the reasonableness of the key judgments and estimates used by the management, as well as the methods and data sources used in the impairment calculation, within the scope of the "TFRS 9 Financial Instruments" standard, In order to audit special provisions for trade receivables, sending confirmation letter to legal advisors and evaluate risks by obtaining ongoing cases according to trade receivables Evaluating the adequacy of disclosures regarding trade receivables and impairment of trade receivables and their compliance with TFRS.

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

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

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

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



(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

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

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

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

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

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



(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of article 398 of the Turkish Commercial Code (TCC), the Auditor's report on the Early Detection Of Risk Committee was submitted to the Board of Directors on 1 March 2022.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period January 1 - December 31, 2021 and financial statements are not in compliance with laws and provisions of the Group's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.

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

Ethem Kutucular, SMMM
Partner
March 1, 2022
İstanbul, Türkiye

A member firm of Ernst & Young Global Limited

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

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(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş.

Statement of consolidated financial position

as at December 31, 2021

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

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	5	452.276.853	124.328.312
Trade receivables		197.817.534	119.273.456
- Due from third parties	7	196.388.834	113.283.848
- Due from related parties	6	1.428.700	5.989.608
Other receivables		121.488	111.547
- Due from third parties	8	121.488	111.547
Inventories	9	75.646.429	35.318.387
Prepaid expenses	10	8.702.210	1.311.851
Derivatives	17	-	127.162
Assets related to current period tax	26	-	6.454.873
Other currents assets	11	18.683.544	8.351.813
Total Current assets		753.248.058	295.277.401
Non-current assets			
Other receivables		634.662	213.525
-Due from third parties	8	634.662	213.525
Equity accounted investees	4	9.118.386	1.880.010
Property, plant, and equipment	14	140.297.682	107.137.082
Intangible assets		14.680.825	13.959.857
- Other intangible assets	15	14.680.825	13.959.857
Investment property	13	51.147.668	28.112.495
Right of use assets	12	13.015.901	16.367.563
Deferred tax assets	25	1.994.662	7.486.615
Total Non-current assets		230.889.786	175.157.147
Total assets		984.137.844	470.434.548

The accompanying Notes form an integral part of these financial statements.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş.

Statement of consolidated financial position

as at December 31, 2021

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

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2021	December 31, 2020
Liabilities			
Short term liabilities			
Short term liabilities	16	-	20.412.150
Short term portion of long-term borrowings	16	5.499.367	4.578.518
Trade payables		236.320.897	147.782.211
- Due to related parties	6	3.316.868	4.907.592
- Due to third parties	18	233.004.029	142.874.619
Payables related to employee benefits	22	1.668.426	1.154.932
Other payables		96.385	52.400
- Due to related parties		43.985	-
- Due to third parties		52.400	52.400
Deferred income	19	46.649.645	22.486.220
Current income tax liabilities	26	2.945.006	-
Short-term provisions		15.465.077	10.568.029
- Provisions for employee benefits	22	14.883.266	9.012.743
- Other short-term provisions	23	581.811	1.555.286
Other short-term liabilities	20	7.374.576	1.916.084
Total Short-term liabilities		316.019.379	208.950.544
Long term liabilities			
Long term liabilities		8.767.800	12.826.731
- Lease liabilities	16	8.767.800	12.826.731
Long-term provisions		15.093.264	10.082.113
- Provisions for employee benefits			
Long-term provisions	22	15.093.264	10.082.113
Total Long-term liabilities		23.861.064	22.908.844
Equity			
Share capital	26	115.000.000	100.000.000
Other comprehensive income / expense not to be reclassified to profit or loss			
- Gains / (losses) on remeasurements of defined benefit plans			
Gains / (losses) on remeasurements of defined benefit plans, net		(9.211.682)	(6.547.283)
Other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency conversion difference		3.884.377	1.027.761
Treasury shared (-)	26	(7.535.226)	-
Stock issue premium	26	197.350.010	-
Restricted Reserves	26	15.941.232	11.066.896
Retained earnings		116.114.388	49.568.558
Net profit for the period		213.287.232	83.920.166
Equity holders of the parent		644.830.331	239.036.098
Non-controlling interests		(572.930)	(460.938)
Total equity		644.257.401	238.575.160
Total liabilities and equity		984.137.844	470.434.548

The accompanying Notes form an integral part of these financial statements.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş.

Statement of consolidated profit or loss and other comprehensive income for the period ended December 31, 2021 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2021	December 31, 2020
Revenue	27	809.990.145	526.247.127
Cost of sales (-)	27	(502.927.297)	(320.540.797)
Gross profit		307.062.848	205.706.330
Marketing, sales and distribution expenses (-)	28	(114.064.766)	(77.091.466)
General administrative expenses (-)	28	(52.541.342)	(35.238.808)
Research and development expenses (-)	28	(3.061.051)	(2.868.706)
Other operating income	30	120.644.586	54.262.306
Other operating expenses (-)	30	(131.447.281)	(58.366.883)
Operating profit		126.592.994	86.402.773
Income from investing activities	31	23.059.408	10.162.256
Expenses from investing activities (-)	31	(53.343)	(474)
Profit/ (loss) from equity accounted investees	4	(146.864)	(97.092)
Operating profit before financial income		149.452.195	96.467.463
Financial income	32	115.169.930	16.770.016
Financial expenses	32	(22.604.838)	(19.704.882)
Profit before tax		242.017.287	93.532.597
- Current tax expense (-)	25	(22.484.769)	(6.107.747)
- Deferred tax income / (expense) (-)	25	(6.287.813)	(4.930.293)
Net profit from continuing operations		213.244.705	82.494.557
Net profit for the period		213.244.705	82.494.557
Attribution of Profit / (Loss) for the period:			
Non-controlling interests		(42.527)	(1.425.609)
Equity holders of the parent		213.287.232	83.920.166
Not to be reclassified to profit or loss			
Gains / (losses) on remeasurements of defined benefit plans	23	(3.460.258)	(1.745.243)
Gains / (losses) on remeasurements of defined benefit plans, tax effect		795.859	349.049
To be reclassified to profit or loss			
Foreign currency conversion difference		2.856.616	(149.530)
Hedge of investments in foreign business		-	2.092
Other comprehensive expense		192.217	(1.543.632)
Total comprehensive income		213.436.922	80.950.925
Attribution of Comprehensive Income for the period:			
Non-controlling interests		(42.527)	(1.425.609)
Equity holders of the parent		213.479.449	82.376.534
Earnings per shares		0,0185	0,0415

The accompanying Notes form an integral part of these financial statements.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş.

Consolidated statements of changes in equity for the period ended December 31, 2021
(All amounts are expressed in thousands of Turkish Lira ("TL")) unless otherwise indicated.)

	Other comprehensive income / expense to be reclassified to profit or loss	Other comprehensive income / expense not to be reclassified to profit or loss	Capital	Foreign currency conversion difference	Hedge of investments in foreign business	Defined benefit plans re-measurement losses	Treasury Shares	Subsidiy	Revaluation of financial investments	Restricted Reserves	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total equity
Balances as of January 1, 2020	100,000,000	1,177,291	(2,092)	(5,151,089)	-	2,316,716	9,652,907	19,233,941	29,431,890	156,659,564	239,714	156,899,278	-	156,899,278	
Transfers	-	-	-	-	-	(2,316,716)	1,413,989	30,334,617	(29,431,890)	-	-	-	-	-	-
Transactions with non-controlling shareholders (Notes 2.5)	-	-	-	-	-	-	-	-	-	-	-	83,920,166	83,920,166	724,957	82,494,557
Net profit for the period	-	(149,530)	-	(1,396,194)	-	-	-	-	-	-	-	83,920,166	83,920,166	(1,425,609)	82,494,557
Other comprehensive income/(loss)	-	(149,530)	2,092	(1,396,194)	-	-	-	-	-	-	-	83,920,166	82,376,534	(1,425,609)	(1,543,632)
Total comprehensive income/(loss)	-	(149,530)	2,092	(1,396,194)	-	-	-	-	-	-	-	83,920,166	82,376,534	(1,425,609)	80,950,925
Balances as of December 31, 2020	100,000,000	1,027,761	-	(6,547,283)	-	11,066,896	49,568,558	83,920,166	239,036,098	(460,938)	238,575,160	-	238,575,160		
Balances as of January 1, 2021	100,000,000	1,027,761	-	(6,547,283)	-	11,066,896	49,568,558	83,920,166	239,036,098	(460,938)	238,575,160	-	238,575,160		
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling shareholders (noted 2.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,465)	(69,465)
Capital increase	15,000,000	-	-	-	-	-	-	-	-	-	-	-	15,000,000	-	15,000,000
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	(12,500,000)	-	(12,500,000)
Purchase of share certificate	-	-	-	-	-	-	(7,535,226)	-	-	-	-	-	(7,535,226)	-	(7,535,226)
Subsidiy	-	-	-	-	-	-	-	197,350,010	-	-	-	197,350,010	197,350,010	-	197,350,010
Net profit for the period	-	2,856,616	-	(2,664,399)	-	-	-	-	-	-	-	213,287,232	213,287,232	(42,527)	213,244,705
Other comprehensive income/(loss)	-	2,856,616	-	(2,664,399)	-	-	-	-	-	-	-	192,217	192,217	-	192,217
Total comprehensive income/(loss)	-	2,856,616	-	(2,664,399)	-	-	-	-	-	-	-	213,287,232	213,479,449	(42,527)	213,436,922
Balances as of December 31, 2021	115,000,000	3,884,377	-	(9,211,682)	-	15,941,232	116,114,388	213,287,232	644,830,331	(572,930)	644,257,401	-	644,257,401		

The accompanying Notes form an integral part of these financial statements.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş.
Statement of consolidated cash flows
for the year ended December 31, 2021
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2021	December 31, 2020
Operating activities:			
Profit for the period from continuing Operations before tax		242.017.286	93.532.597
Adjustments:			
Adjustments for depreciation and amortisation	12, 14, 15	21.463.265	18.632.527
Adjustments for provisions, net	22, 23	15.484.415	9.175.092
Adjustments for interest expense	32	8.403.327	12.844.452
Adjustments for interest income	32	(23.085.950)	(11.923.069)
Adjustments for impairments	7, 9	4.635.418	2.262.358
Sales profit from fixed asset, net	31	31.733	(258)
Adjustments for profit/loss related of investment property	13, 31	(23.035.173)	(10.161.524)
Adjustments related to undistributed profit/losses of Equity accounted investees	4	146.864	97.092
Deferred finance expense from forward purchases		(1.269.141)	(4.117.772)
Deferred financial income from forward payment sale		2.696.386	10.747.106
Adjustments from fair value losses / earnings of derivate financial instruments		-	(127.162)
Cash flow from operating activities before changes in operating assets and liabilities		247.488.430	120.961.439
Changes in assets and liabilities:			
Changes in trade receivables		(86.272.312)	(11.455.868)
Changes in Inventories		(40.269.653)	(12.080.249)
Changes in other assets		(18.153.168)	11.459.036
Changes in trade payables		89.807.827	39.487.337
Changes in other liabilities		30.122.383	(17.574.435)
Collection from doubtful trade receivables	7, 30	338.041	600.432
Payables related to employee benefits	22, 23	(9.036.474)	-5.138.278
Taxes paid	25	(13.084.890)	(6.454.873)
Cash from operating activities		200.940.184	119.804.541
Investing activities:			
Purchase of tangible and intangible assets	14, 15	(51.706.257)	(32.179.719)
Cash inflows from the sales of tangible assets	14, 15	520.436	89.989
Capital increase of equity accounted investees	4	(1.937.680)	(1.977.102)
Cash inflows from sale of financial investments		-	4.540.553
Cash advance given		-	(2.935.055)
Investing activities		(53.123.501)	(32.461.334)
Financing activities:			
Loans Received	16	-	40.000.000
Loans paid	16	(20.000.000)	(69.100.000)
Cash outflows related to leases		(6.503.537)	(6.197.093)
Interest Paid		(6.301.557)	(11.964.667)
Interest Received		22.109.462	11.502.214
Cash inflows related to capital increase		15.000.000	-
Cash outflows due to redemption of redeemed shares		(7.535.226)	-
Cash from issue of shares		197.350.010	-
Cash inflows/outflows for derivatives		127.162	-
Dividend payment		(12.500.000)	-
Cash from financing activities		181.746.314	(35.759.546)
Increase /decrease on cash and cash equivalent before foreign currency conversion difference		329.562.997	51.583.661
Foreign currency conversion difference		(2.590.944)	-
Net increase in cash and cash equivalents		326.972.053	51.583.661
Cash and cash equivalents at the beginning of the year	5	123.907.457	72.323.796
Cash and cash equivalents at the end of the year	5	450.879.510	123.907.457

The accompanying Notes form an integral part of these financial statements.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

Notes to the consolidated financial statements

for the year ended December 31, 2021

(All amounts are expressed in thousandss of Turkish Lira ("TL") unless otherwise indicated.)

