

# Kalekim®

Annual Report 2022



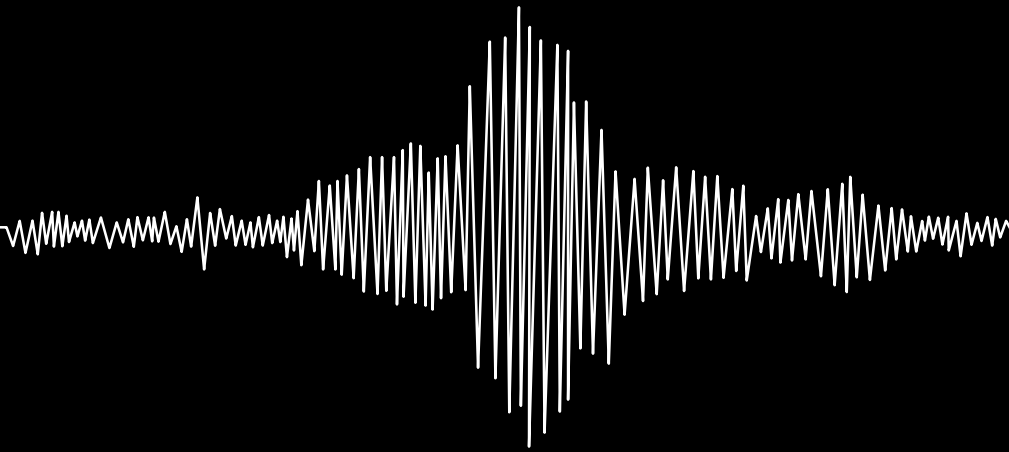
#CareForYourWorld



## The Formula for Global Achievements

**04:17**

06.02.2023



On Monday, February 6, 2023, we experienced one of the biggest disasters in Türkiye's history. We wish Allah's mercy to our citizens who lost their lives in the Kahramanmaraş earthquake. This tragedy has overwhelmed us all with grief. We extend our condolences to the entire country, and we wish a speedy recovery to those who were injured.

We will overcome these difficult days together with unity and solidarity, and without losing hope. Together, we will leave these dark days behind us...

Kale Group and Kalekim continue to provide permanent solutions through a business model that is 'fed by responsibility, not by problems' and we strive to do our best to help the region recover.

We will act in unity tomorrow and beyond, as we have done in the past and in the present.

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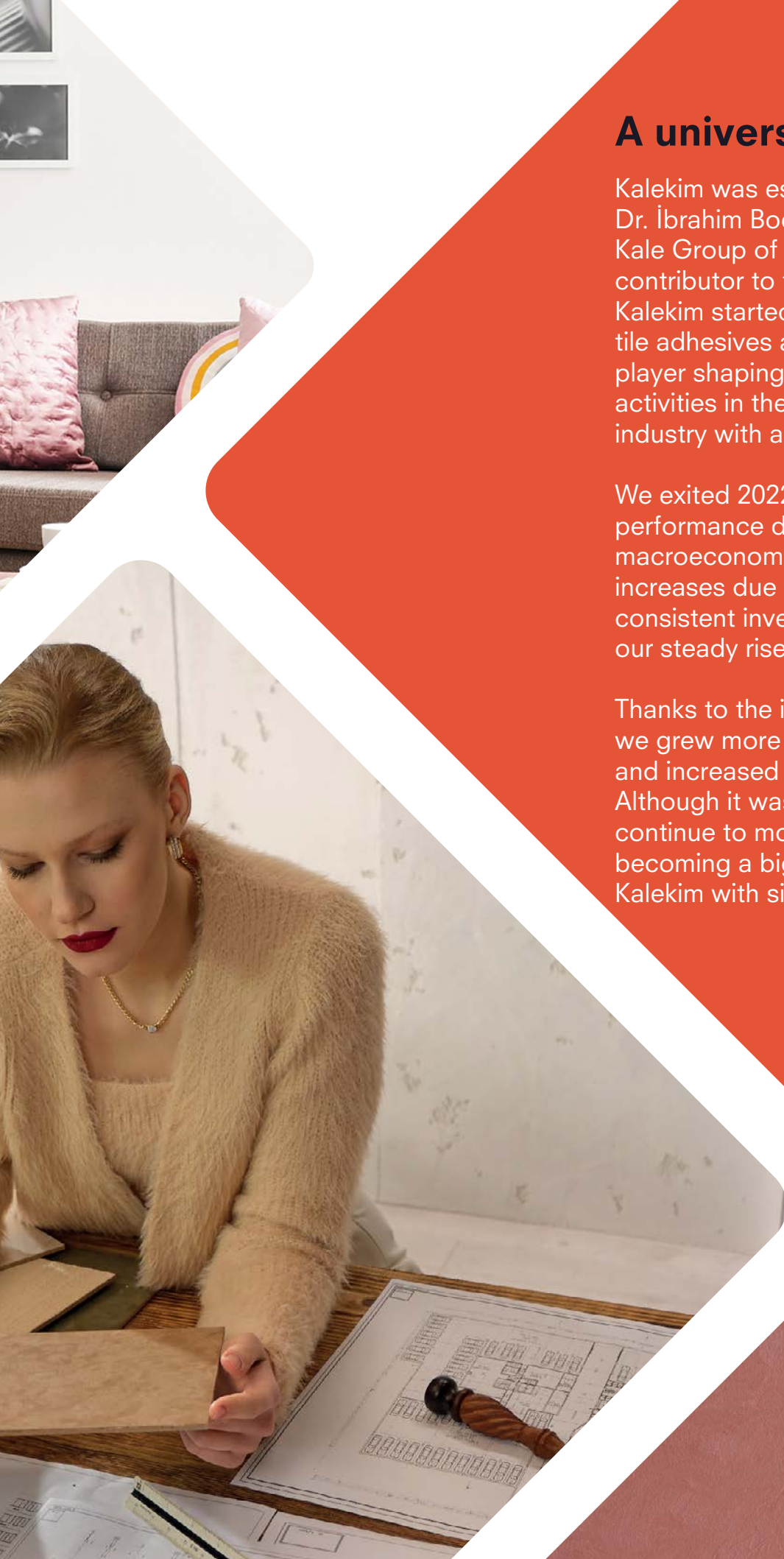


## A universal structure

Kalekim was established in 1973 by Dr. İbrahim Bodur, the founder of the Kale Group of Companies, a significant contributor to the development of Türkiye. Kalekim started its operations producing tile adhesives and grouts; today, as a global player shaping the industry, we carry out activities in the construction chemicals industry with a wide range of products.

We exited 2022 with a successful performance despite recession concerns, macroeconomic uncertainties, and cost increases due to the energy crisis. Our consistent investments in the future underpin our steady rise and ongoing achievements.

Thanks to the initial public offering in 2021, we grew more robust, expanded our targets and increased our investment power. Although it was a challenging year, we continue to move forward with the goal of becoming a bigger and stronger Kalekim with significant investments.



# A more powerful Kalekim with Lyksor Kimya

“

To further strengthen our construction materials portfolio, we acquired 75% of Lyksor Kimya. An active player in the global market through its capacity to produce the raw materials it needs, Lyksor Kimya has facilities in two cities, İzmir and Diyarbakır. The acquisition reinforces our power, especially in the Turkish construction materials market, with a broad product range and production capability.

**TL 439.0 million**

Kalekim Lyksor 2022 net sales\*

\* Covers the period of April-December 2022.





# MUTUAL CHEMISTRY MUTUAL FUTURE

Kalekim

+

Lyksor

# We are more assertive in the Middle East with our additional investment in Mardin

“

We took another important step towards a bigger and stronger Kalekim in Mardin, investing approximately TL 39 million into our plant in Mardin. Due to its proximity to the Middle East market, the Mardin area offers strategic value in supporting our overseas investments. With this investment, the facility – which has a base function because of its logistical advantage for Northern Iraq and the nearby countries in the region - will make a greater contribution to our turnover and export revenues.

**1 million tons**

Total dry mortar production capacity





# Trust in Kalekim extends into Europe

“

Our ongoing cooperation initiatives continue to expand our sphere of influence. Following the branch established in France to conduct sales and marketing activities in our fields of operation, particularly in construction chemicals, paint and plaster, we established Kalekim Romania in 2022 in cooperation with a local partner. We are advancing towards bigger goals with safe and firm steps.

**USD 45 million**

Total export revenue





## Kalekim in 2022

# The responsibility for addressing investor expectations in full

**Kalekim, continuing its activities with the responsibility of addressing investors' expectations at the highest level, further strengthened its portfolio with the acquisition of Lyksor Kimya.**

Kalekim, which underwent a successful book-building process and attracted great attention from investors in 2021, continues its operations with the responsibility of meeting investors' expectations at the highest level.

### **Lyksor Kimya Acquisition Process**

In 2022, Kalekim acquired 75% of Lyksor Kimya A.Ş., which operates in the field of construction chemicals and concrete technologies, for approximately TL 140 million. The acquisition further strengthens the Company's portfolio in the construction materials industry.

Lyksor Kimya conducts production activities at its two factories in İzmir and Diyarbakır. Founded in 2016, the Company makes 13% of its sales to the international market. Producing the raw materials it needs, Lyksor Kimya A.Ş. has an important position in the Turkish construction materials market with its broad product range and production power. In 2022, Kalekim continued its growth steps and increased its production power.

### **Romania**

In Romania, Kalekim established Kalekim Romania A.S., in which the Company holds 50% of the capital. Kalekim Romania S.A., which will have a capital of RON 500,000, will provide sales and marketing services in Kalekim's operating fields, especially construction chemicals, paint and plaster.

### **Iraq - Duhok Branch**

Following the Board Resolution, the procedures for the establishment of a branch office in Duhok, Iraq, are underway. The Company's sales and marketing activities will be carried out in this branch.