1. Group's organization and nature of operations

Kalekim Kimyevi Maddeler Sanayi and Ticaret A.Ş. ("Kalekim" or "Company") was founded in 1973 started its activities with the production of ceramic adhesives and grouts and continues today with producing any kind of chemicals for the construction sector.

Kalekim leads its production facilities domestically in İstanbul, Isparta, Yozgat, Mersin, Erzurum, and Balıkesir. Company produces ceramic adhesives, grouts, water and thermal insulation products, mastics, foams, surface preparation materials, ceramic cleaning and maintenance products, interior and exterior paints, decorative exterior plasters as well as thermal insulation products.

The main shareholder of the company is H. İbrahim Bodur Holding A.Ş. with a share of 69%.

The company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa İstanbul ("BIST")

The company is registered in Turkey and its registered office address is as follows:

Firuzköy Mah. Firuzköy Bulvarı No:188/1, Avcılar İstanbul

Financial statements for the accounting period 1 January - 31 December 2021 were approved by the Board of Directors on 1 March 2022 for publication. The shareholders of the Company have the right to make changes on the financial statements after the financial statements are published.

As of 31 December 2021, and 2020, the subsidiaries of the Company are as follows:

Scope of Activity	Company's voting rights and effective shareholding ratios		
	31 December 2021	31 December 2020	
Subsidiaries			
Ooo Kalekim ("Kalekim-Rusya") (Based in Russia)	Marketing and sales of cement-based and paint-plaster-based products	%100,00	%100,00
Kalekim Neon SHA ("Kalekim-Neon") (Baes in Albania) (*)	Production, sale and marketing of cement-based products	%51,00	%51,00

(*) The company was founded by Kalekim and DSG Ltd. on 15 May 2019 in Albania.

As of 31 December 2021, and 2020, the business partnerships of the Company are as follows:

Scope of Activity	Company's voting rights and effective shareholding ratios		
	31 December 2021	31 December 2020	
Joint Ventures			
Sarl Ha Building Industry (settled in Algeria) (*)	Production of ceramic adhesives and grouts	%50,00	%50

(*) Joint venture agreement signed between Sarl HA Building Industry on 10 October 2019 and it was established as a business partnership in Algeria with 50% equal capital ownership within the scope of the contract amended on 20 December 2020.

Subsidiaries consolidated with the Company and joint ventures evaluated using the equity method will be referred to as the "Group"

The average number of personnel of the Group for the year ended 31 December 2021 is 399 people (31 December 2020-386 people).

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish)

**Notes to the consolidated financial statements
for the year ended December 31, 2021**

(All amounts are expressed in thousandss of Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

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

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

Companies reporting in accordance with the CMB regulations apply the Turkish Accounting Standards / Turkish Financial Reporting Standards and their annexes and comments ("TMS/IFRS") published by the Public Oversight Accounting and Auditing Standards Authority ("KGK"), in accordance with Article 5 of the Communiqué.

The consolidated financial statements are based on the Group's legal records and are expressed in Turkish Lira ("TL") and have been prepared by subjecting to some adjustments and classification changes to adequately present the Group's status in accordance with TMS/IFRS published by KGK. Subsidiaries and joint ventures operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries in which they operate. Consolidated financial statements have been prepared based on historical cost, except for derivative instruments and investment properties, which are shown at fair value.

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

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2021, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023

Functional and reporting currency

The consolidated financial statements are presented in TL, which is the functional currency of the Company and the presentation currency of the Group. The financial status and operating results of each enterprise are expressed in TL, which is the functional currency of Kalekim and the presentation currency for the consolidated financial statements.

The functional currencies of the Group's subsidiaries and joint ventures abroad are Russian Ruble, Euro and Algerian Dinar.

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

Within the scope of TAS 21 - “Effects of Exchange Rate Changes” , financial statements are prepared with Russian Ruble for OOO Kalekim, Euro for Kalekim Neon and Algerian Dinar for Sarl Ha Building Industry and have been translated into TL using the following method:

- a) All assets and liabilities in the balance sheet are translated using the buying rate of Russian Ruble, Euro and Algerian Dinar announced by the Central Bank of the Republic of Turkey (“CBRT”) at the balance sheet date.
- b) Statements of profit or loss and Other comprehensive income are translated into TL using annual average Russian Ruble, Euro and Algerian Dinar exchange rates.
- c) The paid-in capital is translated using the buying rate of Russian Ruble, Euro and Algerian Dinar on the date of payment and is reflected in the financial statements with their historical values.

All the resulting exchange differences are shown in the accumulated Other comprehensive income and expense account, which will be reclassified from profit or loss under equity under the name of foreign currency translation differences.

2.2 Going concern

The Group has prepared its condensed consolidated financial statements according to the going concern principle.

2.3 The new standards, amendments, and interpretations

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

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

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

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

2.3 The new standards, amendments, and interpretations (continued)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain, and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as;
How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

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

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

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

2.3 The new standards, amendments, and interpretations (continued)

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (2018 Version). The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

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

2.3 The new standards, amendments, and interpretations (continued)

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

2.3 The new standards, amendments, and interpretations (continued)

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.

TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

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

2.4 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.

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

2.3 The new standards, amendments, and interpretations (continued)

2.5 Summary of significant accounting policies

Consolidation principles

Consolidated financial statements include the accounts of the Company and its subsidiaries prepared according to the principles. During the preparation of the financial statements of the companies included in the scope of consolidation, necessary corrections and classifications were made in terms of compliance with TFRS and the accounting policies and presentation styles applied by the Group

Subsidiaries

Control is achieved by having control over the financial and operational policies of an enterprise to derive benefits from its activities.

Subsidiaries are those in which the Company either (a) has the power to exercise more than 50% of the voting rights related to the shares in the companies as a result of the shares directly and/or indirectly owned by it and over which the Company has voting rights; or (b) means the companies that it has the authority and power to control the financial and operating policies in line with the interests of the Company, by using the dominance effect on the financial and operating policies, although it does not have the authority to use more than 50% of its right.

The existence of potential convertible or exercisable voting rights is also considered in assessing whether the Group controls another company. Subsidiaries, voting rights and effective shareholding ratios consolidated as of 31 December 2021 are shown in Note 1. Since the controlling power is in Kalekim, the subsidiaries are consolidated using the full consolidation method, and the minority interests are separately stated in the Group's equity.

When deemed necessary, the accounting policies applied for Subsidiaries have been changed to ensure consistency with the accounting policies applied by the Group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition and up to the date of disposal.

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.

Minor interests in the net assets of consolidated subsidiaries are reported separately in the Group's equity. The accumulated losses on the minority interest of a consolidated subsidiary may exceed the non-controlling equity of that subsidiary. In this case, the accumulated loss and subsequent current year losses to the minority interest are attributed to the minority interest.

Joint ventures and associates

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.

Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decisionmaker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The sectors reported under "Other" do Not meet the required minimum quantitative thresholds to be a reportable segment; hence they have been merged for segment reporting.

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

2.5 Summary of significant accounting policies (continued)

For an operating segment to be identified as a reportable segment its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments

Operating segments that do Not meet any of the quantitative thresholds may be considered as reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Financial instruments

Financial assets are consisting of Cash and cash equivalents, Trade receivables, Other receivables, and trade receivables from related parties. Financial payables are consisting of bank loans, trade payables, payables to related parties and Other payables. Financial assets and payables are included in the Company's financial statements if the Group is subject to the mentioned financial instruments.

Financial assets

Classification

At initial recognition Group classifies its financial assets in three categories as; financial assets measured at amortised 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 at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group classifies its financial assets on the date of purchase. Financial assets are not reclassified after initial recognition, except where the Group's business model in managing the financial assets changes; In case of business model change, financial assets are reclassified on the first day of the following reporting period after the change.

Derecognition of financial assets

The Group has transferred its contractual rights to receive cash flows from the asset, or retains the contractual rights to receive the cash flows of the financial asset but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred not retained substantially all the risks and rewards of the asset, but has transferred control of the asset. As of the balance sheet date, the Company does not have any financial assets available for sale.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages:

- 12-month ECL: For credit exposures for which there has Not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months,
- Lifetime ECL: For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

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

2.5 Summary of significant accounting policies (continued)

The lifetime ECL measurement is applied if, at the reporting date, the credit risk associated with a financial asset increases significantly after initial recognition. In all other cases where the relevant increase was not experienced, the 12-month ECA calculation is applied. The Company may determine that the credit risk of the financial asset has not increased significantly if the credit risk of the financial asset has a low credit risk at the reporting date. However, lifetime ETC measurement (simplified approach) always applies to Trade receivables and contract assets without a significant financing element.

Recognition and measurement

financial assets bought and sold in the regular way are recognized on the date of the trade. The trading date is the date on which the Group commits to trade the asset. Other financial investments, excluding financial assets at fair value through profit or loss, are initially recorded at their fair value by adding transaction costs. The financial assets are derecognised when the cash flows from the financial assets are transferred when the right to receive the cash flows expire and the Group has transferred all its risks and rewards. Financial assets available for sale are subsequently accounted for at their fair values. Loans and receivables are accounted at amortized cost using the effective interest rate method.

Financial assets at fair value through Other comprehensive income

While the Group's Total voting rights are up to or greater than 20%; Financial investments that are not traded in organized markets which the Group does not have significant influence; are reflected in the financial statements by making assumptions and estimations during the determination of their fair values. Fair value differences related to these financial investments are reflected in the other comprehensive income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term time deposits. Short-term time deposits are highly liquid that can be easily converted into cash without a risk of losing its value. Cash and cash equivalents are presented in the statement of financial position with the sum of acquisition cost and accrued interest.

Related parties

If one of the below listed criteria exists, the party is regarded as related with the Group:

- (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; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

2.5 Summary of significant accounting policies (continued)

- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined 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).

Transaction with related parties is the transfer of resources, services, or obligations between related parties, regardless of whether they are for a price.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all acquisition costs, conversion costs, and Other costs incurred to bring inventories to their current state and location. The unit cost of inventories is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Net-off

Financial assets and liabilities are shown net when there is the necessary legal right, there is an intention to net the assets and liabilities, or when the acquisition of the asset and the fulfilment of the assets are consecutive.

Trade payables

Trade payables are liabilities that must be paid for goods and services received from suppliers within the scope of the Group's ordinary operations. Trade payables are recorded at their fair value and subsequently accounted for at their discounted value using the effective interest rate.

Income / expenses from due date differences

Financial income/expenses represent financial income and expenses on forward sales and purchases. These incomes and expenses are calculated using the effective interest rate method over the period of credit sales and purchases and are shown under the income and expenses from main activities.

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

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment, for items acquired before 1 January 2006, based on the adjusted acquisition costs expressed in purchasing power at 31 December 2005, for the items acquired after 1 January 2006, they are reflected in the consolidated financial statements with their acquisition cost, after deducting the accumulated depreciation and permanent impairment. The lands are not depreciated because their economic life is considered to be indefinite. Depreciation is calculated using the straight-line method based on the useful life of the tangible assets over their values. The estimated useful lives of these assets are set out below.

	Year
Land improvements	6 - 21 year
Buildings	10 - 50 year
Machinery and equipment	5 - 10 year
Vehicles	4 - 5 year
Furniture & Fixture	3 - 15 year
Other tangible assets	3- 10 year

Profit and loss resulting from the disposal of tangible assets is determined by comparing the book value with the collected amounts and is reflected in the relevant income and expense accounts in the current period.

If the carrying value of an asset is higher than the asset's recoverable value, the carrying amount is immediately reduced to its recoverable value. The recoverable amount is the higher of the net selling price or value in use of the related asset. The net selling price is determined by deducting the costs incurred to make the sale from the fair value of the asset. The value in use is determined by adding the residual values to the discounted amounts as of the balance sheet date of the estimated cash flows to be obtained in the future by continuing to use the relevant asset. Normal maintenance and repair expenses incurred on property, plant and equipment are recognized as an expense. Investment expenditures, which increase the capacity of the tangible asset and increase the benefit to be obtained from it in the future, are added to the cost of the tangible fixed asset.

Intangible assets

Intangible assets, for items acquired before 1 January 2006, based on the adjusted acquisition costs expressed in purchasing power at 31 December 2005, for the items acquired after 1 January 2006, they are reflected in the consolidated financial statements with their acquisition cost, after deducting the accumulated depreciation and permanent impairment. Intangible assets include development expenses and rights arising from computer software. These are recorded at acquisition cost and their depreciation is calculated using the straight-line method over their estimated useful lives of 3 to 5 years from the date of acquisition. In case of impairment, the intangible asset is reduced to its recoverable value.

Research and development expenses

Research expenditures are recorded as an expense when incurred. Costs incurred in development projects (related to the design and testing of new or improved products) are recorded as intangible assets if the following conditions are met:

- the intangible asset is available for sale or usable, considering its technical feasibility for completion; management's decision to complete and use the intangible asset or sell the asset,
- intangible assets are usable or available for sale,
- demonstration of possible future economic benefits,
- adequate technical, financial, and other resources for the completion of the development, use or sale of the intangible asset,
- reliable measurement of the costs incurred in the development of the intangible asset.

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

2.5 Summary of significant accounting policies (continued)

Other development costs that do not meet these criteria are recorded as expense in the period they are incurred. Development expenses recorded as expense in previous periods cannot be capitalized in subsequent periods. Capitalized development costs are accounted for as intangible assets and depreciated over their useful lives using the straight-line method from the moment the related asset is ready for use.

Impairment of an asset

For each asset other than financial assets and financial assets, which are expressed at fair value, the Group evaluates at each balance sheet date whether there is any indication that the asset is impaired. If such an indicator exists, the recoverable amount of that asset is estimated. If the carrying value of the asset or any cash-generating unit of that asset is higher than the amount to be recovered through use or sale, an impairment has occurred. The recoverable amount is determined by choosing the higher of fair value less cost of selling and value in use. Value in use is the estimated present value of the cash flows expected to arise from the continued use of an asset and its disposal at the end of its useful life. Impairment losses are recognized in the income statement. Cash generating unit Other is the smallest separable asset group that generates cash inflows from its continuous use, largely independent of its assets or assets.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Loans and borrowing costs

Loans are recorded with their values after the transaction costs are deducted from the loan amount on the date they are received. Loans are stated over the cost value, which is subsequently discounted using the effective interest method. The difference between the amount remaining after deducting the transaction costs and the discounted cost value is reflected in the statement of comprehensive income as the financing cost during the loan period. Loans are classified as short-term assets unless the Group has the unconditional right to defer repayment of the obligation for twelve months from the balance sheet date. In addition, as of the balance sheet date or before the balance sheet date, it may cause the borrowing to be recalled by the providing financial institution; In case of violation of the conditions in the said loan agreements, the long-term portion of the relevant loan is also included in Short term assets.

Financing costs arising from loans are included in the cost of qualifying assets if they are associated with the acquisition or construction of qualifying assets. Qualifying assets refer to assets that take a long time to get ready for use or sale as intended. Other loan costs are recorded in the income statement in the period in which they occur. As of 31 December 2021, and 2020, there are no capitalized borrowing costs.

Provisions for employee benefits

Defined benefit plan

In accordance with the current labour law in Turkey, the Group is obliged to pay a certain amount of termination pay to the personnel who quit their job due to retirement after at least one year of service or are dismissed for reasons other than resignation or bad behaviour.

The Group has calculated the termination pay provision in the accompanying financial statements using the "Projection Method" and based on the Group's experience in completing the personnel service period and entitlement to severance pay and discounted it with the government bond earnings rate on the balance sheet date. All calculated actuarial gains and losses are reflected in Other comprehensive income / expense.

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

2.5 Summary of significant accounting policies (continued)

Defined contribution plan

The Group must compensate the Social Security Contribution of the employees. As long as this is compensated, there is not any other obligation for the Group. Social Security Contributions are classified as personnel expenses as of the accrual date

Unused vacation provisions

Since the Group expects all vacation provisions to be fulfilled within twelve months following the annual reporting period, such vacation provisions are shown in the Short-term provisions for employee benefits.

Capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Taxes calculated on Corporate Income

The tax liability on profit and loss for the period includes the current period's payroll and the deferred loan. The current year's tax liability includes the liability calculated in accordance with the current year's taxable portion of the period's profit and the interest rates effective as of the balance sheet date, and the adjustment records related to the tax liability of the previous years.

Deferred tax is calculated over the temporary differences between the recorded values of the assets and liabilities in the balance sheet and their tax values, using the liability method. The tax value of the asset and liability represents the amounts that will affect the tax base in the future periods related to the asset and liability in question within the framework of tax legislation. The deferred tax is calculated over the tax rates expected to be applied in the period when the tax asset will be realized or the liability will be fulfilled, considering the tax rates and tax legislation that are in effect or in effect as of the balance sheet date.

Deferred tax assets and liabilities are reflected in the consolidated financial statements at the rate of increase and decrease in the amount of the tax payable in the future periods when the temporary differences in question will disappear. While the deferred tax liability is calculated for all taxable temporary differences, the deferred tax asset is recognized in the consolidated financial statements on the condition that it is highly probable that the deductible temporary differences will be obtained by generating taxable profit in the future. Carrying value of deferred tax asset is reduced to the extent that it is not probable to obtain a financial profit that will allow some or all the deferred tax asset to be benefited.

Deferred tax asset and deferred tax liability are mutually net off if they are subject to the tax laws of the same country and there is a legally enforceable right to set the current tax asset off the current tax liability.

Revenue recognition

When the Group fulfils its performance obligation by transferring a promised good or service customer, the revenue is included in the consolidated financial statements as it fulfils. An asset is transferred when control of an asset is transferred to the customer (or passes).

The company recognise revenue to financial statements according to 5 main principles as follows:

- 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

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

2.5 Summary of significant accounting policies (continued)

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.

When assessing whether a charge is likely to be collectible, the Company considers only the customer's ability and intention to pay the charge when due. At the beginning of the contract, the Company evaluates the goods and services it has promised in the contract with the customer and defines each commitment to transfer to the customer as a performance obligation.

At the beginning of the contract, the Company evaluates the goods and services promised in the contract with the customer and defines each commitment to transfer to the customer as a performance obligation as follows:

- a) different goods or services (packages of goods or services) or
- b) a series of different goods or services that are substantially similar and are transferred to the customer in the same method

A series of different goods and services are subject to the same form of transfer if the following conditions are met:

- a) Each different good or service in the series that the Company undertakes to transfer to its customer constitutes a performance obligation that will be completed over time by meeting the necessary conditions.
- b) In accordance with the relevant paragraphs of the standard, using the same method to measure the Company's progress towards full performance of the performance obligation in the transfer of each different good or service that makes up the series to the customer.

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 buying 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.

Foreign currency conversion differences

The assets and liabilities of the Group's foreign operations are expressed in TL using the exchange rates prevailing on the balance sheet date in the consolidated financial statements.

Income and expense items are converted using the average exchange rates during the period, unless there is a significant fluctuation in the exchange rates within the period in which the exchange rates at the date of the transactions should be used (in case of significant fluctuations, the exchange rates at the date of the transaction are used). The resulting foreign exchange difference is classified as equity and transferred to the Group's foreign currency translation reserve. These translation differences are recorded in the income statement in the period when the foreign operation is disposed of.

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

2.5 Summary of significant accounting policies (continued)

Provisions, contingent assets, and liabilities

Provisions

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 shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Contingent liabilities and assets

Possible assets or obligations are not included in the consolidated financial statements and treated as contingent assets or liabilities unless there is a probable require for a recourse transfer.

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 reflects current market assessments of the time value of money and the risks specific to the liability.

Possible assets or obligations 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.

Contingent assets are evaluated on an ongoing basis to ensure that related developments are accurately reflected in the consolidated financial statements. If it is almost certain that the economic benefit will enter the Group, the related asset and related income are reflected in the consolidated financial statements of the period in which the change occurred.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. If the financial lease payables are revalued, this figure is corrected.

The cost of the right-of-use asset includes:

- (a) initial direct costs incurred,
- (b) lease payments made at or before the commencement date less any lease incentives received,
- and
- (c) all initial direct costs incurred by the Group.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment

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

2.5 Summary of significant accounting policies (continued)

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 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.

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 (tangible and intangible assets and financial assets).

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

2.5 Summary of significant accounting policies (continued)

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents, cash and bank deposits, and short-term investments that are easily convertible into cash, have high liquidity, and have a maturity of 3 months or less.

Subsequent Events

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the financial position date. If non-adjusting events after the financial position date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the financial statements.

2.6 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) Useful lives of tangible / intangible assets:

As described accounting assumptions above, tangible, and intangible assets are carried at their net amount after deducting accumulated depreciation and impairment (if any). Depreciation is allocated using the straight-line method based on the useful lives of the tangible assets. Useful lives are based on management's estimates, reviewed at each balance sheet date, and adjusted if necessary.

b) Provision for doubtful receivables:

An impairment provision is established for Trade receivables if the Group will not be able to collect the amounts due. In addition, the Group uses the provision matrix by choosing the simplified application for the depreciation calculations, since the Trade receivables, which are accounted for at amortized cost in the financial statements, do not contain an important financing component. With this practice, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses, unless the Trade receivables are impaired for certain reasons. In the calculation of expected credit losses, the Company's forecasts for the future are also considered, along with past credit loss experiences.

Provisions:

It is reserved when the Group has a legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle this obligation, and the amount to be paid can be reliably estimated.

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

2.5 Summary of significant accounting policies (continued)

c) Deferred tax asset:

Deferred tax assets are recognized only if it is highly probable that sufficient financial profit will be available in future periods. If it is probable that a tax income will be realized, the deferred tax asset is recorded over unused tax losses, tax deductions and Other temporary differences. Group management calculates available financial losses and deferred tax assets over other temporary differences as a result of projections made by using estimates.

d) Employee termination benefit:

Employee termination liability is determined by actuarial calculations based on certain assumptions including discount rates, future salary increases and employee turnover rates. Since the nature of these plans are long-term, these involve significant uncertainties.

e) Inventory impairment

The Group calculates an inventory impairment provision to cover the estimated loss arising from the inability to use the related inventory. In the estimation of the adequacy of the provision for inventory impairment, the aging of the inventory balances and the possibility to sell the related products are evaluated.

f) Determination of the fair value of investment properties

The fair value of investment properties is determined by using various estimations and assumptions by professionally qualified independent valuation experts who have experience in the investment region and investment category and hold a generally accepted CMB license. Future changes in these estimates and assumptions may have a significant impact on the Company's financial statements.

3. Segment reporting

The Group's chief operating decision maker (Board of Directors and Senior Management) measures the segmental reporting according to the basic principles of presentation explained in Note 2. Reported information includes information that management uses to evaluate the performance of operating segments and to decide on resource allocation. In the measurement and reporting of segment revenues from transactions with other segments of the Group's operating segments, transfers between segments are carried out at normal market prices and conditions.