## Kalekim in the World and Türkiye

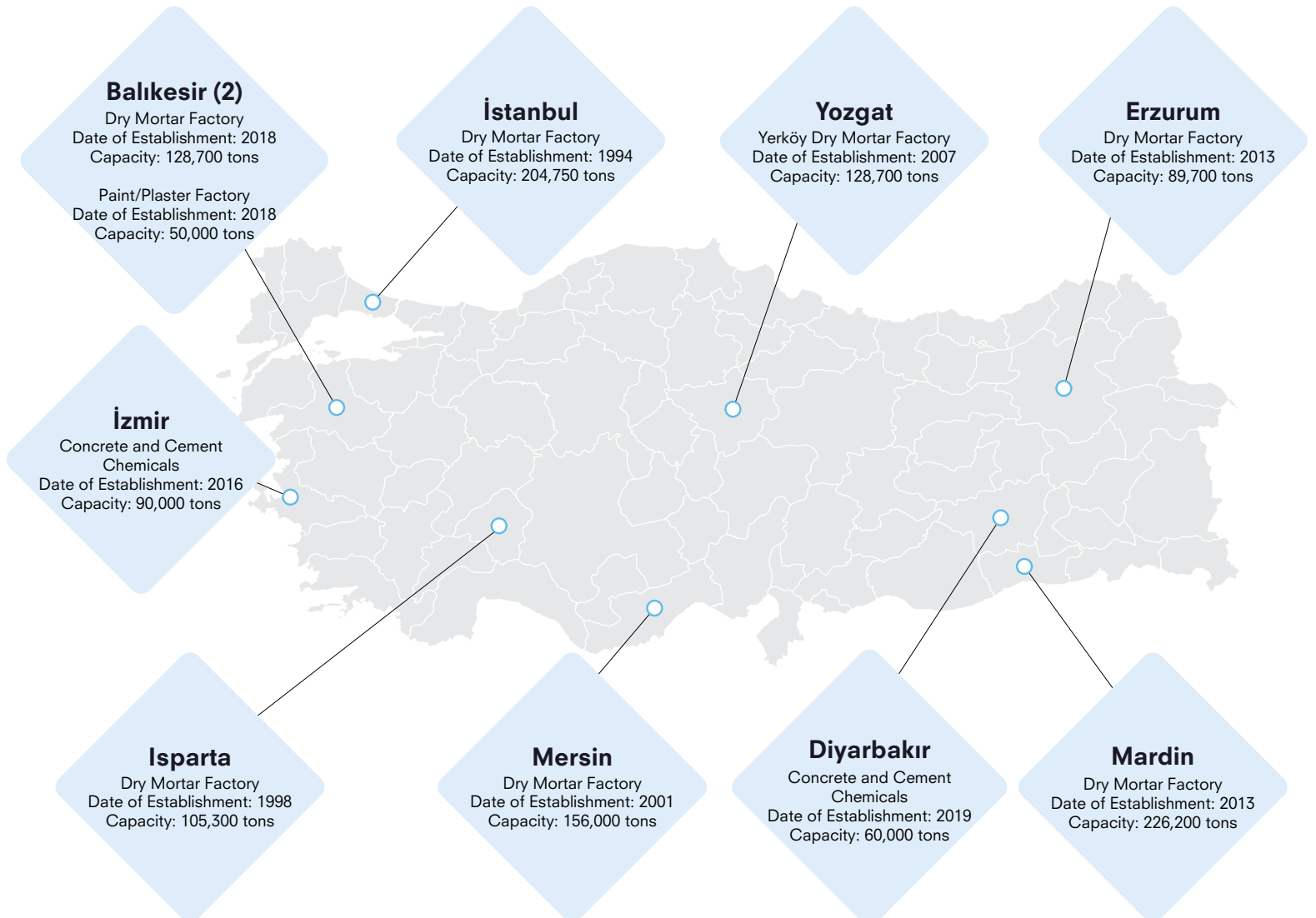
# Extensive service capacity in Türkiye

Kalekim provides services with its factories, production centers, and sales offices all over Türkiye.

### Factory

### Production Center

### Sales Office



## Number of Domestic Dealers

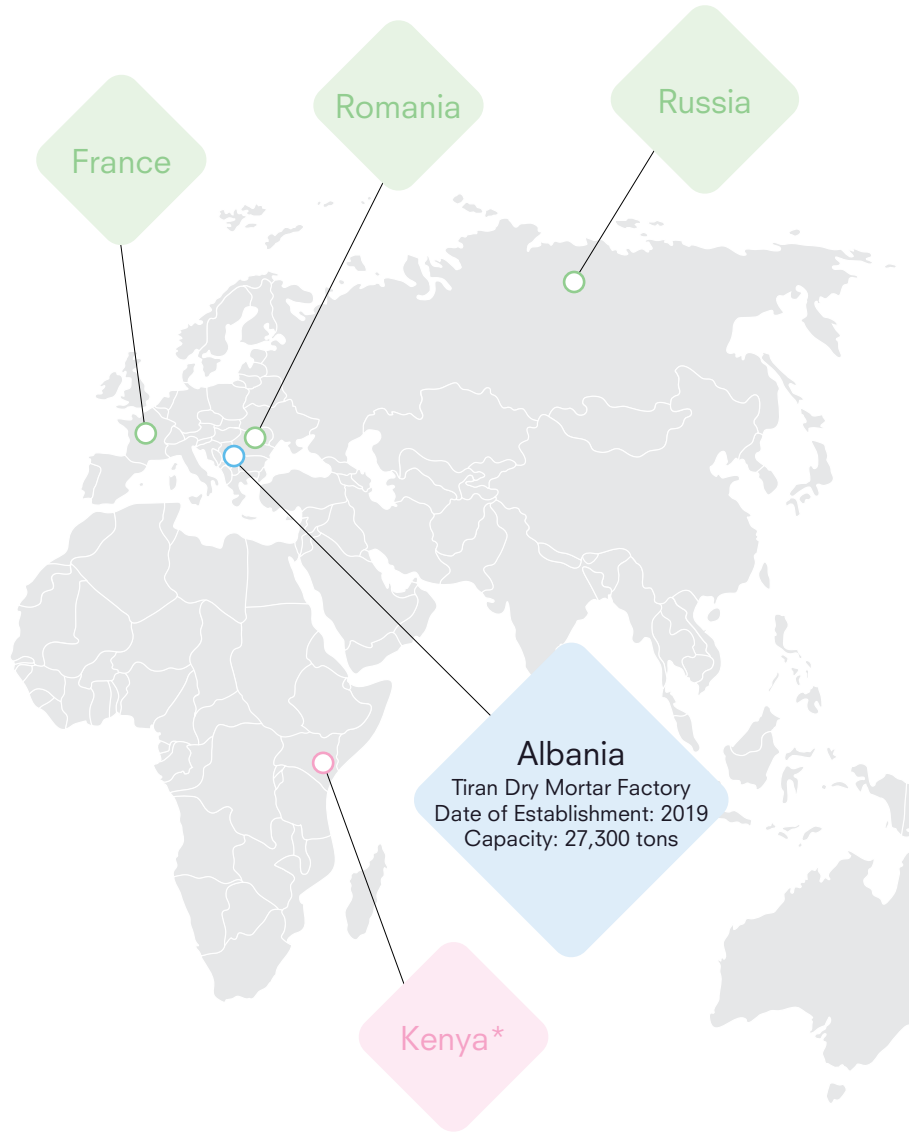
# 258

## Number of Overseas Dealers

# 193

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 Türkiye thanks to its widespread dealer network. Kalekim has 258 dealers in Türkiye and offers its products to consumers through the retail and corporate channels from 193 dealers and various outlets in overseas markets.

Kalekim, having sales offices in Bursa, Izmir, Istanbul/Anatolia, Trabzon, Ankara, Antalya, Adana, and Diyarbakır in Türkiye, has established logistics warehouses in Russia, France, and Romania 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.



\* Local production is made by the distributor with a license agreement.

Output (Tons)	2021	2022
Istanbul Dry Mortar	109,526	91,140
Isparta Dry Mortar	79,851	72,426
Mersin Dry Mortar	122,081	98,625
Yozgat Yerköy Dry Mortar	49,226	41,265
Erzurum Dry Mortar	55,216	36,021
Mardin Dry Mortar	80,773	77,765
Balıkesir Dry Mortar	87,266	74,860
Balıkesir Paint/Plaster	16,676	13,914
Tiran Dry Mortar	1,870	1,576
Lyksor Total* Concrete and Cement Chemicals	57,000	63,100

\* İzmir and Diyarbakır

## About Kale Group

# 65 years of experience in many sectors of Turkish industry

**Kale Group is involved in many sectors such as ceramic production, construction chemicals, and logistics.**

Kale Group, which was founded by Dr. (h.c.) İbrahim Bodur in 1957, operates in many industries such as ceramic production, construction chemicals, logistics, and the aviation industry with its 18 companies and more than 5 thousand employees.

Kale Group, which is the sixth-largest manufacturer in Europe and the 17<sup>th</sup> in the world in ceramic tiles, is the market leader in construction chemicals in Türkiye.

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 Türkiye.

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 Türkiye – Kaleseramik

**1961**

The first production of electric insulators in Türkiye

**1962**

Türkiye's first ceramic export

**1968**

Kaleterasit

**1969**

Kale Porselen

**1971**

Kaledekor

**1972**

The first porcelain floor tile production in Türkiye

Kalebodur

**1973**

Türkiye'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 Türkiye with 100% domestic capital

**1990**

Kalemaden

**1991**

Kaleseramik Education, Health and Social Aid 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**

Design of Türkiye's first Turbo Jet Engine  
Kale Design and Art Center (KTSM)

**2020**

The first company in Türkiye to receive the Health Product Declaration (HPD)

The start of the Care for Your World movement

**2021**

Initial public offering of Kalekim

**2022**

KTJ-3200 Turbo Jet Engine goes into mass production

## About Kale Group

# The leading brand in Turkish industry with its 18 group companies

With 18 group companies and more than 5,000 employees, Kale Group is the leading brand in many sectors such as ceramic production, construction chemicals, logistics, and aviation.

## 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, bathroom furniture, acrylic, accessories, and fixtures
- The 6<sup>th</sup> largest ceramic manufacturer in Europe and the 17<sup>th</sup> in the world
- It meets with consumers in more than 100 countries



## Construction Chemicals

### Kalekim

- Türkiye'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, sealants, grabs, 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

- The largest and cutting edge frit production facility in Türkiye and of the known manufacturers in Europe
- 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 Türkiye
- 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

# Projects and designs that contribute to the development of the aviation industry

**Kale Group carries out important and exemplary projects in the aviation industry with Kale Aviation, Kale Pratt & Whitney, Kale R&D, and TAEC brands.**

## 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, Hutchinson PFW, Spirit, TUSAŞ, KAI, Northrop Grumman, Héroux-Devtek, CTRM, Honeywell, and CTRM 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 2021-2022 Boeing Premier Bidder category level

#### Kale Pratt & Whitney

- 51% Kale, 49% Pratt & Whitney partnership
- Production of parts for Pratt & Whitney's NGPF model, a new generation commercial aircraft engine
- Having known production technologies in Türkiye and Europe
- New projects with third-party firms other than Pratt & Whitney
- Digital Factory Project Plan



### Kale R&D

- Development and mass production of Türkiye's first national turbojet engine (KTJ-3200)
- The goal of becoming a center of excellence for small/medium size turbine engines
- Türkiye'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, Türkiye's first national combat aircraft
- TF-X engine's design and production will be carried out in Türkiye with no export limitations
- Intellectual property rights of the engine will belong to Türkiye
- More than 350 Turkish engineers will be trained

## Service

### Kalenakliyat

- A 500-car contracted road fleet and a fleet of 65 self-owned freight cars and two self-owned dry cargo ships
- Two million tons of annual transportation performance using road, rail, and sea, as well as integrated transport modes
- Storage service for various product groups in outdoor and indoor areas of 180,000 square meters
- A complete, partial, and micro distribution service with a wide distribution network using all modes of transportation throughout Türkiye
- Quality Management System Certificate since 2009, Environmental Management System and Occupational Health and Safety Management System Certificate since 2017

## About Kalekim

# The most preferred construction chemicals of the construction industry for 49 years

**Kalekim, the pioneer of the Turkish construction chemicals industry, is the market leader in tile applications.**

Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş., established in 1973 by Dr. H. Founded by İbrahim Bodur in 1973, Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. started its operations with the production of tile adhesives and grouts, and currently continues its activities by producing and/or having various construction chemicals produced 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 Türkiye.

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.

The product range of Lyksor Kimya, which the company acquired in 2022, includes raw materials and concrete and cement chemicals.

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.

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. As part of this process, in April 2022, the purchase of Lyksor Kimya's shares was completed. The company, one of the major players in the concrete and cement chemicals industry, will contribute to Kalekim's profitable growth in the construction industry as Kalekim Lyksor.



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.

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

“

**Kalekim implements the localization model in the regions where the market potential and competitiveness are high for growth abroad, which has an important place among its strategic plans.**

## About Kalekim

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

### Our Products, Services, and Solutions



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



**2. Paint Applications:** Interior/exterior paints in the architectural 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 domestically sells both to the retail channel and on e-commerce site launched in 2018 under Bi'Boya brand, operates with Kale brand abroad.

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



“  
There are waterproofing and thermal insulation products under Kalekim insulation applications.”

**3. Insulation Applications:** 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, terrace, etc.

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

**4. Floor Applications:** The product range of floor solutions is used to make floors durable, decorative, and functional in indoors and outdoors. It consists of 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 areas, parking lots, hospitals, and schools.

**5. Raw Material:** The raw materials included in the product range of Kalekim Lyksor are divided into various sub-groups ranging from admixtures to flooring chemicals, sealants, mortars, waterproofing chemicals, and chemicals for the repair and maintenance of structures.

Kalekim Lyksor produces almost 90 percent of its raw materials in the concrete and Cement Admixtures industry.

**6. Concrete Chemicals:** Concrete chemicals in the product range of Kalekim Lyksor include sub-product groups such as plasticizers, superplasticizers, setting retarders or accelerators, air entrainers, and water repellents.

**7. Cement Chemicals:** Cement additives are materials added to cement to optimize cement properties and the cement grinding process. These products contained in the product range of Kalekim Lyksor company are used in exterior plasters, screeds under ceramic and stone floors, swimming pools, foundation and curtain wall concrete, floors in contact with wet water such as bathrooms, kitchens, balconies, terraces, basements, etc., ready-mixed concrete blocks, building foundations and stone floor slabs.

## About Kalekim

# A mission to always create quality, best and the most innovative solutions

## 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 neighborhood of our country.

### Our Mission

We are here to create high quality, best, and the 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.



## Values



## 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%
<b>Total Issued Capital (TL)</b>	<b>100,000,000</b>	<b>115,000,000</b>

\* Although 30% of the shares of the Company were offered to the public, shares corresponding to 3.982% of the capital were purchased by the main shareholder H. İbrahim Bodur Holding A.Ş. within the scope of transactions for price stabilization.

## General Strategies

# Growing, developing, being sustainable, creating common value

- 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



- 
- A hand is shown holding a single puzzle piece, with several other puzzle pieces visible in the background. The scene is lit with warm, golden light, creating a soft glow. The puzzle pieces are arranged in a way that suggests a larger picture or goal.
- 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

# A steady rise in financial and operational indicators

In 2022, Kalekim's net sales and operating profit were TL 2.14 billion and TL 424.5 million, respectively.

### Key Financial Indicators

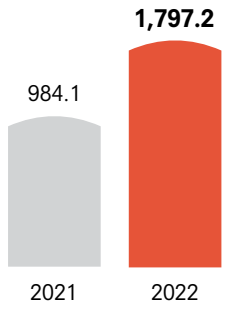
TL Million	2022	2021	2020	2019
Net Sales	2,143.3	810.0	526.2	381.5
Türkiye	1,392.8	532.9	370.6	280.8
International	750.5	277.1	155.7	100.7
Operating Profit	424.5	126.6	86.4	50.0
EBITDA	467.1	152.7	109.7	67.1
Net Period Profit	524.7	213.2	82.5	29.3
Investment Expenses	87.6	51.7	32.2	16.2
Total Assets	1,797.2	984.1	470.4	361.2
Total Shareholders' Equity	1,129.7	644.3	238.6	156.9
Net Financial Debt**	-464.1	-438.0	-86.5	-7.3
Gross Profit Margin	36.7%	37.9%	39.1%	35.7%
Operating Profit Margin	19.8%	15.6%	16.4%	13.1%
Return on Shareholders' Equity	59.2%	48.3%	41.7%	20.8%
EBITDA Margin	21.8%	18.9%	20.9%	17.6%
Net Profit Margin	24.5%	26.3%	15.7%	7.7%
Return on Assets*	37.7%	29.3%	19.8%	8.9%

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

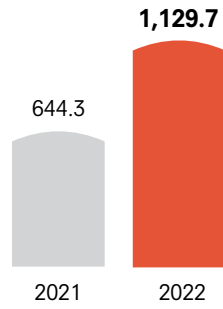
\*\* Minus (-) value indicates net financial cash.



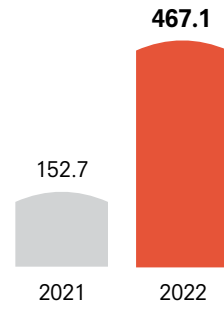
**Total Assets**  
(TL million)



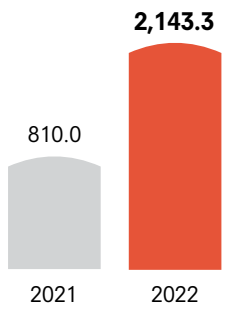
**Total Shareholders' Equity**  
(TL million)



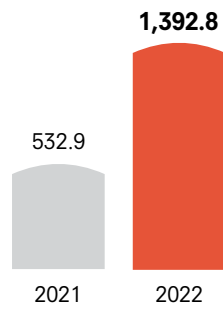
**EBITDA**  
(TL million)



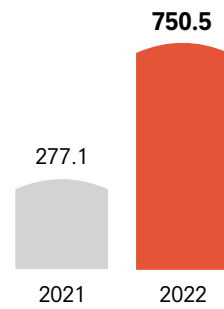
**Net Sales**  
(TL million)



**Sales in Türkiye**  
(TL million)



**International Sales**  
(TL million)



## Milestones

# The address of quality and trust for 49 years



### 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 Kaleterasit 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 Kaleterasit 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.

“

**In 2002, Kaleterasit Siva Sanayi A.Ş., the company of Kale Group in the plaster and paint industry, and Kalekim were merged. Ready-made colored plasters branded Kaleterasit and interior and exterior paint brand Kalecolor joined in Kalekim's product range.**



## 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.

## 2012

Kalekim was awarded the RAF Building Materials Award for its Betonart product.

## 2013

The Erzurum and Mardin factories were established.

The Corporate Risk Management System was put into practice.

## Milestones

# Innovation in products, processes, and business model



“

**Placing great importance on innovation in products, processes, and business model, Kalekim develops the designs of the future at its R&D Center. In 2017, Kalekim R&D Center has been registered by the Ministry of Industry and Technology.**

### 2014

The merger was completed by acquiring Kalekim Mersin Kimyevi Mad. San. ve Tic. Ltd. with all 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. 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](http://biboya.com.tr) e-commerce site was launched. Kalekim was granted the Best Workplace Award for the second time in the Best Employers survey conducted by Aon Hewitt.



## 2019

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

Kalekim's second factory abroad was established in Albania.

Kalekim was granted the Low Carbon Hero Award.

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

## 2020

Kalekim 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 granted.

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.

## 2021

The Kalekim IPO took place.

Kalekim 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 14<sup>th</sup> Türkiye Communication Center Awards.

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

Visuelle brand was launched.

"Jury Incentive Award" was received by its Always Best Kaizen project team at the 24<sup>th</sup> Quality Circles and Kaizen Award Ceremony organized by Kal-Der Ankara Branch.

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

## 2022

75% of the shares of Lyksor Kimya A.Ş. was acquired.

"Kalekim Romania S.A." company was established in Romania holding a 50% stake.

The dry mortar additional capacity increase investment in the Mardin plant was completed.

The Algerian company "Sarl HA Building Industry", in which 50% of the shares were held, was decided to be liquidated.

ISO 27001 Information Security Management System certification was received.

The "Care for Your World" project team was awarded the "Jury Incentive Award" at the 25<sup>th</sup> Quality Circles and Kaizen Award Ceremony organized by Kal-Der Ankara Branch.

During the 8<sup>th</sup> Kaizen sharing event, 5 projects of Kalekim were deemed worthy of presentation by the Izmir Branch of MMO.

## Awards

# Success of Kalekim projects are recognized with awards

**Kalekim's products, projects, and designs have been awarded many times by the industry's leading organizations and platforms.**

### **Fortune Türkiye Marketing Leaders**

Taking place among the 50 marketing leaders in Türkiye who shape the future in marketing and standing out with extraordinary strategies, Kalekim Marketing Director Tuba Özdemir Hesse was listed in the Fortune Türkiye Marketing Leaders - 50 CMOs list published by Fortune Türkiye under the heading "C-Suite Series".

### **Benefit to Economy Index**

In the Benefit to Economy Index, where Türkiye's brands were ranked for the fourth time this year with the cooperation of the Turkish Reputation Academy and Beykoz University, Kalekim ranked in the Platinum league.

The survey, which was conducted in 26 regions and 72 provinces of Türkiye using Computer Assisted Telephone Interviewing (CATI) method, measured the traces left by the performance of organizations and brands in the public opinion on the axis of management, product/service and social benefit. In the Benefit to Economy report, Kalekim was awarded the Platinum prize based on the public perception of benefit created by the managerial performance of the brand or organization, the perception of benefit created by the product performance, and the perception of benefit imprinted in the minds of the public as a result of the value added to the society or the projects produced by the organization or brand.

“

**Producing in every branch of construction chemicals and establishing the first R&D unit in the construction industry in 1990, Kalekim is rightfully proud of being included in the "Türkiye R&D 250 Survey".**



### **Türkiye R&D 250 Survey**

Turkishtime, the portal of the Economy and Business World, published the list of the 250 companies with the highest R&D investments, which is one of the indicators of the level Türkiye has reached in its value-added journey, with the “Türkiye R&D Survey” organized for the eighth time this year.