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3. Segment reporting (continued)

1 January - 31 December 2021						
	Ceramic Applications	Waterproofing	Paint-Plaster	Elimination	Other (*)	Total
Sales	603.044.765	53.879.836	124.720.447	(22.967.528)	51.312.625	809.990.145
Cost of sales	(374.699.680)	(29.851.167)	(89.128.036)	28.833.533	(38.081.947)	(502.927.297)
Gross Profit	228.345.085	24.028.669	35.592.411	5.866.005	13.230.678	307.062.848
Marketing expenses (-)	(70.047.771)	(9.709.090)	(21.547.234)	(4.522.552)	(8.238.119)	(114.064.766)
General administrative expenses (-)	(34.996.631)	(4.196.717)	(11.042.067)	-	(2.305.927)	(52.541.342)
Research and development expenses (-)	(2.038.899)	(244.500)	(643.309)	-	(134.343)	(3.061.051)
Other operating income	81.253.548	9.743.741	25.636.957	(1.343.453)	5.353.793	120.644.586
Other operating expenses (-)	(87.554.141)	(10.499.294)	(27.624.908)	-	(5.768.938)	(131.447.281)
Operating profit / loss	114.961.191	9.122.809	371.850	-	2.137.144	126.592.994

1 January - 31 December 2020						
	Ceramic Applications	Waterproofing	Paint-Plaster	Elimination	Other (*)	Total
Sales	388.621.116	39.375.615	74.781.159	(2.267.135)	25.736.372	526.247.127
Cost of sales	(233.241.274)	(20.893.507)	(49.522.218)	2.478.353	(19.362.151)	(320.540.797)
Gross Profit	155.379.842	18.482.107	25.258.941	211.218	6.374.221	205.706.330
Marketing expenses (-)	(48.969.667)	(6.477.458)	(18.730.590)	872.554	(3.786.305)	(77.091.466)
General administrative expenses (-)	(24.451.094)	(2.702.073)	(5.700.160)	-	(2.385.480)	(35.238.808)
Research and development expenses (-)	(1.990.504)	(219.969)	(464.036)	-	(194.196)	(2.868.706)
Other operating income	38.416.251	4.245.353	8.955.787	(1.103.022)	3.747.938	54.262.306
Other operating expenses (-)	(40.512.291)	(4.476.985)	(9.444.426)	19.250	(3.952.431)	(58.366.883)
Operating profit / loss	77.872.535	8.850.975	(124.485)	-	(196.252)	86.402.773

(*) It consists of thermal insulation and other miscellaneous sales.

4. Equity accounted investees

Sarl Ha Building Industry

Joint venture agreement signed between Sarl HA Building Industry on 10 October 2019 and it was established as a business partnership in Algeria with 50% equal capital ownership within the scope of the contract amended on 20 December 2020 in order to production of ceramic adhesives and grouts.

	2021	2020
1 January	1.880.010	-
Addition of Equity accounted investees (*)	1.937.680	1.977.102
Share of profit / (loss) Accounted investees	(146.864)	(97.092)
Foreign currency conversion difference	5.447.560	-
31 December	9.118.386	1.880.010

(*) The Group made a capital payment of 200.000 USD to the joint venture on 5 November 2021.

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4. Equity accounted investees (continued)

Movements of equity accounted investees during the period are as follows:

The summary information about the financial statements of the subsidiaries is as follows:

	31 December 2021		
	Total assets	Total liabilities	Active share and Voting rights (%)
Sarl Ha Building Industry	27.680.718	9.443.945	50
Total	27.680.718	9.443.945	

	Revenue	Profit or loss shares	Other comprehensive income/(loss) shares
1 January - 31 December 2021			
Sarl Ha Building Industry	-	(146.864)	5.447.561
Total	-	(146.864)	5.447.561

	31 December 2021		
	Total assets	Total liabilities	Active share and Voting rights (%)
Sarl Ha Building Industry	9.255.213	5.495.193	50
Total	9.255.213	5.495.193	

	Revenue	Revenue	Other comprehensive Profit or loss shares
1 January - 31 December 2020			
Sarl Ha Building Industry	-	(97.092)	-
Total	-	(97.092)	-

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5. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash	1.262	7.866
Banks	415.769.024	99.409.804
- Demand deposits	2.007.146	9.072.509
- Time deposits	413.761.878	90.337.295
Other (*)	36.506.567	24.910.642
Total	452.276.853	124.328.312
Interest accruals	(1.397.343)	(420.855)
Cash and cash equivalents presented in the cash flow statement	450.879.510	123.907.457

(*) As of 31 December 2021, and 2020, other cash and cash equivalents consist of credit card receivables with a maturity of less than 30 days.

31 December 2021	Interest Rate (%)	Maturity	Amount
TL	15,75-16,25-17-27	2022	252.930.166
USD	0,9	2022	116.363.880
Avro	0,35	2022	44.467.832
Total			413.761.878
31 December 2020	Interest Rate (%)	Maturity	Amount
TL	16-17,10-17,75	2021	42.749.936
USD	1,95-3,25	2021	47.587.359
Total			90.337.295

Time deposits have a maturity of less than three months. As of 31 December 2021, there are no blocked deposits (31 December 2020: None.)

Exchange rate, interest rate risks and sensitivity analysis for the Group's financial assets and liabilities are disclosed in note 33.

6. Related party transactions and balances

i) Related party transactions:

a) Trade receivables from related parties:

	31 December 2021	31 December 2020
Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. ("Kaleseramik") (1) (*)	1.427.490	1.449.055
Kalemaden Endüstriyel Hammaddeler A.Ş. ("Kalemaden") (1)	1.210	-
H.İbrahim Bodur Holding A.Ş. (2)	-	4.540.553
Total	1.428.700	5.989.608

(*) Trade receivables from Kaleseramik are due to product sales and have been collected within the relevant receivable's due dates.

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6. Related party transactions and balances (continued)

b) Trade payables to related parties:

	31 December 2021	31 December 2020
Kale Holding A.Ş. (1) (*)	1.750.735	1.539.506
Kalenakliyat Seyahat and Turizm A.Ş. ("Kalenakliyat") (1) (**)	1.409.652	1.889.002
Kaleseramik (1)	156.481	1.463.815
Bodur Gayrimenkul Geliştirme A.Ş. (1)	-	15.269
Total	3.316.868	4.907.592

(*) Trade payables to Kale Holding A.Ş. are due to management support services, consisting of the corporate development, legal, audit etc.

(**) Trade payables to Kalenakliyat are due to the transportation services received and are paid on the invoice terms.

(1) Subsidiary of the group parent

(2) Main partner

ii) Other related party transactions

a) Merchandise sales:

	2021	2020
Kaleseramik (1)	2.851.522	2.422.066
Kale Araştırma Geliştirme A.Ş. (1)	16.500	-
Kalekalıp (1)	-	23.740
Kalenakliyat (1)	375	1.857
Bodur Gayrimenkul Geliştirme A.Ş. (1)	903	-
Total	2.869.300	2.447.663

b) Service sales:

	2021	2020
Kaleseramik (1)	354.079	2.640.458
Kalenakliyat (1)	103.487	5.188
Kale Holding A.Ş. (1)	-	3.000
Kalemaden (1)	1.025	-
Total	458.591	2.648.646

c) Service procurement:

	2021	2020
Kale Holding A.Ş. (1)	15.200.016	10.127.133
Kalenakliyat (1)	4.799.871	4.904.648
Kaleseramik (1)	476.728	2.014.912
Bodur Gayrimenkul Geliştirme A.Ş. (1)	96.455	156.016
KSV İktisadi İşletme (1)	10.509	-
Total	20.583.579	17.202.709

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6. Related party transactions and balances (continued)

d) Goods purchases:

	2021	2020
Kaleseramik (1)	10.023	2.348.546
Total	10.023	2.348.546

e) Rent expense:

	2021	2020
Kaleseramik (1)	137.151	57.471
Kalenakliyat (1)	2.272	13.568
Kale Holding A.Ş. (1)	-	-
Total	139.423	71.039

f) Sale of financial investment

	2021	2020
H.İbrahim Bodur Holding A.Ş. (2)	-	4.540.553
Total	-	4.540.553

g) Security purchases

	2021	2020
H.İbrahim Bodur Holding A.Ş. (2)	5.651.420	-
Kaleseramik (1)	1.883.806	-
Total	7.535.226	-

(*) It is the founder's share certificate's amortization amount. (Note 26)

h) Purchase of intangible fixed assets

	2021	2020
Kale Holding A.Ş.	978.641	-
Total	978.641	-

(1) Subsidiary of the group parent

(2) Main partner

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6. Related party transactions and balances (continued)

l) Compensations provided to key management:

The group's key management consist of board of directors and managers. Compensation provided to key management include short-term benefits such as wages and bonuses.

	2021	2020
Compensations provided to key management	9.927.004	7.751.797
Total	9.927.004	7.751.797

7. Trade receivables from third parties

	31 December 2021	31 December 2020
Trade receivables	150.611.554	114.813.691
Notes receivables	73.179.547	18.820.271
	223.791.101	133.633.962
Less: Unrealized financial income from future sales	(6.074.669)	(3.378.283)
Less: Provision for doubtful trade receivables	(21.327.598)	(16.971.831)
Total	196.388.834	113.283.848

Average turnover day for trade receivables is 59 (31 December 2020: 68 days). Trade receivables are discounted using an annual average of 21% (31 December 2020: 17.3%) for TL and 0.5% (31 December 2020: 0.5%) for USD as of 31 December 2021.

Aging of doubtful Trade Receivable provisions is as follows:

	31 December 2021	31 December 2020
0-12 month	4.693.807	837.581
More than 12 months passed due	16.633.790	16.134.250
Total	21.327.597	16.971.831

The aging of overdue but not impaired receivables as of 31 December 2021 and 2020 is as follows:

Maturity	31 December 2021	31 December 2020
0-1 months	5.512.277	1.371.551
1-3 months	461.072	90.456
3 months and more	29.414	76.720
Total	6.002.763	1.538.727

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7. Trade receivables from third parties (continued)

The movement of provision for doubtful trade receivables as of 31 December 2021 is as follows:

	2021	2020
1 January	16.971.831	16.283.570
Provision for doubtful receivables (Note 30)	4.693.807	1.288.693
Collections (Note 30)	(338.041)	(600.432)
31 December	21.327.597	16.971.831

8. Other receivables from third parties

	31 December 2021	31 December 2020
Short term Other receivables:		
Deposits and guarantees given	121.488	111.547
Long terms Other receivables:		
Deposits and guarantees given	634.662	213.525
Total	756.150	325.072

9. Inventories

	31 December 2021	31 December 2020
Raw materials and supplies	39.711.539	19.127.033
Work-in process	2.645.070	1.405.629
Finished goods	20.971.723	12.837.308
Merchandises	11.300.511	2.568.636
Goods in transit	3.462.456	1.883.040
Less: provision for impairment	(2.444.870)	(2.503.259)
Total	75.646.429	35.318.387

As of 31 December 2021, inventory turnover day is 30 (31 December 2020: 29 days).

The movement of the provision for inventory impairment is as follows

	2021	2020
1 January	2.503.259	1.529.594
Provisions booked during the period, net	52.278	973.665
Provisions no longer required	(110.667)	-
31 December	2.444.870	2.503.259

Inventory impairment provision is recognized at cost of sales.

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10. Prepaid Expenses

	31 December 2021	31 December 2020
Short term prepaid expenses:		
Prepaid expenses	7.375.631	624.006
Advance given to fixed assets	1.326.579	687.845
Total	8.702.210	1.311.851

11. Other current assets

	31 December 2021	31 December 2020
Other VAT	9.354.674	3.533.348
VAT to be transferred	9.178.708	4.523.322
Accrued Income	69.259	252.949
Advances given to personnel	21.971	778
Other	58.932	41.416
Total	18.683.544	8.351.813

12. Right of use assets

The Group, as a lessee, has included the right-of-use asset, which represents the right to use the underlying asset, and the lease payable, which represents the lease payments, to its consolidated financial statements.

	Vehicles	Buildings	Forklifts	Total
1 January 2021	4.361.175	11.855.292	151.096	16.367.563
Additions	839.083	-	-	839.083
Depreciation	(2.322.457)	(1.783.716)	(84.572)	(4.190.745)
31 December 2021	2.877.801	10.071.576	66.524	13.015.901
	Vehicles	Buildings	Forklifts	Total
1 January 2020	2.994.656	5.065.241	251.005	8.310.902
Additions	3.881.608	8.998.331	112.315	12.992.254
Depreciation	(2.515.088)	(2.208.281)	(212.224)	(4.935.593)
31 December 2020	4.361.176	11.855.291	151.096	16.367.563

As of December 2021, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended 31 December 2021 is 2.636.458 TL, 870.646 TL and 683.640 TL, respectively (31 December 2020: respectively, 3.232.728 TL, 460.223 TL, 1,242,642 TL).