Producing in every branch of construction chemicals and establishing the first R&D unit in the construction industry in 1990, Kalekim is rightfully proud of being included in the “Türkiye R&D 250 Survey”.

### **Quality Circles and the Kaizen Award**

The Care for Your World Project Team of Kalekim was awarded the “Jury Incentive Award” at the “25<sup>th</sup> Quality Circles and Kaizen Award Ceremony” organized by Kal-Der Ankara Branch.

In the 8<sup>th</sup> Kaizen sharing event organized annually by the Izmir Branch of the Chamber of Mechanical Engineers, 5 projects of Kalekim were deemed worthy of presentation.

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.

### **ISO 27001 Information Security Management System Certificate**

As a result of the audit conducted by the Turkish Standards Institute (the “TSE”) during the week of June 20-24, 2022, the ISO 27001 Information Security Management System certificate was granted.

## Investor Relations & Stock Performance

# Sound and trust-based cooperation with investors

**In 2022, activities were carried out to provide investors with information about the Company's activities.**

### 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;
- Preparing documents that are needed to be presented to the shareholders' information and reviewing regarding the General Assembly Meeting and taking the measures

required to ensure that the General Assembly Meeting is held in accordance with the relevant legislation, the articles of association and other in-house regulations.

- 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 the 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 resolution 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	Investor Relations Manager	-	-
Ömer Karakaşoğlu	Investor Relations Unit 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/İstanbul  
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 2022 was submitted to the Board of Directors with the approval of the Corporate Governance Committee on 13.01.2023.

The studies carried out to convey detailed information about the Company's activities to investors in 2022 are summarized in the following table:

Number of investor conferences and roadshows attended at home and abroad:	<b>3</b>
Number of teleconferences on financials announced in 2022:	<b>4</b>

#### Kalekim Stock Performance

	2022
Lowest price (TL)	13.42
Highest price (TL)	53.55
Year-end price (TL)	49.82
Issued Capital (Thousand TL)	115,000
Market Value (Thousand TL) - Year-end	5,729,300
Market Value (Thousand USD) - Year-end	306,435

## Message from the Chairperson

# Kalekim's strengthened journey from the past to the future

**As an important value of Türkiye in the global markets, Kalekim draws strength from the Republic while adding strength to the Republic.**

Esteemed Stakeholders,

We left behind a year in which the effects of the global pandemic lingered, and the energy crisis peaked due to the Russia-Ukraine war. This move by Russia, the largest energy supplier in the region, not only raised energy costs but also made access to energy problematic for many countries.

Türkiye was in a more advantageous position than many other nations during this period. Thanks to our bilateral relations with Russia and our cooperation with alternative energy suppliers such as Azerbaijan and Iran, we maintained access to energy. However, globally escalating energy costs continue to have a negative impact on prices in our country. This substantial increase is especially challenging in companies and sectors where energy is the largest expense item. It is therefore our greatest hope that energy prices stabilize as soon as possible, so that industrialists can see the way ahead.

### **Kalekim continues to grow**

Despite global challenges, Kalekim continued to strengthen its position at home and abroad in 2022. The Company focused on fulfilling the promises made to its investors during the successful IPO process in 2021. Lyksor Kimya A.Ş., in which we acquired a 75% stake earlier this year, adds significant strength to our ability to operate in new business areas and diversify our product range.

In late 2021, we reinforced our factory in Mardin with an additional line investment to further enhance our active role in the Middle Eastern and Iraqi markets. We further broadened our service network by opening a new branch in Iraq. In addition, the establishment registrations of Kalekim Romania S.A., established as a 50% partnership in Romania in line with our goal of growing through collaborations abroad, were approved in September.

As a consequence of these developments and achievements, Kalekim increased its net sales revenue by 165% in 2022 compared to the previous year. This stellar performance demonstrates Kalekim's strength and potential in the sector. In 2023, I anticipate that, together, we will elevate our success to even higher levels.

From the Management

“

**We aim to create a  
conscious awareness  
through the 'Care  
for Your World'  
movement.**



## Message from the Chairperson

# We are moving forward with the goal of a better, more human-oriented world

**Kalekim always puts people at the center of its focus, moves forward with the goal of a better world, and attaches great importance to the development of its employees within the scope of talent management.**

### **Together we say 'Care for Your World'**

I believe that every crisis brings new opportunities. This challenging process we are undergoing will, in my opinion, raise awareness for a sustainable future. Kale Group launched the 'Care for Your World' movement inspired by our experience during the pandemic. Via the 'Care for Your World' movement, we aim to raise awareness and assure that all are inspired to take action. In this context, we focus on creating environmental and social/community benefits with an approach that goes beyond economic sustainability, and we are accelerating our impact-oriented efforts to ensure a healthy and sustainable world for future generations.

Kalekim wholeheartedly embraces this approach of the Group. The Company carefully assesses its production processes, product designs and services in terms of their impact on the environment and society. Kalekim is distinguished in the sector by its contribution to the environment: This is demonstrated by the Zero Waste Certifications, issued by the Ministry of Environment, Urbanization and Climate Change, in all the Company's factories, as well as its low carbon footprint achievements and the professional development of masters through the Kalekim Master's Club.

Kalekim always moves forward with the goal of a better world, focusing on people. The Company focuses on community/social benefit by encouraging employees to participate in volunteer activities within the scope of the Kale volunteering program, developing employees within the scope of talent management, and prioritizing the safety of its stakeholders in line with its zero occupational accidents target. Additionally, Kalekim creates technology classrooms in schools, supporting education through a cooperation established within the scope of the circular economy.

### **50<sup>th</sup> anniversary pride of Kalekim**

For both the Kalekim Family and the country, 2023 will be a year of joy, excitement and pride. This year, we celebrate the 50<sup>th</sup> anniversary of Kalekim, the foundations of which were laid in 1973 by the late İbrahim Bodur, the founder of our Group and our Honorary Chairman.

Throughout its half-century history, Kalekim has shaped the industry with innovations and achievements. As an important value of Türkiye in the global markets, Kalekim will continue to draw its strength from the Republic while adding strength to the Republic.

I would like to express my gratitude to all our employees, stakeholders, business partners and investors who have participated in Kalekim's journey from the past to the future. I wish you all a healthy and successful working year.

“

**Throughout its half-century history, Kalekim has shaped the industry with innovations and achievements. As an important value of Türkiye in the global markets, Kalekim will continue to draw strength from the Republic while adding strength to the Republic.**

We will be fine together...

At the time when this Report was being finalized for printing, we witnessed disaster and devastation on an unprecedented scale. Our cities collapsed and thousands of lives were lost. I wish Allah's mercy to those who lost their lives in the Kahramanmaraş-centered earthquake, which deeply affected eleven provinces, and I extend my condolences to our entire nation and my heartfelt wishes for recovery to those who survived.

In the face of this disaster and in accordance with our individual and corporate responsibility to society, Kale Group began assistance efforts from the first day and prioritized impact-oriented work. While we have focused on meeting urgent needs, and healing the wounds to some extent, through our companies and volunteers, the actual work will start after the debris is removed. We are ready to undertake our duty to produce permanent solutions in the region through our business model that 'feeds on responsibility, not problems'. We will fulfill our responsibility to offer our people, especially our children, the life they deserve, to rebuild our destroyed cities, and to revive the regional industry. We will heal our wounds together and, together, we will recover.

Best regards,

**Dr. (h.c.) 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.

From 1992 to 1993, she worked in various roles in production units as a management trainee at the Çanakkale Ceramic Factories in Çan, Çanakkale. 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 actively serves on the board of many non-governmental organizations. Zeynep Bodur Okyay, who has served as the Chairperson of the Board of Directors of the Global Relations Forum, Board Member and Executive Committee Member of the Foreign Economic Relations Board (DEİK), Chairperson of the DEİK Italy Business Council, Vice President of the Italian Chamber of Commerce Association, Member of the Turkish Industrialists and Business People Association (TÜSİAD), Member of the Make an Influence Advisory Board, and Member of the Advisory Board of the United Nations Istanbul International Center for Private Sector in Development, assumed the Presidency of the Istanbul Chamber of Industry Assembly for two consecutive terms between 2013 and 2022.

Zeynep Bodur Okyay was appointed to the Presidency of the C20 (Civil Society) Steering Committee during Türkiye's G20 Term Presidency in 2015. Involved in the B20 (Business World) International Advocacy Group under the G20 Italian Term Presidency in 2021, Okyay is serving on the "Women in Business Action" Council as Co-Chair under the G20 Indonesia Term Presidency in 2022. She is currently co-chairing the Working Group on Jobs, Talent and Mobility for the G20 under the presidency of India.

Zeynep Bodur Okyay supported the establishment of a Turkish Language Chair at Harvard University with her efforts in the Harvard Alumni Group, of which she is one of the co-founders.

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 "Ufficiale Ordine al Merito della Repubblica Italiana". In 2010, Okyay received the Franco Nobili Award given within the scope of "Türkiye in Europe" for her contributions to relations between Türkiye and the European Union states. In the same year, Zeynep Bodur Okyay was granted the Outstanding Service Award by the Turkish Grand National Assembly.

Zeynep Bodur Okyay, who supports many pioneering projects within the Kale Group to contribute to Türkiye's education, design, art, local development, and social entrepreneurship ecosystem, is also President of the Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Healthcare and Social Assistance Foundation.

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



**Kadri Tarık Özçelik**

**Vice Chairperson**

**Vice Chairperson of Kale Group/Production Systems and Operational Development**

Born in 1962, Tarık 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 1965 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 Türkiye. 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 CEO 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 High School for Girls in 1984 and earned her degree in economics in 1988 from the Department of Administrative Sciences at Boğaziçi University. In the same year, she worked as an intern in the finance department at LYAC POWER in Denmark. Between 1989 and 1997, Tözge worked in Henkel Turyag, Izmir, in various roles in the planning and control, logistics control, and sales departments and, lastly, as the Chain Stores Sales Manager.

Tözge worked in Saint Gobain Weber, Izmir, as Marketing Manager from 1997 to 2001. Tözge provided consulting services on various projects for Henkel KGaA Düsseldorf and Barem Research International, Istanbul, between 2001 and 2002. Joining Kale Group in April 2002, Tözge worked at Kalekim and Kaleterasit until 2007. From 2007 to 2015, Tözge served as a consultant to Zeynep Bodur Okyay, President and CEO of Kale Group. Since 2015, Tözge has been serving as Vice- Chairperson for Corporate Development in Kale Group.

Esra Yazıcı Tözge is married with one child and speaks fluent English.

## 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 Türkiye, 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 Türkiye 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 Aksa Akrylic 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.



**İsmail Erdal Akkoçoğlu**

**Independent Member of the Board of Directors**

İsmail Erdal Akkoçoğlu received his bachelor's degree from Istanbul Technical University, Faculty of Mechanical Engineering in 1988 and then his master's degree from Istanbul University, Institute of Business Economics in 1989.

Starting his professional career at Çukurova as an Industrial Machinery Sales Engineer in 1989, Mr. Akkoçoğlu later worked as Regional Sales Manager and Country Sales Manager at Çukurova.

In 1997, Mr. Akkoçoğlu joined Henkel, one of Germany's leading companies, where he served as Loctite Türkiye Sales Manager, General Industry Country Manager, Adhesive Technologies Country General Manager and continued his career in Dubai as Henkel General Industry Group IMEA Region Director between 2011 and 2022. At Henkel, he most recently served as Global Vice President responsible for the automotive aftermarket segment and as a member of the Türk Henkel Executive Board.

Mr. Akkoçoğlu, who has been among the founding partners of Solarline Enerji A.Ş. since 2022, is the Chairperson of the Board of Directors of Akkoç Global, which operates in the fields of Energy, Machinery, Real Estate, and Consultancy, in parallel with this new investment.

İsmail Erdal Akkoçoğlu is also an Independent Member of the Board of Directors of companies in different business lines.

Mr. Akkoçoğlu is fluent in English, and 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	31.03.2022	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	31.03.2022	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	31.03.2022	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	31.03.2022	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	31.03.2022	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	31.03.2022	1 year	Member of the Board of Directors	Membership of the Board of Directors in Group Companies
Mustafa Yılmaz	Board Member	Independent Board Member	31.03.2022	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	31.03.2022	1 year	Member of the Board of Directors, Chairperson of the Corporate Governance Committee, Member of the Audit Committee	-
İsmail Erdal Akkoçoğlu	Board Member	Independent Board Member	31.03.2022	1 year	Corporate Governance Committee Member	Membership of the Board of Directors in Non-Group Companies

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 31.03.2022, an election was held for a total of 9 members, being three independent members, to serve for a period of one year.

Following the end of the 2022 accounting period, within the framework of the Capital Markets Board's determination of the groups to which the companies belong for the year 2023, an application was made in respect of the scope of Group 1, to which the Company belongs, to the CMB regarding the suitability of the candidates for the independent Board member positions with the decision of the Board of Directors dated 24.01.2023 and numbered 2023/07, and no disapproving opinion was expressed about Mr. Fevzi Tayfun KÜÇÜK, Mr. Mustafa YILMAZ, and Mr. İsmail Erdal AKKOÇOĞLU in the letter dated 10.02.2023 and numbered E-29833736-110.07.07-33022 sent by the CMB. At the relevant General Assembly meeting, elections will be held for three Independent Memberships and other Board Memberships.

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 31.03.2022 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 a single voting right at the Board Meeting. In 2022, the Board of Directors held seven meetings, all were held with physical participation 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. Company. 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

# It was a successful year in terms of achieving our targets

**With the support and contributions of our employees, stakeholders, business partners and investors, we achieved our targets and concluded a successful year.**

Esteemed Stakeholders,

On February 6, Türkiye suffered the biggest earthquake disaster in its history. Tens of thousands of people lost their lives and more than 100,000 people were injured in two massive Kahramanmaraş-centered earthquakes – a tragedy with an intense impact on the entire country.

From the very first day, Kalekim contributed to support efforts in the earthquake region, initiated by Kale Group with our volunteer employees, dealers, suppliers and stakeholders. We organized the provision of 253 hygiene and living containers and in-kind and cash support through the Kaleseramik Education, Healthcare and Social Assistance Foundation and delivered them to the region under the coordination of AFAD, as well as the relevant public and private institutions.

As we move forward, we will heal our wounds with the same spirit of solidarity and endeavor to overcome this disaster together. On this occasion, I once again wish Allah's mercy for all the people who lost their lives in the earthquake, a speedy recovery for those who were injured, and my deepest condolences to our country.

In 2022, as we continued to emerge from the pandemic, the world entered a new era with the Russia-Ukraine war that began in February. The war between the two countries had a highly negative impact on the global energy market. The escalating global energy crisis, coupled with growing concerns regarding a global recession, caused a new wave of uncertainty in the markets.

These uncertainties and negativities are still present. Studies and projections show that rising energy costs, problems in accessing energy, the diversity and security of energy resources, and the need for clean energy will continue to be the most important topics on the international agenda in 2023.

**The construction materials industry saw a strong start to the year with a downward slope at the year's end**

As it was worldwide, 2022 was a challenging year for our country and our sector. As far as the national market is concerned, 2022 was a year in which the construction industry had a good start but failed to reach the expected level. According to the February 2023 Sector Report of Türkiye İMSAD, production in the construction materials industry rose by 4.4% in the first quarter of 2022 and by 2.1% in the second quarter. Declining by 3.3% in all months of the third quarter, production contracted by 3.4% in the fourth quarter of the year.

**Although some contraction is expected in the first half of 2023, recovery is projected in the second half of the year.**

The Türkiye İMSAD report indicates that the construction industry will continue to shrink in 2023, due to a projected slowdown in global economies. As for exports – a main pillar of the construction materials industry – a contraction is expected in the first half of 2023 and recovery in the second half. As sector representatives, we continue to maintain an optimistic stance despite these issues.

ekim®

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We brought our  
production power  
for the Middle East  
market to a much  
higher level.



## Message from the General Manager

# In 2022, we continued to make new investments and forge new collaborations

**We acquired 75% of Lyksor Kimya A.Ş., a strong company in its sector, for approximately TL 140 million.**

We see our country's 'My New Home' project, launched in the new year, as an important step in this regard. Developed by the Ministry of Environment, Urbanization and Climate Change and the Ministry of Finance, the project aims to help middle-income groups purchase their own homes, with 100,000 houses planned to be sold in the first stage. We believe that, if the framework of this campaign is clarified and resolutely carried out, it will bring additional dynamism to the sector.

### **We focused on our investments in 2022**

For Kalekim, 2022 was a successful year in terms of achieving our targets despite difficulties and challenges. The support and contributions of our employees, stakeholders, business partners and investors played a significant role in our accomplishments. The success we have achieved is attributable not just to individuals, but to the Kalekim Family as a whole. I would like to take this opportunity to again thank everyone who contributed to our success. I have no doubt that we will carry Kalekim to better places together.

We focused on our investments in 2022 in line with our goal of "creating a bigger and stronger Kalekim at home and abroad" and affirmed during our successful initial public offering process in May 2021.

Towards the end of 2021, we expanded our factory in Mardin through an investment of approximately 39 million TL to extend our effectiveness in the Iraqi market – our largest overseas market. With this additional line investment, we raised our production power in both Iraq and in the Middle Eastern market in general to a much higher level.

In early 2022, we took a new investment step and acquired 75% of Lyksor Kimya A.Ş., a strong company in its industry, for approximately TL 140 million. The Lyksor Kimya product range extends from concrete and cement chemicals to the raw materials used in their production, from architectural concrete products to concrete curing and protective materials, and from concrete waterproofing admixtures to mineral grinding facilitators. The acquisition expands our product range, our production and our sphere of influence.

The contribution of our Lyksor investment to our turnover in the nine-month period of 2022 amounted to TL 439 million. This clearly demonstrates the effectiveness of our investment, and we anticipate that this positive contribution will both continue and increase in the coming period.

### **We continued our overseas investments and collaborations**

In addition, we proceeded with new investments and collaborations in 2022, again in line with our growth targets. In this context, we entered another important stage, establishing Kalekim Romania S.A. in a 50% shareholding with a local partner in Romania, in line with our existing business model. The incorporation of Kalekim Romania S.A., established in order to carry out sales and marketing activities in the Company's operating areas, particularly in construction chemicals, paint and plaster, was approved by the relevant authorities last September. We believe that this new company will enrich our commercial activities in the continent, especially in Eastern Europe.

Furthermore, in September, we started procedures to establish a new branch in Duhok, Iraq, to contribute to our activities in that country, which is our largest export market. We aim to reach consumers faster in Northern Iraq and in the rest of Iraq via our Branch in Duhok, Iraq.

**In 2022, we converted challenges into success**

In 2022, a year overshadowed by pandemic, war, an energy crisis, and concerns of a global recession, as Kalekim, we transformed challenges into successes, making the right moves at the right time. Starting from the first quarter of the year, we brought our financial success one step further each quarter. By maintaining this steadfast success over four consecutive quarters, we exceeded our targets in 2022.

As of year-end, our net sales revenue increased by 165% year-on-year to TL 2.14 billion. Our net profit rose by 146% year-on-year to TL 524.7 million. In 2022, we improved our operating profit margin by 420 basis points, from 15.6% to 19.8%. Likewise, we achieved significant success in the domestic and international markets, raising our domestic sales by 161% and international sales by 171% year-on-year.

**We will write new success stories on the 100<sup>th</sup> anniversary of our Republic**

Today, we are happy to have fulfilled our promises to create a greater and stronger Kalekim and we believe we will carry this extraordinary potential even further. Lifted by our successes, we will continue to work with the same motivation in the coming period.

“

**In 2023, we celebrate the 50<sup>th</sup> anniversary of a production journey that began in 1973. As the Kalekim Family, we are proud to leave behind a half-century of firsts and achievements.**

Countries have important milestones in their history and these milestones also constitute the markers of the road from the present to the future. In this respect, the year 2023 bears historical importance for both our Company and country.

As Kalekim, we celebrate the 50<sup>th</sup> anniversary in a production journey started in 1973. Therefore, as the Kalekim Family, we are proud to leave behind five decades of firsts and achievements.

As the leading brand in the Turkish construction chemicals industry, and an important value of our country in the global markets, we will continue to work, to produce, and to create added value for our country and people for a sustainable future, as we have thus far.

And this year marks a special event for our country as well. In 2023, we celebrate the 100<sup>th</sup> anniversary of the Republic of Türkiye, proclaimed after the Turkish national struggle led by Gazi Mustafa Kemal Atatürk. Therefore, this year is even more meaningful for all of us.

As a company born and nurtured in these lands, and a company that prioritizes creating value for its country, we aim to write new success stories through our investments and collaborations on the 100<sup>th</sup> anniversary of our Republic.

I hope that 2023, which holds value and importance for us in many respects, will bring health, happiness and success to us all, in a world where peace prevails.