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13. Investment properties

	1 January 2021	Transfers	Change in Fair Value	31 December 2021
Kalekim-Russia	28.112.495	-	23.035.173	51.147.668
	28.112.495	-	23.035.173	51.147.668
	1 January 2020	Transfers	Change in Fair Value	31 December 2020
Kalekim-Russia	17.950.971	-	10.161.524	28.112.495
	17.950.971	-	10.161.524	28.112.495

The Company uses independent valuation companies to determine the fair value of its investment property. Market approach and cost approach models have been applied in determining the fair value, and in case of any change in usage the asset, the Company can change between the fair value levels and determine the fair value with a different model.

As of 31 December 2021, the details of the investment properties owned by the company are as follows:

Country	Nature	Share ratio	Area per share (square meters)	Valuation Method	Fair value level	Fair Value
Russia	Land	Full	152.332	Market approach	Level 2	15.070.913
Russia	Building	Full	6.471,6	Cost approach	Level 2	36.076.755
						51.147.668

As of 31 December 2020, the details of the investment properties owned by the company are as follows:

Country	Nature	Share ratio	Area per share (square meters)	Valuation Method	Fair value level	Fair Value
Russia	Land	Full	152.332	Market approach	Level 2	8.572.155
Russia	Building	Full	6.471,6	Cost approach	Level 2	19.540.340
						28.112.495

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14. Property, plant and equipment

	1 January 2021	Additions	Disposals	Transfers (*)	31 December 2021
Cost:					
Land	4.954.618	-	-	-	4.954.618
Land Improvements	2.705.760	-	-	-	2.705.760
Buildings	55.063.863	684.672	-	508.436	56.256.971
Machinery	80.775.994	3.905.160	(11.541.155)	36.823	73.176.822
Vehicles	2.147.591	1.224.899	(1.286.337)	-	2.086.153
Furniture & fixture	36.351.275	13.541.794	(7.410.661)	640.725	43.123.133
Other tangible assets	8.245.921	154.571	(3.629.515)	-	4.770.977
Construction in progress	11.715.900	28.295.769	-	(3.307.130)	36.704.539
	201.960.922	47.806.865	(23.867.668)	(2.121.146)	223.778.973
Accumulated amortization:					
Land improvements	1.782.568	115.364	-	-	1.897.932
Buildings	12.303.384	1.424.884	-	-	13.728.268
Machinery	52.324.404	4.308.444	(11.336.982)	-	45.295.866
Vehicles	1.627.300	222.357	(1.286.338)	-	563.319
Furniture & fixture	22.141.067	5.327.437	(7.376.189)	-	20.092.315
Other tangible assets	4.645.117	506.438	(3.247.964)	-	1.903.591
	94.823.840	11.904.924	(23.247.473)	-	83.481.291
Net book value	107.137.082				140.297.682

(*) Classified to intangible assets (Note 15).

As of December 2021, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended 31 December 2021 is 3.735.632 TL, 1.013.391 TL, 460.609 TL and 6.695.292 TL. (31 December 2020: respectively 1.793.179 TL, 754.425 TL, 384.688 TL and 6.842.563 TL).

As of 31 December 2021, there is no collateral, pledge, or mortgage on tangible assets (31 December 2020: None).

As of 31 December 2021, there are no capitalized borrowing costs in tangible assets (31 December 2020: None).

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14. Property, plant and equipment (continued)

	1 January 2020	Additions	Disposals	Transfers(*)	31 December 2020
Cost:					
Land	1.871.816	3.082.802	-	-	4.954.618
Land Improvements	2.577.517	128.243	-	-	2.705.760
Buildings	54.092.502	423.732	-	547.629	55.063.863
Machinery	76.539.764	3.051.467	(53.839)	1.238.602	80.775.994
Vehicles	1.877.143	270.448	-	-	2.147.591
Furniture & Fixture	27.762.240	8.621.568	(32.533)	-	36.351.275
Other tangible assets	6.342.462	1.903.459	-	-	8.245.921
Construction in progress	9.445.574	11.210.039	-	(8.939.713)	11.715.900
	180.509.018	28.691.758	(86.372)	(7.153.482)	201.960.922
Accumulated amortization:					
Land Improvements	1.669.683	112.885	-	-	1.782.568
Buildings	10.719.018	1.584.366	-	-	12.303.384
Machinery	47.865.053	4.459.683	(332)	-	52.324.404
Vehicles	1.510.251	117.049	-	-	1.627.300
Furniture & Fixture	19.106.935	3.037.159	(3.027)	-	22.141.067
Other tangible assets	4.181.404	463.713	-	-	4.645.117
	85.052.344	9.774.855	(3.359)	-	94.823.840
Net book value	95.456.674				107.137.082

(*) Classified to intangible assets (Note 15).

As of 31 December 2021, and 2020, the costs of tangible fixed assets that have been amortized and continue to be used are as follows.

	31 December 2021	31 December 2020
Land Improvements	910.006	886.211
Buildings	4.522.342	4.896.151
Machinery	28.309.157	35.661.828
Furniture & fixture	8.187.111	10.506.879
	41.928.616	51.951.069

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15. Intangible Assets

	1 January 2021	Additions	Disposals	Transfers(*)	31 December 2021
Cost:					
Rights	10.626.599	2.582.752	(1.990.320)	-	11.219.031
Development expenses	11.152.475	1.316.640	-	2.121.146	14.590.261
	21.779.074	3.899.392	(1.990.320)	2.121.146	25.809.292
Accumulated depreciation:					
Rights	4.870.217	2.861.857	(2.058.346)	-	5.673.728
Development expenses	2.949.000	2.505.739	-	-	5.454.739
	7.819.217	5.367.596	(2.058.346)	-	11.128.467
Net book value	13.959.857				14.680.825
	1 January 2020	Additions	Disposals	Transfers(*)	31 December 2020
Cost:					
Rights	6.568.761	2.431.012	-	1.626.826	10.626.599
Development expenses	4.568.870	1.056.949	-	5.526.656	11.152.475
	11.137.631	3.487.961	-	7.153.482	21.779.074
Accumulated depreciation:					
Rights	3.167.097	1.703.120	-	-	4.870.217
Development expenses	730.041	2.218.959	-	-	2.949.000
	3.897.138	3.922.079	-	-	7.819.217
Net book value	7.240.493				13.959.857n

(*) Classified to intangible assets (Note 15).

As of December 2021, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended 31 December 2021 is 76.831 TL, 2.714.547 TL, 2.540.565 TL and 35.653 TL. (31 December 2020: 382.290 TL, 1.454.789 TL, 1.959.667 TL and 125.333 TL).

As of 31 December 2021, and 2020, the costs of intangible assets that have been amortized and continue to be used are as follows.

	31 December 2021	31 December 2020
Rights	778.491	1.169.413
Development expenses	25.841	25.841
	804.332	1.195.254

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16. Financial payables

	31 December 2021	31 December 2020
Short term financial payables		
Short term payables from operating leases	5.486.915	4.578.518
Short term bank credits	-	20.412.150
Other financial liabilities	12.452	-
	5.499.367	24.990.668
Long term financial payables		
Long term payables from operating leases	8.767.800	12.826.731
	8.767.800	12.826.731
Total financial payables	14.267.167	37.817.399

The Group has started to apply TFRS 16 standard as of 1 January 2020 and the discounted values of the lease fees to be paid for the right-of-use assets that it has accounted for are classified as operating lease payables.

The movements of the lease assets during the period of 31 December 2021 and 2020 are as follows:

	2021	2020
Operating lease assets as of the beginning of the period	17.405.249	9.120.966
Additions during period	828.940	12.231.177
Interest Expense	2.513.920	2.186.247
Foreign Exchange expense	10.143	63.952
Payments	(6.503.537)	(6.197.093)
	14.254.715	17.405.249

The movements of bank loans as of 31 December 2021 and 2020 accounting period are as follows:

	2021	2020
1 January	20.412.150	55.952.237
Bank loans	-	40.000.000
Principal paid	(20.000.000)	(69.100.000)
Interest payment	(412.150)	(6.440.087)
31 December	-	20.412.150

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16. Financial payables (continued)

As of 31 December 2021, and 2020, the financial payables are as follows:

	Maturity	Annual weighted average effective interest rate	Original Currency Amount	TL	Maturity	Annual weighted average effective interest rate	Original Currency Amount	TL
	31 December 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Short term loans:								
- TL loans	-	-	-	-	2021	%8,50	20.000.000	20.000.000
Loan interest accruals	-	-	-	-	-	-	412.150	412.150
Total	-	-	-	-				20.412.150

17. Derivatives

As of 1 December 2021, and 2020, derivative instruments of the Group are as follows:

Short term derivatives	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Forward foreign currency transactions (*)	-	-	127.162	-

(*) As of 31 December 2021, there are no derivative instruments. (31 December 2020: Forward transactions with maturity dates of 29 January 2021 and 31 August 2021 and nominal values of USD 1,000,000 and USD 750,000, respectively).

18. Trade payables to third parties

	31 December 2021	31 December 2020
Short term trade payables	235.926.066	144.527.516
Less: Unrealized financing expense from forward purchases	(2.922.037)	(1.652.897)
Total	233.004.029	142.874.619

The average maturity of trade payables is 130 days (31 December 2020: 133 days). Discounted using annual average rates of 21% (31 December 2020: 17.3%) (TL) and 0.5% (31 December 2020: 0.5%) (USD) on 31 December 2021.

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19. Deferred Income

	31 December 2021	31 December 2020
Advances taken (*)	46.649.645	22.486.220
	46.649.645	22.486.220

(*) It consists of advances received by the Group from customers regarding ceramic applications and paint sales.

20. Other liabilities

Other Short-term liabilities

	31 December 2021	31 December 2020
Taxes and funds payable	2.825.113	1.685.301
Other liabilities	4.549.463	230.783
Total	7.374.576	1.916.084

21. Commitments and contingent liabilities

The details of the commitments given by the Group as of December 31, 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Letter of guarantees given	33.343.419	31.741.212
Total	33.343.419	31.741.212

The Group's letters of guarantee mainly include the guarantees given to the suppliers, customs and enforcement guarantees, and letters of guarantee given to the administration regarding the use of electric.

Guarantee notes, letters and mortgages received for short term trade receivables are as follows:

	31 December 2021	31 December 2020
Guarantee cheques received (*)	138.805.757	122.757.709
Mortgages	37.718.002	37.743.002
Guarantee letters received	34.394.816	20.398.991
Total	210.918.575	180.899.702

(*) In order to reduce the risk of receivables, the Group received personal guarantees amounting to TL 124.580.537 from its dealers and Other customers in 2021 (31 December 2020: TL 108.406.709).

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21. Commitments and contingent liabilities (continued)

As of 31 December 2021, and 2020, the table regarding the Group's collateral, pledge, and mortgage ("CPM") position is as follows:

31 December 2021	Original Currency				
	TL equivalent	TL	USD	Euro	Other
A. Total amount of CPMB's given in the name of its own legal personality	33.343.419	33.343.419	-	-	-
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	-	-	-	-	-
Total amount of CPMB's given on behalf of the majority shareholder	-	-	-	-	-
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-
Total	33.343.419	33.343.419	-	-	-

31 December 2020	Original Currency				
	TL equivalent	TL	USD	TL equivalent	TL
A. Total amount of CPMB's given in the name of its own legal personality	31.741.212	31.741.212	-	-	-
B. Total amount of CPMB's given on behalf of the fully consolidated companies (1)	-	-	-	-	-
Total amount of CPMB's given on behalf of the majority shareholder	-	-	-	-	-
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-
Total	31.741.212	31.741.212	-	-	-

22. Provisions for employee benefits

a) Short term payables for employee benefits

	31 December 2021	31 December 2020
Social security deductions payable	1.578.413	1.116.520
Payables to personnel	90.013	38.412
Total	1.668.426	1.154.932

b) Short term provisions for employee benefits

	31 December 2021	31 December 2020
Provision for personnel premium	12.696.254	7.617.955
Provision for unused vacation pay	2.187.012	1.394.788
Total	14.883.266	9.012.743

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22. Provisions for employee benefits (continued)

Movements in personal premium provisions during the period are as follows:

	2021	2020
1 January	7.617.955	4.258.093
Provision paid during period	(7.617.955)	(4.258.093)
Current year provision	12.696.254	7.617.955
31 December	12.696.254	7.617.955

Movements of unused vacation provisions during the period are as follows:

	2021	2020
1 January	1.394.788	1.855.577
Period provision expense / (cancellation), net	792.224	(460.789)
31 December	2.187.012	1.394.788

c) Long term provisions for employee benefits

	31 December 2021	31 December 2020
Provision for employee termination benefits	15.093.264	10.082.113
Total	15.093.264	10.082.113

According to the Turkish Labour Law, the Group is obliged to pay employee termination pay for those who have completed one year and have been terminated or retired due to compulsory reasons, who have completed 25 years of service (20 for women) and who are entitled to retirement (58 years old for women, 60 years old for men), are called up for military service or have passed away. The compensation to be paid is equal to one month's salary for each year of service and this amount is limited to 10,849 TL (31 December 2020: 7,639 TL) as of 31 December 2021. Employee termination pay provision is recorded by calculating the present value of the probable obligation that the Group registered in Turkey will have to pay in case of retirement of the employees. The Group has no termination pay obligations to its employees regarding its activities in Russia and Albania. In order to calculate the provision for termination pay of the Group, an actuarial study is required. The assumptions used for the actuarial calculation are as follows:

	31 December 2021	31 December 2020
Discount rate	%19,00	%13,00
Turnover rate related the probability of retirement (rate of employees to remain to retirement)	%95,66	%95,31

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22. Provisions for employee benefits (continued)

The basic assumption is that the maximum liability for each year of service will increase in line with inflation. The discount rate applied represents the expected real rate after adjusting for the expected effects of inflation.