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. After graduating from the Istanbul Kültür University MBA program in 2007, Timur Karaoğlu worked for 4 years as an Assistant Sales 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 President 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 Istanbul Regional Sales Officer in 2002 and then worked as the Northern Marmara Regional Director, Marmara Regional Director, Assistant Sales Manager, Domestic Distribution Channels Sales Manager, and Retail Markets Sales Manager. Mr. Köseoğlu 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 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 Manager at Kalekim in 1999. He worked as a Marketing Manager, 6 Sigma Black Belt, Strategy Office 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 Officer 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 Officer at Kalekim in 2000, worked as a Market Research Officer between 2001 and 2002, Export Regional 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 Özarsarı**  
Human Resources Manager

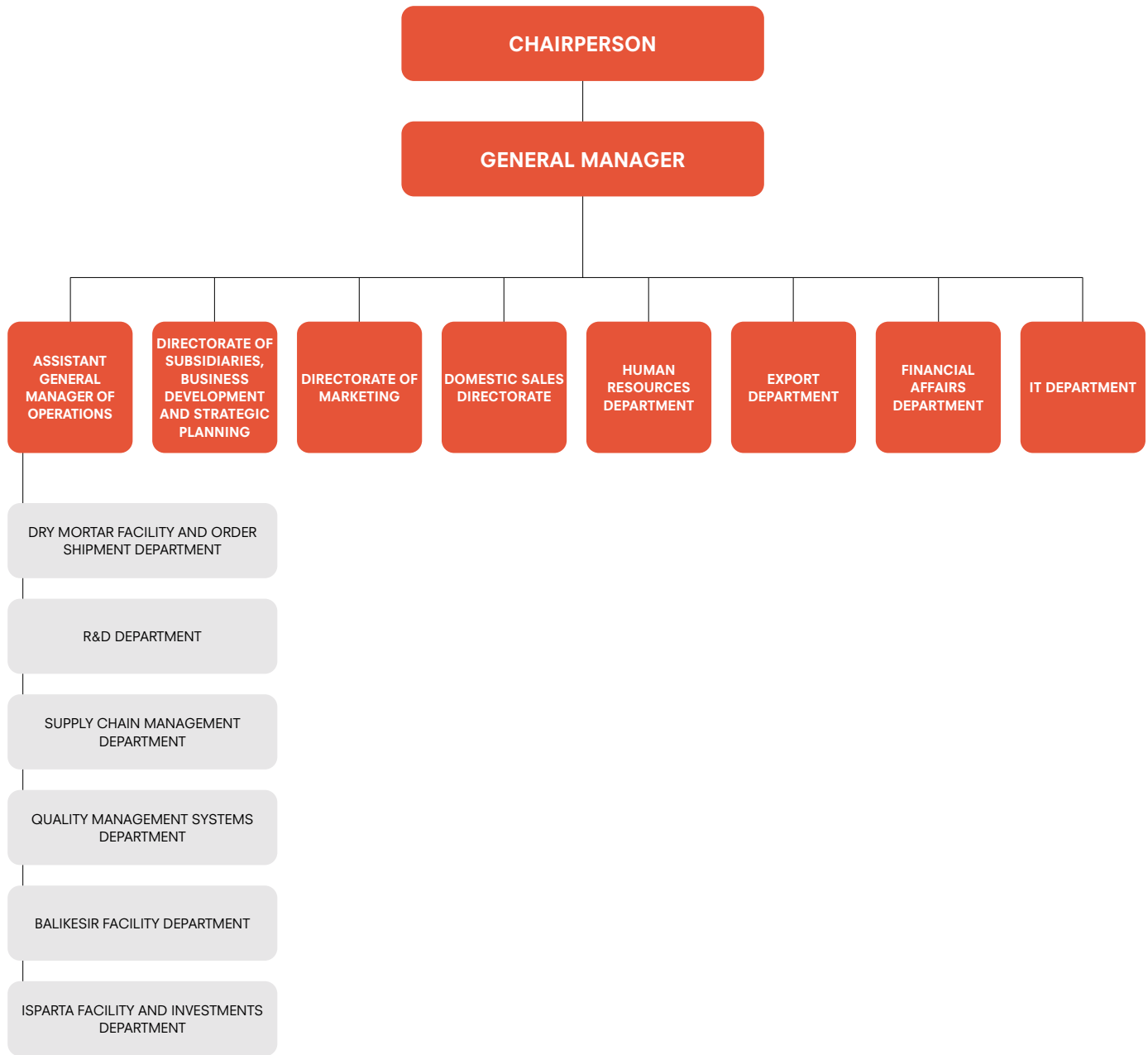
Born in 1980 in Aksaray, Kagan Özarsarı graduated from the Department of Systems Engineering of the Turkish Army Staff Academy in 2001. He received his master's degree in Human Resources and Organizational Change from Beykent University in 2011. Following his undergraduate study, after working in different positions at TSK between 2001 and 2012, he worked as Organizational Development Officer at Şekerbank in 2012, Human Resources Partner Manager at Profilo Payment Systems in 2013, Recruitment and Organizational Development Manager at Ekol Lojistik in 2014, Human Resources Regional Manager at Kantar (WPP) in 2017. In 2018, Kagan Özarsarı 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.



**Ertuğrul Uğur**  
IT Manager

Born in 1980 in Malatya, Mr. Uğur completed his undergraduate education at Beykent University, Department of Mathematics and Computer Science in 2002. He worked as a lecturer at Beykent University between 2002 and 2003, IT Software Specialist at Yalçınlar Photography and Electronic Products company between 2004 and 2006, Software Development Officer at Olimpos Bilişim A.Ş. between 2006 and 2011, IT ERP Manager at Bıçakçılar Tıbbi Cih. San. ve Tic. A.Ş. between 2011 and 2019, and IT Manager at the same company. Ertuğrul Uğur has been working as IT Manager at Kalekim since May 2022.

# Organizational Chart



## An Overview of the Industry in 2022

# In 2022 as well, the construction industry influenced the course of the Turkish economy

**The construction industry, of high importance in Türkiye's current production structure, contracted by 7.5%, 10.7%, and 15.0% year-on-year in the first three quarters of 2022, respectively, while it grew by 2% in the last quarter compared to the same quarter of the previous year.**

The construction industry is among the main sectors steering the course of the global economy, as it affects many related sectors. Heightened urbanization due to population growth, and the consequent increase in infrastructure needs, as well as the transformation efforts required by a sustainable and changing world, have led to a buildup in the sector's activities.

In Türkiye, the construction industry is positioned as one of the sectors offering the most significant contribution to overall economic growth, despite a recent trend towards contraction. The construction industry, of great importance in Türkiye's current production structure due to its employment power and the demand it generates across more than 200 sub-sectors of the economy, contracted by 7.5%, 10.7% and 15.0% on an annual basis in the first three quarters of 2022, respectively, while it grew by 2% in the last quarter compared to the same quarter of the previous year. Thus, the construction industry ended 2022 with a contraction of 8.4%.

The divergence between the construction industry and economic growth persisted in the third quarter of 2022, but waned in the last quarter and both the economy and the construction industry grew. The sector's share in GDP was 4.8% at the end of 2022.

The construction industry entered the new year grappling with substantial increases in input costs. In addition to high inflation, insufficient appropriations and delays in progress payments continue to negatively affect the sector. In addition

to soaring prices, the average interest rate on housing loans reached its highest level in the last two years, suggesting a continuing contractionary impact on housing demand in the coming period.

As of the end of 2022, residential sales in Türkiye shrank by 0.4% year-on-year, and a total of 1.49 million units were sold. The year's highest monthly residential sales were made in December. The demand for investment units was buoyant as was demand from foreign buyers. First and second-hand residential sales increased together.

In December 2022, exports of construction materials fell by 12.0% to USD 2.61 billion compared to December of the previous year. Exports decreased in December after September, October and November, compared to the same period of the previous year. The size of exports also declined on a monthly basis. Exports, at USD 2.97 billion in December last year, declined to USD 2.61 billion in December 2022. Due to contraction in the construction sectors in our export markets, exports of construction materials entered a downward trend. Declines in the euro-dollar parity and in commodity and metal prices were also factors in reduced exports. In December 2022, high import growth continued, with imports of construction materials rising by 8.1% to USD 930 million compared to the same month in the previous year. In 2022, the highest import figures were recorded in December. An upsurge in construction activities is anticipated, thanks to the subsidies provided to the construction industry. Accordingly, high import growth is expected to continue.



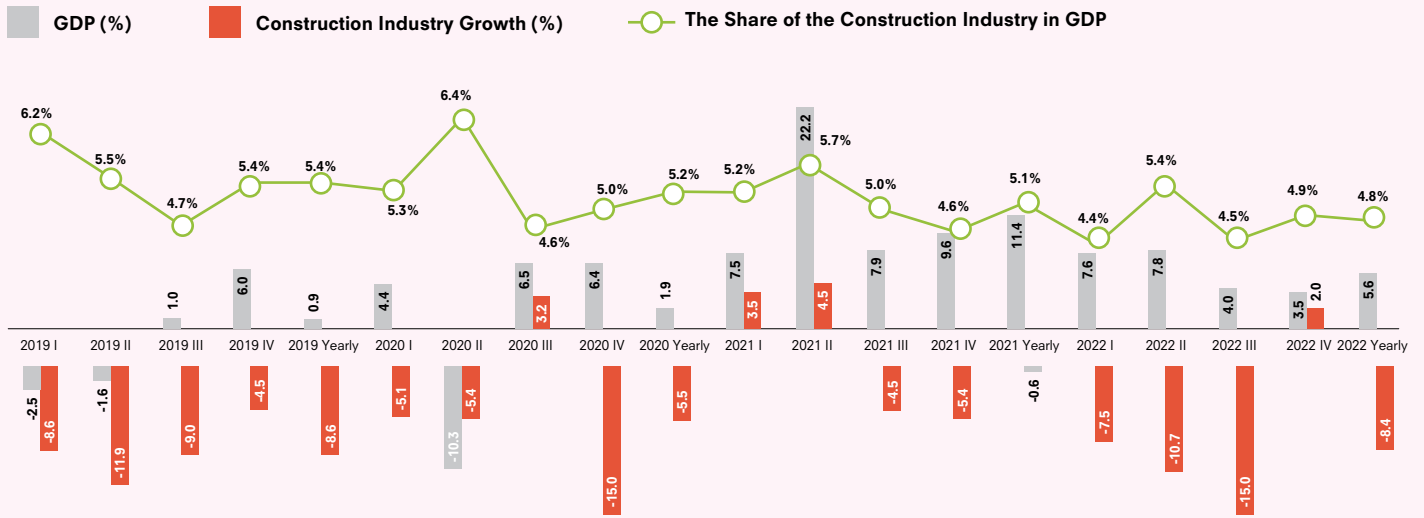
Industrial production of construction materials rose by 4.4% and 2.1% in the first and second quarters of 2022, respectively. Having declined by 3.3% in the third quarter, production contracted by 3.4% in the fourth quarter of the year.

The construction confidence index has been on the rise since June and concluded the year with an increase of 3% compared to the end of the previous year. Seasonality, the course of current business, and the amount of new orders received are indicators of developments in the sector's internal dynamics, while difficulties in accessing financing have a negative impact on confidence.

The construction industry is also among those sectors with the greatest impact on global warming and interest is intensifying with regard to energy performance calculation as a measure to reduce energy consumption and CO<sub>2</sub> emissions in buildings. For this purpose, developing accurate energy calculations and strategies, starting from the design phase, has a significant impact on the sustainable footprint of the building: For Türkiye, an energy-dependent country, taking this approach into consideration for new builds or existing building stock will contribute to energy savings in the operation of buildings.

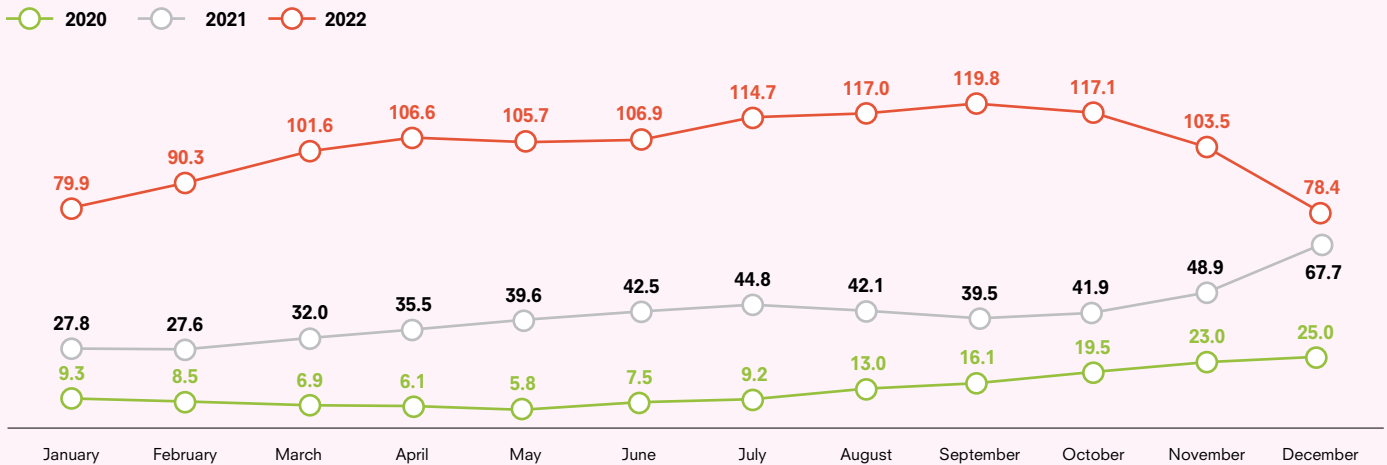
## An Overview of the Industry in 2022

### GDP and Construction Industry Growth Rates (Türkiye)



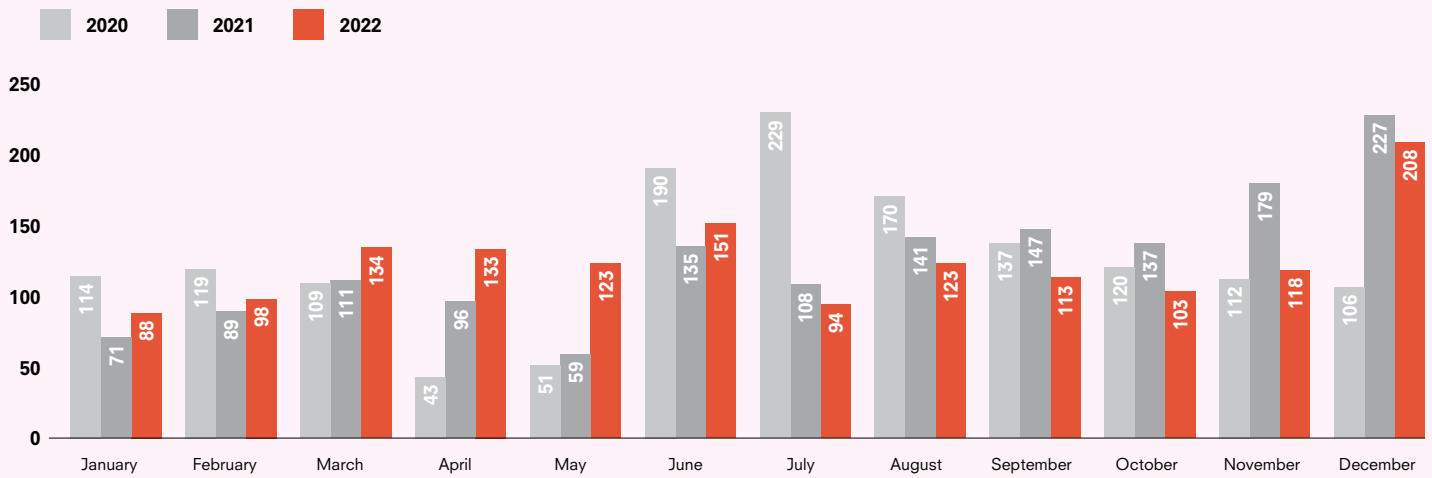
Source: TurkStat

### Construction Cost Index



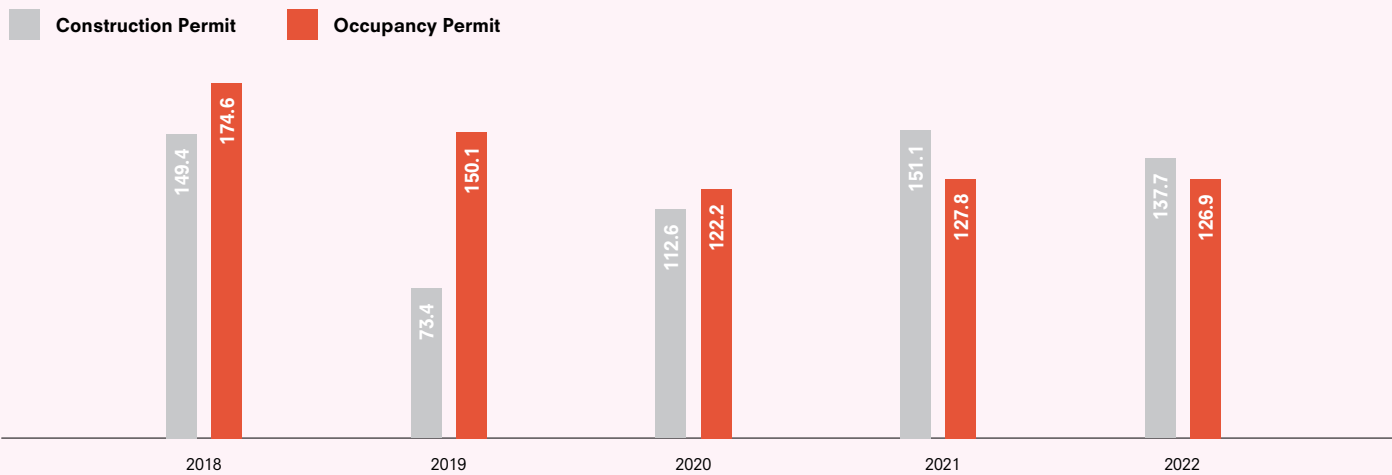
Source: TÜİK

### Number of Houses Sold (Thousand Units)



Source: Turkish Statistical Institute

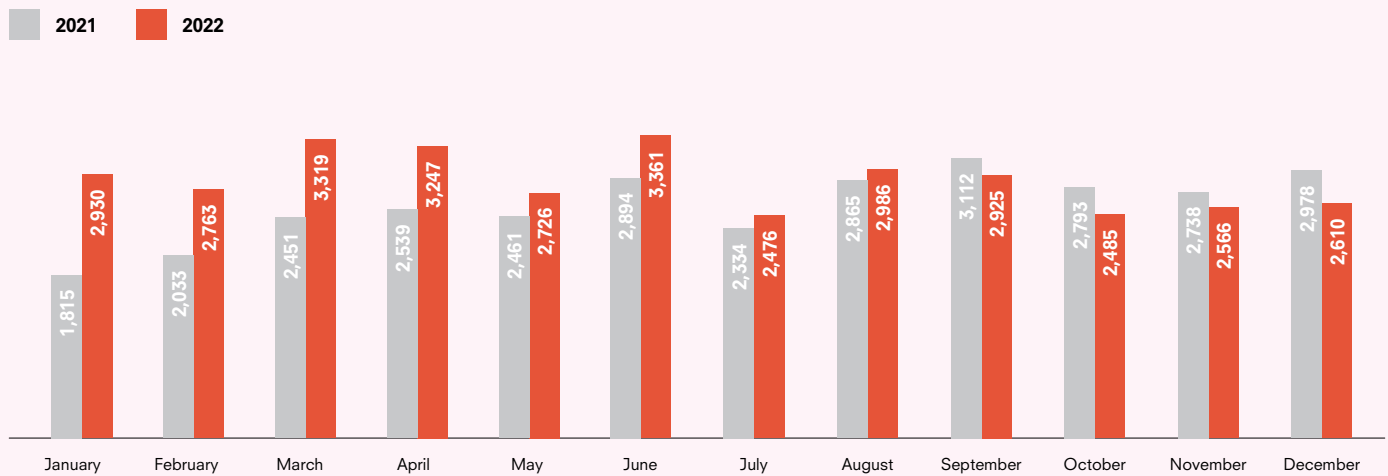
### Building Data Area (Million m<sup>2</sup>)



Source: Turkish Statistical Institute

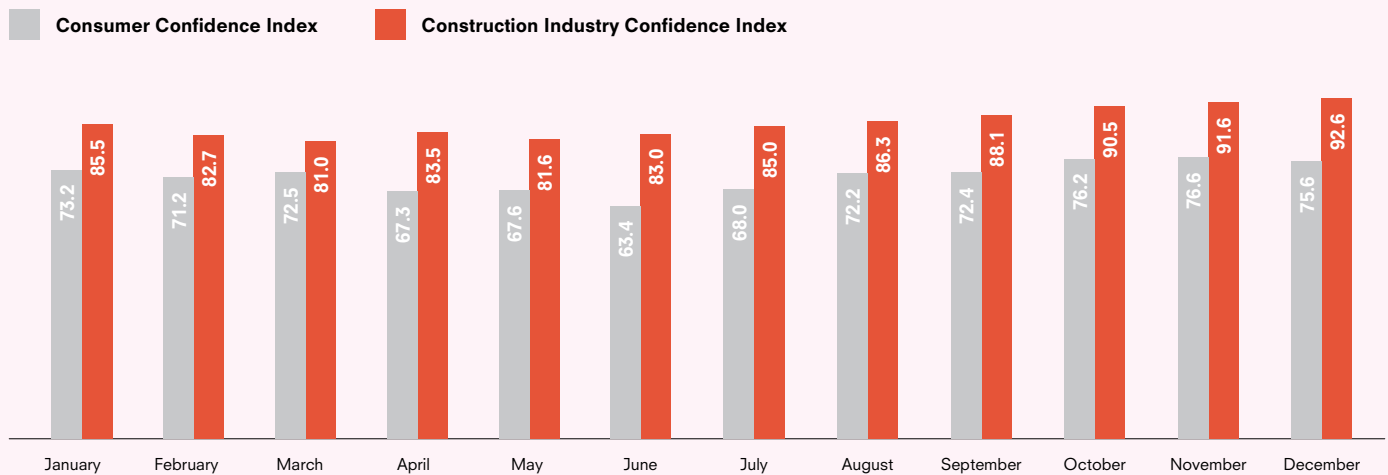
## An Overview of the Industry in 2022

### Construction Materials Exports (USD Million)



Source: IMSAD

### Consumer and Construction Industry Confidence Index



Source: Turkish Statistical Institute



## Manufacturing Facilities

# Production continues at 11 facilities in Türkiye and abroad

**Kalekim produces in Istanbul, Isparta, Mersin, Yozgat, Mardin, Erzurum, Balıkesir (2 plants), İzmir, and Diyarbakır facilities in Türkiye and in Albania/Tiran facility abroad.**

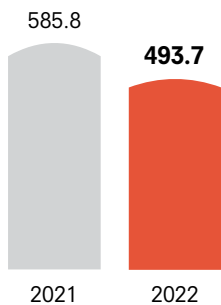
The Company produces in Istanbul, Isparta, Mersin, Yozgat, Mardin, Erzurum, Balıkesir (2 plants), İzmir, and Diyarbakır facilities in Türkiye and in Albania/Tiran facility abroad.