Movements in the provision for employee termination pay during the period are as follows:

	2021	2020
1 January	10.082.113	7.487.977
Service Cost	1.267.010	749.849
Interest Cost	1.410.771	979.229
Actuarial loss / (gain)	3.460.258	1.745.243
Employee termination paid	(1.126.888)	(880.185)
31 December	15.093.264	10.082.113

23. Other Short-term provisions

	31 December 2021	31 December 2020
Litigation provision	-	802.730
Loyalty program provision	581.811	752.556
Total	581.811	1.555.286

Movements of litigation provisions during the period are as follows:

	2021	2020
1 January	802.730	802.730
Payments for current period	(291.631)	-
Provisions no longer required	(511.099)	-
31 December	-	802.730

Movements of loyalty program provisions during the period are as follows:

	2021	2020
1 January	752.556	463.708
Provisions for current period	301.927	986.620
Provisions used (Note 31)	(472.672)	(697.772)
31 December	581.811	752.556

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24. Government Grants

The Group has investment incentive certificates that it has completed and started investing in. Due to these documents, reduced corporate tax is calculated as much as the tax reduction rate included in the document in Corporate tax calculations.

For the Balıkesir factory expansion/modernization investment, which it started to invest in in 2020, it will benefit from a tax reduction of 100%, including the income from Other expenses, from this discount rate, provided that it does not exceed the expenses within the scope of the document from the expenses realized in 2021 to be applied to Other earnings. The change regarding the Tax discount rate is at the disposal of the Council of Ministers, and the rate has changed from 70% to 100% in order to encourage and support investments. The relevant rate is not fixed and will be updated in the future with the decision of the Council of Ministers.

For the Mardin factory expansion/modernization investment, which it started to invest in in 2021, it will benefit from a tax reduction of 100% from this discount rate, including the income from Other expenses, if it does not exceed the expenses within the scope of the document from the expenses realized in 2021 to be applied to the Other earnings. The change regarding the tax reduction rate is at the disposal of the Council of Ministers, and the rate has changed from 90% to 100% to encourage and support investments. The relevant rate is not fixed and will be updated in the future with the decision of the Council of Ministers.

In addition, the Group applied the 70% tax reduction rate it had due to its investments in Balıkesir in 2021 as 100% with the decision of the Council of Ministers. The change regarding the tax reduction rate is at the disposal of the Council of Ministers and has changed from 70% to 100% to encourage and support investments. The relevant rate is not fixed and will be updated in the future with the decision of the Council of Ministers. As of 31 December 2021, the deferred tax asset related to this document has not been recorded, since the entire amount of the investment contribution earned has been used. (31 December 2020: 1,238,643 TL).

The Group has discounted corporate tax incentives, which is used in the calculations of the corporate tax due to its completed investments. Yozgat factory expansion investment has a 90% discount for the taxes calculated within the scope of the relevant documents at the 23% corporate tax rate due to the Mardin factor complete investments. Yozgat factory expansion investment; As of 31 December 2021, deferred tax asset amounting to TL 883.712 has been recorded. Mardin factory complete; As of 31 December 2021, the deferred tax asset related to this document has not been recorded, since the entire amount of the investment contribution earned has been used.

The Group also receives incentive income within the scope of the Turquality Support Program. Incentive income amounting to TL 1,259,069 as of 31 December 2021 was accounted for in incentive income under income from main activities (31 December 2020 – TL 2,611.496).

25. Tax

Current tax expense and deferred tax

Tax expense includes current tax expense and deferred tax expense. Tax is included in the income statement unless it relates to a transaction accounted for directly under equity. Otherwise, the tax is accounted for under equity together with the related transaction.

Period tax expense is calculated considering the tax laws in force in the countries where the Group's subsidiaries and investments valued using the equity method operate as of the date of the financial statements. According to Turkish tax legislation, corporations who's legal or business centers are in Turkey are subject to corporate tax.

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25. Tax (continued)

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

As of 31 December 2021, and 2020, tax provision has been reserved within the framework of the current tax legislation.

Founder shares held in the Group's assets for the same period as the participation shares held for more than two years, 75% of the profits arising from the sale of usufruct shares and preference rights, and 50% of the profits from the sale of immovables that are in its assets for the same period is exempt from tax on the condition that it is added to the capital or kept in a special fund account for 5 years as stipulated in the Corporate Tax Law.

Deferred tax is calculated over the temporary differences between the recorded values of assets and assets in the financial statements and their tax values, using the liability method. In the calculation of deferred tax, the tax rates valid as of the date of the financial statement are used in accordance with the current tax legislation.

As of 1 January 2018, the tax rate valid for 3 years has changed to 22%, 22% tax rate has been used for the temporary differences expected to occur/close in 2018, 2019 and 2020 in the deferred tax calculation. Due to the completion of the temporary tax rate change as of 2020, 20% tax rate has been used in the financial statements dated 31 December 2020 for the temporary differences that are expected to be realized / closed in 2021 and later.

With the change in the Corporate Tax Law, which was published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate in Turkey is 20%, effective from March 31, 2021, 25% for corporate earnings for 2021, and 20% for corporate earnings for 2022. will be applied at a rate of 23%. The application has started to be valid as of 1 January 2021 in the deferred tax calculation, 23% tax rate is used for the temporary differences expected to be realized/closed in the financial statements dated 31 December 2021.

Subject to the tax laws of the same country, deferred tax assets and liabilities are mutually offset if there is a legally enforceable right to deduct current tax assets from current tax liabilities.

Tax assets and liabilities

Corporate Tax

The Company and its subsidiaries, affiliates and joint ventures established in Turkey and other countries within the scope of consolidation are subject to the applicable tax legislation and practices of the countries in which they operate.

The effective corporate tax rate applied in 2021 is 23% (2020: 22%). The Communiqué (Serial No: 18) on the amendment to the Corporate Tax General Communiqué (Serial No: 1), which was published in the Official Gazette dated May 25, 2021 and numbered 31491, and the 6th article added to the 32nd article of the Corporate Tax Law with the Law No. 7256. In the first paragraph, it is stipulated that the corporate tax rate will be applied with a discount of 2 points to the corporate earnings of the 5 accounting periods, starting from the accounting period in which the shares of the institutions whose shares are offered to the public for the first time in Borsa Istanbul Equity Market at a rate of 20% are offered to the public for the first time. Corporate tax rates in Russia, Albania and Algeria are 20%, 15% and 26%, respectively.

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25. Tax (continued)

The corporate tax rate is applied to the net corporate income to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the institutions, and deducting the exceptions and deductions in the tax laws. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid until the end of the relevant month.

Companies calculate provisional tax at the rate of 25% (22% for the taxation period of 2020) on their quarterly financial profits and declare it until the 14th day of the second month following that period and pay it until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or deducted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, unless do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years.

Dividend Payments made to resident companies in Turkey, those who are not responsible for corporate tax and income tax and those who are exempted, as well as to real persons and non-resident legal entities in Turkey, are subject to 15% income tax.

Dividend Payments made from companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

Turkish tax legislation does not allow the parent company to file a tax return on the consolidated financial statements of its subsidiaries. For this reason, the tax assets reflected in the consolidated financial statements of the Group have been calculated separately for all companies included in the scope of consolidation. In the financial statements of 31 December 2021, 2020 and 2018, the tax amounts to be paid are netted for each Subsidiary and are classified separately in the consolidated financial statements.

	31 December 2021	31 December 2020
Corporate and income tax payable	(22.484.769)	-
Prepaid taxes	19.539.763	6.454.873
Current tax related assets / (liabilities)	(2.945.006)	6.454.873

Tax expenses included in the income statements for the periods ending as of 31 December 2021 and 2020 are summarized below:

	2021	2020
Current year tax	(22.484.769)	(6.107.747)
Deferred tax income / (expense)	(6.287.813)	(4.930.293)
Total tax income / (expense)	(28.772.582)	(11.038.040)

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25. Tax (continued)

Deferred Tax

The Group calculates its deferred tax assets and liabilities by considering the effects of temporary differences that arise as a result of the different evaluations between the Turkish Financial Reporting Standards and the Tax Procedure Law in the balance sheet items.

The breakdown of accumulated temporary differences and deferred tax assets and liabilities as of 31 December 2021 and 2020, using the applicable tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Income from investment incentives	(3.842.226)	(18.595.597)	883.712	3.719.119
Employee termination pay liability	(15.096.599)	(10.082.113)	3.472.218	2.016.423
Unaccrued finance income	(5.967.850)	(3.271.463)	1.372.605	654.293
Revaluation effect on investment property	-	(2.970.769)	-	594.154
Accrued expense and provisions	(4.502.826)	(2.611.291)	1.035.650	522.258
Unused leave provisions	(2.120.388)	(1.394.788)	487.689	278.958
Adjustments to operating leases	(434.003)	(988.728)	99.821	197.746
Other	(4.431.262)	(1.962.465)	1.148.950	392.491
Deferred tax assets			8.500.645	8.375.442
Revaluation effect on investment property	20.064.404	-	(4.614.813)	-
Tangible and intangible fixed assets	5.407.262	2.770.902	(1.243.670)	(554.180)
Unaccrued finance expense	2.815.218	1.546.077	(647.500)	(309.215)
Other	-	127.162	-	(25.432)
Deferred tax liabilities			(6.505.983)	(888.827)
Deferred tax assets, net			1.994.662	7.486.615

Movement of net deferred tax asset is as follows:

	2021	2020
1 January	7.486.615	12.067.859
Recognized in P&L	(6.287.812)	(4.930.293)
Recognized in equity	795.859	349.049
31 December	1.994.662	7.486.615

The reconciliation between the corporate tax expense calculated by applying the pre-tax legal tax rate and the tax expense shown in the income statement as of 31 December 2021 and 2020 is as follows:

	2021	2020
Profit before tax	242.017.287	93.532.597
Effective tax rate	%23	%22
Tax calculated using effective tax rate	(55.663.976)	(20.577.171)
Exceptions and discounts	50.320.350	2.619.275
Effect of non-deductible expenses	(53.134.458)	(20.389)
Investment incentives used without deferred tax	27.689.376	6.361.894
Tax effect of foreign losses	(128.681)	(698.913)
Other	2.144.807	1.277.264
Tax Expense	(28.772.582)	(11.038.040)

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26. Capital, Reserves and Other Equity

a) Paid-in Capital and capital adjustment differences

As of 31 December 2020, the capital of the Parent Company is 100,000,000 TL. The capital consists of 2.017.600.000 shares. This capital consists of 22,000,000 Group (A) registered shares with a nominal value of TL 0.01 each and 1,995.6 million Group (B) bearer shares with a nominal value of TL 0.05 each.

As of 31 December 2021, the registered capital ceiling of the Parent Company is 300.000.000 TL, and it is divided into 30.000.000.000 registered shares each with a nominal value of 1 penny.

As of 31 December 2021, the capital of the Parent Company is 115.000.000 TL. The capital consists of 11,500,000,000 shares. This capital consists of 22.000.000 group (A) registered shares with a nominal value of TL 0.01 each and 11.478.000.000 group (B) bearer shares with a nominal value of TL 0.01 each.

The shareholders and share ratios of the Parent Company as of 31 December 2021 and 2020 are shown below:

Shareholders	31 December 2021		31 December 2020	
	Pay %	TL	Pay %	TL
H. İbrahim Bodur Holding A.Ş.	68,6723	78.973.158	93,8932	93.893.158
Dr. İbrahim Bodur KaleSeramik Eğitim, Sağlık and Sosyal Yardım Vakfı	3,8223	4.395.688	4,3957	4.395.688
Bodur Menkul İş Geliştirme San. and Tic. A.Ş.	1,1392	1.310.093	1,3101	1.310.093
Kalemaden Endüstriyel Hammaddeler Sanayi and Ticaret A.Ş.	0,0409	47.087	0,0471	47.087
Kale Holding A.Ş.	0,0002	174	0,0002	174
Other (*)	26,325	30.273.800	0,3538	353.800
Total paid-in capital	100	115.000.000	100	100.000.000

(*) As of 31 December 2021, TL 29.920.000 consists of shares offered to the public. The remaining 353,800 TL is composed of Other partners.

b) Restricted Reserves

According to the Turkish Commercial Code, legal Reserves are divided into first and second legal Reserves. According to the Turkish Commercial Code, primary legal Reserves are set aside as 5% of the legal net profit until 20% of the Group's paid-in capital is reached. The second order legal Reserves are 10% of the distributed profit exceeding 5% of the paid-in capital. According to the Turkish Commercial Code, as long as the legal Reserves do not exceed 50% of the paid-in capital, they can only be used to net-off losses and cannot be used in any other way.

As of 31 December 2021 and 2020, the legal reserve amounts in Kalekim's legal records are as follows:

	31 December 2021	31 December 2020
Legal Reserves	15.941.232	11.066.896
	15.941.232	11.066.896

c) Treasury Shares

It is the founder's share certificate's amortization amount. Founder's share amounted 7.535.226 TL according to the valuation report dated 14 January 2021, which do not give the owner a shareholding right, but a right to participate in the profit, were withdrawn from the main shareholder H.İbrahim Bodur Holding A.Ş. and the group's main partner from its subsidiary Kaleseramik.

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26. Capital, Reserves and Other Equity (continued)

d) Stock issue premium

With the decision of the Board of Directors dated April 21, 2021 and numbered 2021/23; The issued capital of TL 100,000,000 is increased by 15% to TL 115,000,000 as TL 15,000,000 in cash (with value) by covering the entire issue in cash, and regarding the shares to be issued, the rights of all the shareholders of the Company to purchase new shares are on demand within the scope of the "public offering". It has been decided to completely restrict the right to buy new shares in favour of the investors. With the decision, it has been decided to sell the shares, which will be sold through public offering, at a premium price. In this context, cash resources will be provided to the Company with the premium amount above the nominal value of the shares, and it will be possible to sell the Company shares above their actual value. The said price and premium will be determined in accordance with the price determination report to be prepared by the investment firm during the public offering process. The share price determined in the price determination report; After the sale of 15.000.000 shares, 14.75 TL, a resource of 221.250.000 TL was created, of which 15.000.000 TL is a cash capital increase and the remaining 206.250.000 TL is the issue premium amount provided after the public offering. The share issuance premium was accounted for under shareholders' equity as 197.350.010 TL, considering the expenses of 8,899,990 TL incurred within the scope of the public offering.

27. Sales and cost of sales

	1 January- 31 December 2021	1 January- 31 December 2020
Domestic sales	568.680.397	401.457.582
Foreign sales	289.977.509	162.274.447
Other sales	1.955.881	807.410
Gross sales	860.613.787	564.539.439
Less: returns and discounts	(50.623.642)	(38.292.312)
Net sales	809.990.145	526.247.127
Cost of sales	(502.927.297)	(320.540.797)
Gross Profit	307.062.848	205.706.330

Cost of sales is detailed below based on cost attributes:

	1 January- 31 December 2021	1 January- 31 December 2020
Direct material	425.291.969	257.524.799
Personnel wages	27.111.904	18.690.190
Amortization	7.414.585	8.210.538
Energy	5.728.379	3.677.069
Repair and maintenance	4.156.564	3.067.929
Personnel expenses	2.867.744	2.189.672
Subcontractor	2.804.288	2.256.911
Other	9.876.233	7.407.398
Total cost of goods sold	485.251.666	303.024.506
Cost of merchandise sold	17.675.631	17.516.291
Total cost of sales	502.927.297	320.540.797

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28. Marketing, sales and distribution expense, general administrative expenses, Research and development expense

Marketing, sales and distribution expense:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel wages	31.988.041	21.595.313
Transportation expenses	24.076.118	13.659.889
Advertising and promotion	16.975.238	13.714.899
Marketing and communication	11.502.360	7.151.129
Storage expenses	9.077.115	5.808.027
Amortization	6.448.921	5.408.197
Subcontractor	3.858.632	2.848.741
Travel expenses	1.943.319	881.498
Personnel expenses	1.014.019	885.190
Repair and maintenance expense	915.028	258.285
Consultancy expenses	203.650	170.876
Other	6.062.325	4.709.422
Total	114.064.766	77.091.466

General administrative:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel wages	21.057.669	15.270.403
Holding expenses	13.874.319	8.999.709
IT expenses	6.300.814	3.141.994
Amortization	4.598.584	2.669.437
Consultancy expenses	1.858.726	1.007.433
Travel expenses	664.021	333.685
Subcontractor expenses	780.133	505.471
Personnel expenses	550.307	422.472
Energy	391.723	208.271
Learning	404.012	428.844
Repair and maintenance	74.316	112.781
Other	1.986.718	2.138.308
Total	52.541.342	35.238.808

Research and development expenses:

	1 January- 31 December 2021	1 January- 31 December 2020
Amortization	3.001.174	2.344.355
Personnel wages	59.877	524.351
Total	3.061.051	2.868.706

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29. Expenses by nature

	1 January- 31 December 2021	1 January- 31 December 2020
Direct material	425.291.969	257.524.799
Personnel wages	80.217.491	56.080.257
Amortization	21.463.264	18.632.527
Cost of goods sold	17.675.631	17.516.291
Advertising and promotion	16.975.238	13.714.899
Transportation expenses	24.076.118	13.659.889
Holding expenses	13.874.319	8.999.709
Marketing and communication expenses	11.502.360	7.151.129
Storage expenses	9.077.115	5.808.027
Subcontractor expense	7.443.053	5.611.123
Energy	6.120.102	3.885.340
Personnel expenses	4.432.069	3.497.334
Repair and maintenance expense	5.145.907	3.438.995
IT Expense	6.300.814	3.141.994
Travel expenses	2.607.340	1.215.183
Consultancy expense	2.062.377	1.178.309
Learning	404.012	428.844
Other	17.925.277	14.255.128
	672.594.456	435.739.777

30. Other operating income and expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange gain	89.426.149	38.569.890
Gain from maturity difference	24.845.444	9.508.144
Incentives gains	1.283.281	3.203.003
Provisions released (Note 23)	983.771	697.772
Doubtful receivable provision released (Note 7)	338.041	600.432
Other	3.767.900	1.683.065
Total other operating income	120.644.586	54.262.306
Foreign exchange loss	(104.637.545)	(45.161.837)
Loss from maturity differences	(13.680.369)	(5.542.022)
Reflection expense	(2.447.069)	(2.030.034)
Provision for doubtful receivables (Note 7)	(4.693.807)	(1.288.693)
Donation and aid expense	(1.497.102)	(1.325.859)
Other	(4.491.389)	(3.018.438)
Total other operating expenses	(131.447.281)	(58.366.883)

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31. Income / (expense) from investing activities

	1 January- 31 December 2021	1 January- 31 December 2020
Fair value increase on investment property (Note 13)	23.035.173	10.161.524
Gain on fixed asset sales	21.610	732
Other	2.625	-
Total	23.059.408	10.162.256
	1 January- 31 December 2021	1 January- 31 December 2020
Sales loss of fixed asset	(53.343)	(474)
Total	(53.343)	(474)

32. Financial income/(expenses)

	1 January- 31 December 2021	1 January- 31 December 2020
Financial income		
Foreign Exchange income	92.083.980	11.923.069
Interest income	23.085.950	4.846.947
Total	115.169.930	16.770.016
Financial expenses		
Loan Interest Expense	(412.150)	(6.440.087)
Lease interest Expense	(2.513.920)	(2.186.247)
Other Interest Expense	(1.410.771)	(879.785)
Commission expense	(4.478.636)	(3.338.333)
Foreign Exchange expense	(13.789.361)	(6.860.430)
Total financial expenses	(22.604.838)	(19.704.882)

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33. Nature and level of risks arising from financial instruments

The Group is exposed to various financial risks due to its activities. These risks are market risk (includes interest rate risk and exchange rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the volatility of financial markets and minimizing the effects of potential adverse effects on the Group's financial performance.

Risk management is centrally carried out within the framework of policies approved by Kale Group Management. Kale Group Management has determined the general risk management principles of the Group along with policies covering areas such as interest rate and credit risks, use of derivative and non-derivative financial instruments and investment decisions.

Market risk

Currency risk

The Group is exposed to foreign exchange risk arising from currency changes due to the conversion of foreign currency denominated debts or creditors into Turkish Lira. Currency risk arises due to future commercial transactions and recorded assets and liabilities. The exchange rate risk is monitored and limited by analysing the foreign exchange position.

As of 31 December 2021 and 2020, the values of foreign currency assets and liabilities in TL held by the Group are as follows:

	31 December 2021	31 December 2020
Assets	193.175.317	76.909.165
Liabilities	(100.681.274)	(48.607.831)
Net foreign currency position	92.494.043	28.301.334

Currency risk management

The distribution of the monetary assets and monetary liabilities of the Group in foreign currency as of the date of financial position is as follows:

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33. Nature and level of risks arising from financial instruments (continued)

31 December 2021		Total TL Equivalent	USD TL Equivalent	Euro TL Equivalent	Other
1.	Trade Receivables	31.793.050	17.697.050	9.659.696	4.436.304
2.a	Monetary financial assets	161.382.267	116.540.604	44.806.312	35.351
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current Assets	193.175.317	134.237.654	54.466.008	4.471.655
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Current assets	-	-	-	-
9.	Total assets	193.175.317	134.237.654	54.466.008	4.471.655
10.	Trade payables	100.601.729	25.597.838	74.974.956	28.935
11.	Financial liabilities	-	-	-	-
12.a	Monetary Other liabilities	79.545	25.955	53.590	-
12.b	Non-monetary Other liabilities	-	-	-	-
13.	Short term liabilities	100.681.274	25.623.793	75.028.546	28.935
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Monetary Other liabilities	-	-	-	-
16.b	Non-monetary Other liabilities	-	-	-	-
17.	Long term liabilities	-	-	-	-
18.	Total liabilities	100.681.274	25.623.793	75.028.546	28.935
Off-balance sheet derivative instruments net position					
19.	(19a-19b)	-	-	-	-
19.a	Derivative assets	-	-	-	-
19.b	Derivative liabilities	-	-	-	-
20.	Net foreign currency position (9-18+19)	92.494.043	108.613.861	(20.562.538)	4.442.720
21.	Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	92.494.043	108.613.861	(20.562.538)	4.442.720
22.	Total fair value of financial instruments used for currency hedge	-	-	-	-
23.	Hedged amount of foreign currency assets	-	-	-	-
24.	Hedged amount of foreign currency liabilities	-	-	-	-
25.	Export	274.392.221	230.693.229	43.350.809	348.183
26.	Import	189.824.302	11.339.299	178.485.003	-

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33. Nature and level of risks arising from financial instruments (continued)

31 December 2020		Total TL Equivalent	USD TL Equivalent	Euro TL Equivalent	Other
1.	Trade Receivables	20.506.327	14.106.245	5.402.887	997.195
2.a	Monetary financial assets	56.402.838	47.843.667	8.376.679	182.492
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current Assets	76.909.165	61.949.912	13.779.566	1.179.687
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Current assets	-	-	-	-
9.	Total assets	76.909.165	61.949.912	13.779.566	1.179.687
10.	Trade payables	48.517.303	15.727.225	32.771.277	18.801
11.	Financial liabilities	-	-	-	-
12.a	Monetary Other liabilities	90.528	14.681	75.847	-
12.b	Non-monetary Other liabilities	-	-	-	-
13.	Short term liabilities	48.607.831	15.741.906	32.847.124	18.801
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Monetary Other liabilities	-	-	-	-
16.b	Non-monetary Other liabilities	-	-	-	-
17.	Long term liabilities	-	-	-	-
18.	Total liabilities	48.607.831	15.741.906	32.847.124	18.801
	Off-balance sheet derivative instruments net position				
19.	(19a-19b)	13.408.125	13.408.125	-	-
19.a	Derivative asset	13.408.125	13.408.125	-	-
19.b	Derivative liabilities	-	-	-	-
20.	Net foreign currency position (9-18+19)	41.709.459	59.616.131	(19.067.558)	1.160.886
21.	Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	28.301.334	46.208.006	(19.067.558)	1.160.886
22.	Total fair value of financial instruments used for currency hedge	-	-	-	-
23.	Hedged amount of foreign currency assets	-	-	-	-
24.	Hedged amount of foreign currency liabilities	-	-	-	-
25.	Export	157.302.363	135.616.684	20.847.380	838.299
26.	Import	117.067.603	653.305	116.414.298	-

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33. Nature and level of risks arising from financial instruments (continued)

Sensitivity analysis.

	31 December 2021			
	Profit / Loss		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				
USD net asset/liability	10.861.386	(10.861.386)	10.861.386	(10.861.386)
USD hedged portion	-	-	-	-
USD net effect	10.861.386	(10.861.386)	10.861.386	(10.861.386)
The impact of 10% increase/decrease of Euro against TL				
Euro net asset/liability	(2.056.254)	2.056.254	(2.056.254)	2.056.254
Euro hedged portion	-	-	-	-
Euro net effect	(2.056.254)	2.056.254	(2.056.254)	2.056.254
Total	8.805.132	(8.805.132)	8.805.132	(8.805.132)
	31 December 2020			
	Profit / Loss		Equity	
	Appreciation of foreign currency Profit / Loss	Depreciation of foreign currency Equity	Appreciation of foreign currency Profit / Loss	Depreciation of foreign currency Equity
The impact of 10% increase/decrease of USD against TL				
USD net asset/liability	4.620.801	(4.620.801)	4.620.801	(4.620.801)
USD hedged portion	1.340.813	(1.340.813)	1.340.813	(1.340.813)
USD net effect	5.961.614	(5.961.614)	5.961.614	(5.961.614)
The impact of 10% increase/decrease of Euro against TL				
Euro net asset/liability	(1.906.756)	1.906.756	(1.906.756)	1.906.756
Euro hedged portion	-	-	-	-
Euro net effect	(1.906.756)	1.906.756	(1.906.756)	1.906.756
Total	4.054.858	(4.054.858)	4.054.858	(4.054.858)

Interest rate risk

The Group is exposed to interest rate risk due to the impact of changes in interest rates on its interest rate sensitive liabilities. This interest rate risk is monitored by analysing interest rate sensitive assets and assets.

The table showing the Group's interest rate sensitive financial instruments is as follows:

	31 December 2021	31 December 2020
Financial instruments with fixed rates		
Time deposits	413.761.878	90.337.295
Financial payables	14.267.167	37.817.399

As of 31 December 2021 and 2020, there are no variable interest.

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33. Nature and level of risks arising from financial instruments (continued)

Credit Risk

Credit risks are consisting of customers exposed to credit risk, including cash and cash equivalents, deposits held in banks and uncollectible receivables from sales.

Ownership of financial assets entails the risk of the other party's failure to fulfil the contract. Trade receivables consist of receivables from domestic and foreign customers. If the Group has a collection problem with any of its customers, it limits the credit risk by limiting the transactions with that customer. As of 31 December 2021 and 2020, the credit risk analysis by financial instrument types is given below:

31 December 2021	Trade Receivables		Other Receivables		Deposits in banks
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk exposure as of the reporting date	1.428.700	196.388.834	-	885.910	415.769.024
<i>Portion of the maximum risk that is guaranteed with a collateral, etc</i>	1.428.700	32.013.089	-		-
Net book value of financial assets that are not overdue or not impaired	-	187.045.947	-	885.910	415.769.024
Net book value of assets that are overdue but not impaired	-	6.002.763	-	-	
The part of net value under guarantee with collateral, etc	-	-	-	-	-
Net book values of impaired assets	-	3.340.124	-	-	-
Overdue (gross book value)	-	24.667.721	-	-	-
Impairment (-)	-	(21.327.597)	-	-	-
The part of net value under guarantee with collateral, etc	-	3.340.124	-	-	-
31 December 2020	Trade Receivables		Other Receivables		
	Related Party	Third Party	Related Party	Related Party	Third Party
Maximum credit risk exposure as of the reporting date	5.989.608	113.283.848	-	325.072	124.328.312
<i>Portion of the maximum risk that is guaranteed with a collateral, etc</i>	5.989.608	42.491.920	-	-	-
Net book value of financial assets that are not overdue or not impaired	-	108.323.741	-	325.072	124.328.312
Net book value of assets that are overdue but not impaired	-	1.538.727	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
Net book values of impaired assets	-	3.421.380	-	-	-
Overdue (gross book value)	-	20.393.211	-	-	-
Impairment (-)	-	(16.971.831)	-	-	-
The part of net value under guarantee with collateral, etc	-	3.421.380	-	-	-

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33. Nature and level of risks arising from financial instruments (continued)

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk tables of the Group is as follows:

31 December 2021	Carrying value	Contractual cash-outflows	Less than 3 months	3-12 months	1-5 years
Non- derivative financial liabilities:					
Financial payables	14.267.167	18.087.925	-	6.408.531	11.679.394
Trade payables					
- Related parties	3.316.868	3.316.868	3.316.868	-	-
- Other	233.004.029	235.926.067	235.926.067	-	-
Total	250.588.064	257.330.860	239.242.935	6.408.531	11.679.394

31 December 2020	Carrying value	Contractual cash-outflows	Less than 3 months	3-12 months	1-5 years
Non- derivative financial liabilities:					
Financial payables	37.817.399	41.767.749	8.120.833	16.241.667	17.405.249
Trade payables					
- Related parties	4.907.592	4.907.592	4.907.592	-	-
- Other	142.874.619	144.527.516	144.527.516	-	-
Total	185.599.610	191.202.857	157.555.941	16.241.667	17.405.249

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.

In order to maintain or reorganize its capital structure, the Group may determine the amount of dividend payable to shareholders, issue new shares and sell its assets to reduce borrowing.

The Group performs financial risk analysis by following the capital risk management under the subjects of general financial situation, short term balance sheet liquidity and net financial debt level monthly.

As of 31 December 2021 and 2020, the net debt/(equity + net debt) ratio is as follows:

	31 December 2021	31 December 2020
Total financial payables	14.267.167	37.817.399
Less: cash and cash equivalent	(415.770.286)	(99.417.670)
Net liability	-	-
Equity	646.604.218	238.575.160
Total net financial liabilities and invested capital ratio	-	-

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33. Nature and level of risks arising from financial instruments (continued)

Fair value of financial instruments

The Group has calculated the fair values of financial instruments using available market information and appropriate valuation techniques. However, since it is necessary to use judgment to find fair value, fair value measurements may not reflect values that may occur in current market conditions. The fair values of the financial assets and payables, which are shown by the Group management at cost, including cash and receivables from banks, other financial assets and short-term financial liabilities, are similar to their book values, considering that they are short-term and possible losses may be insignificant. It is assumed that the carrying values of short-term loans reflect the fair value due to their short maturities

Fair value of financial assets and liabilities as of 31 December 2021 and 2020, are as below:

31 December 2021	Financial assets measured at amortized cost	FVTPL Derivative financial instruments	Amortized cost	Carrying amount
Cash and cash equivalents	452.276.853	-	-	452.276.853
Trade receivables	197.817.535	-	-	197.817.535
Other receivables	885.910	-	-	885.910
Total assets	650.980.298	-	-	650.980.298
Liabilities	-	-	(14.267.167)	(14.267.167)
Trade payables	-	-	(236.320.897)	(236.320.897)
Payables for employee benefits	-	-	(1.668.426)	(1.668.426)
Other payables	-	-	(96.385)	(96.385)
Total liabilities	-	-	(252.352.875)	(252.352.875)
31 December 2020	Financial assets measured at amortized cost	FVTPL Derivative financial instruments	Amortized cost	Carrying amount
Cash and cash equivalents	124.328.312	-	-	124.328.312
Trade receivables	-	-	-	-
Other receivables	119.273.456	-	-	119.273.456
	325.072	-	-	325.072
Total assets	243.926.840	-	-	243.926.840
Liabilities	-	-	(37.817.399)	(37.817.399)
Trade payables	-	-	(147.782.211)	(147.782.211)
Payables for employee benefits	-	-	(1.154.932)	(1.154.932)
Other payables	-	-	(52.400)	(52.400)
Total liabilities	-	-	(186.806.942)	(186.806.942)
Cash and cash equivalents	-	-	(186.806.942)	(186.806.942)

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33. Nature and level of risks arising from financial instruments (continued)

Fair value hierarchy

The fair value levels are consisting of 3 levels. Valuation with stock prices traded in the active market (Level 1), valuation with inputs other than the stock market price that can be directly or indirectly observed in the market (Level 2) and valuation with inputs that are not based on any observable data in the market (Level 3)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

34. Fees for services received from independent auditor/independent audit firm

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the KGK letter dated August 19, 2021 are as follows:

	1 January - 31 December 2021
Independent audit fee	256.500
Independent audit fee for limited reviews	132.400
Special independent audit (public offering, debt instrument insurance etc.) services	167.312
Total	556.212

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35. Subsequent events

Share Transfer Agreement

It has been decided to purchase Lyksor Kimya A.Ş. ("Lyksor") capital as 50% of the registered shares by Savaş TATAR and 25% by Bimen KADİROĞLU, each with a nominal value of one hundred Turkish Liras, 11.250 shares which is 75% of the Company's total shares and equals to 125.000.000,00 TL (One Hundred Twenty Five Million Turkish Liras) and the Share Transfer Agreement and Shareholders Agreement were signed on 12 February 2022. The headquartered of the Lyksor is in İzmir, it produces and sells concrete and cement chemicals, raw materials used in concrete and cement chemicals, architectural concrete products, concrete curing and protective materials, concrete waterproofing additives, mineral grinding aids, macro synthetic micro and steel fibres to be used in concrete.

Currency Linked Deposit

In line with the Group's Board of Directors decision dated February 9, 2022 and numbered 2022/6, within the framework of the short-term investment plans and short-term cash flow program, the Group has evaluated deposit accounts within the scope of amendments regarding with article 14 of tax procedure law and corporate tax law published in the Official Gazette dated 29 January 2022 and numbered 31734; Considering the corporate tax exemption advantage, it was decided to open a Currency Protected Deposit Account with a maturity of 6 months, amounting to TL 78.030.050 in total. As a result of this decision, it is expected that a Corporate Tax Exemption advantage of approximately 2,346.817 TL will be provided within the scope of the provisions of the law.

The effects of the war between Russia and Ukraine and possible sanctions

The possible effects of the current conditions between Russia and Ukraine regarding Ooo Kalekim ("Kalekim-Russia"), a 100% subsidiary of the Company, located in Russia, are monitored. Considering that the effect of Kalekim-Russia on sales, net profit for the period and Total assets is below 1% in the consolidated financials, it is not expected to have a significant impact as of the approval date of the consolidated financial statements.

An updated valuation report has not been received after the real estate valuation study on 26 November 2021 for the investment property located in Russia and carried with a fair value of TL 51.147,668. If the fair value in Rubbles (295.600.000 RUB) in the valuation report remains the same, the Turkish lira equivalent is 49.282.432 TL as of 1 March 2022.

Contact

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