The Dry Mortar capacity utilization rate was 50.6% in 2022. Production volume decreased by 15.7% to 493.7 thousand tons compared to the previous year.

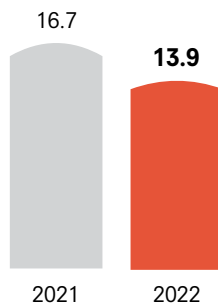
The Paint/Plaster capacity utilization rate was 27.8% in 2022. Production volume decreased by 16.6% to 13.9 thousand tons compared to the previous year.

In 2022, capacity utilization rate of Kalekim Lyksor, which has been consolidated since April 2022, was 40.7%. Production volume increased by 10.7% to 63.1 thousand tons compared to the previous year.

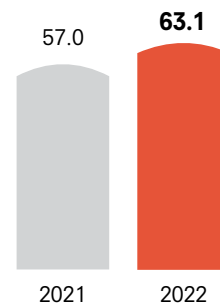
**Amount of Dry Mortar Production**  
(Thousand Tons)



**Paint/Plaster Production Amount**  
(Thousand Tons)



**Production Amount of Concrete, Cement Chemicals, and Raw Materials**  
(Thousand Tons)





## Products

# Leader of the construction industry with products designed with a customer-oriented approach

**Kalekim offers quality and reliable service in tile applications, paint, insulation and floor solutions.**

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

**Tile Applications:** Within the scope of tile applications, Kalekim offers tile adhesives, grouts, surface cleaning and maintenance products, and assembly and sealing products.

**Paint Applications:** Kalekim also produces interior and exterior paints, decorative paints, plasters and coatings, surface preparation materials, and colorants in the architectural paints category. Kalekim, which sells domestically both on the retail channel and the e-commerce site established under its name with the Bi'Boya brand operates with the Kale brand abroad. It produces and offers application service 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.

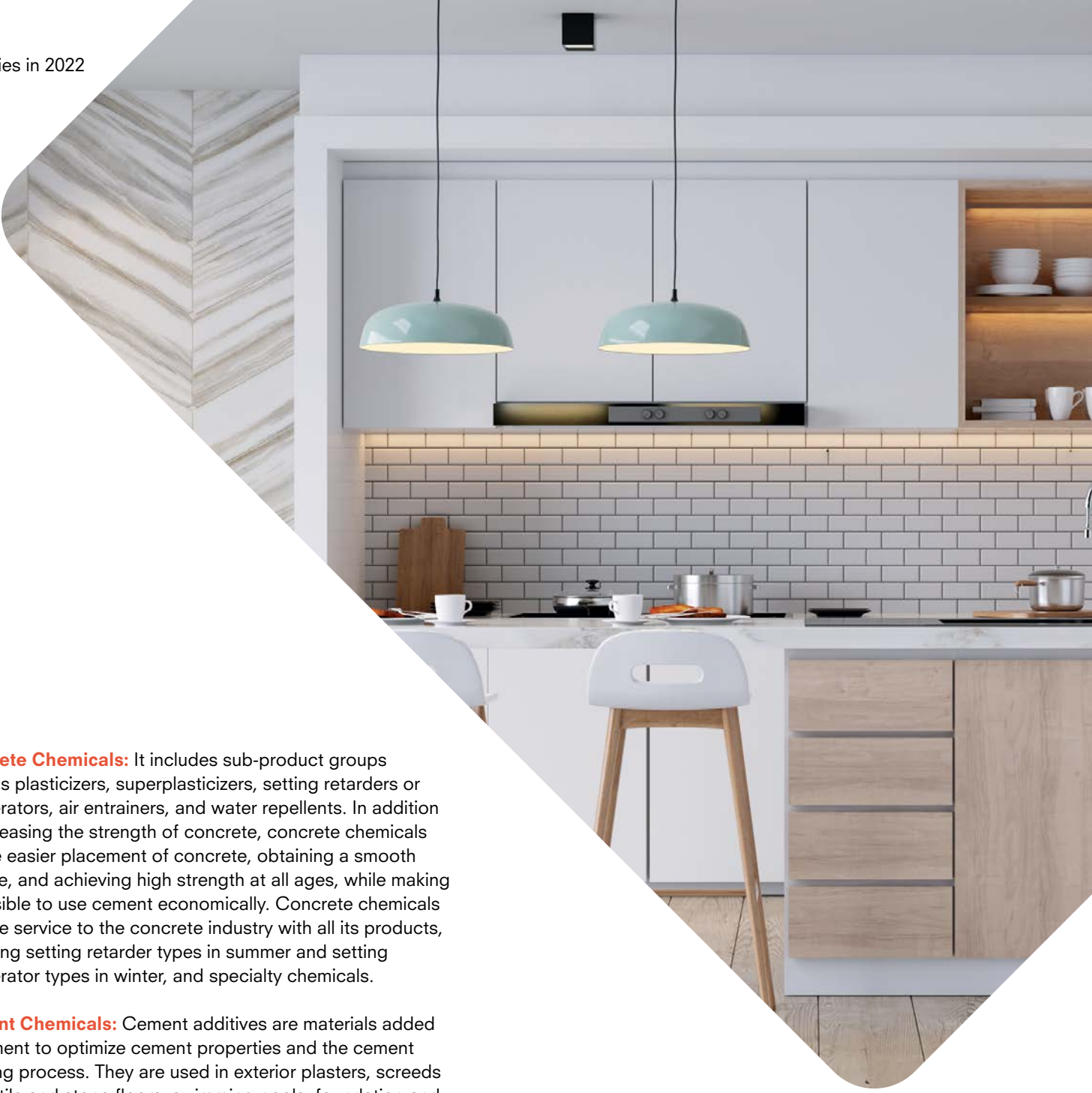
- **Waterproofing Applications:** The waterproofing product range of the Company includes cement, bitumen, polyurethane, acrylic, and textile membrane-based products as well as waterproofing tapes and surface preparation materials. The waterproofing group includes products used for all wet spaces from 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 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

**Raw Materials:** The raw materials included in the product range of Kalekim Lyksor are divided into various sub-headings ranging from admixtures to flooring chemicals, sealants, mortars, waterproofing chemicals, and chemicals for the repair and maintenance of structures.

The use of these chemicals minimizes wear and tear on structures.



**Concrete Chemicals:** It includes sub-product groups such as plasticizers, superplasticizers, setting retarders or accelerators, air entrainers, and water repellents. In addition to increasing the strength of concrete, concrete chemicals enable easier placement of concrete, obtaining a smooth surface, and achieving high strength at all ages, while making it possible to use cement economically. Concrete chemicals provide service to the concrete industry with all its products, including setting retarder types in summer and setting accelerator types in winter, and specialty chemicals.

**Cement Chemicals:** Cement additives are materials added to cement to optimize cement properties and the cement grinding process. They are used in exterior plasters, screeds under tile and stone floors, swimming pools, foundation and curtain wall concrete, and the floors in contact with wet water such as bathrooms, kitchens, balconies, terraces, basements, etc., ready-mixed concrete blocks, building foundations and stone floor slabs.

## Products

# Sustainability-oriented product efforts

**Kalekim shapes its product range by focusing on sustainability and innovation.**

Kalekim's new product portfolio offered to customers in 2022 includes:

**Tecnica 911 WP:** A liquid concrete admixture that increases the water impermeability of concrete by forming a crystal structure in the capillary spaces of concrete thanks to the special chemicals in its structure.

**Tecnica 922 WP:** A modified lignosulfonate-based concrete admixture that increases the impermeability of concrete against water absorption and adds fluidity to fresh concrete.

**Tecnica 923 WP:** A liquid concrete admixture, which reduces water absorption and increases water impermeability of concrete, Tecnica 923 WP, has been added to the Tecnica product family.

**Tecnica 352:** An epoxy-based, two-component, solvent-free finishing material that protects concrete and steel.

**4105 Tamirart SL:** An epoxy-based, double-component, solvent-free, and self-propagating adhesive that increases adherence between old and new concrete.

**Kalekim Level Joker:** A support and leveling apparatus patented by Kalekim that levels the differences in the adhesion of coating materials on the metal carrier construction in interior and exterior coating systems, supports the coating materials safely on the metal carrier construction, and adjusts the horizontal joint width of the coating materials, saving labor and time.

**Seracare Joint Paint:** A ready-to-use joint paint with high coverage that offers a quick and easy solution for renewing and replacing existing joint sealant colors.

**Seracare Joint Repairer:** An acrylic resin-based joint sealant repair paste with silicone that is flexible, non-cracking and non-collapsing, suitable for 1-6 mm joint spacing indoors, and offers an easy and fast solution.

**Bi'Boya / Kale Patina Comfort:** An acrylic emulsion-based, water-based, easy-to-apply, climate-resistant, semi-transparent, finishing exterior patina paint.

**Visuelle Stucco Calce:** A finishing interior facade decoration coating that is acrylic emulsion-based, lime-based, marble-like, ready-to-use, and glossy.

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.



## Marketing Activities

# Domestic and international marketing activities continue unabated

**Kalekim continues to strengthen its communication with its customers in all countries where it operates.**

Kalekim continues to strengthen its communication with its customers in all countries where it operates through master trainings, fairs, and various events both at home and abroad.

With digitalization actions in services offered to customers, paper waste was reduced, and the speed and level of service quality were increased. In addition, CRM integration of all marketing processes was completed.

### International Marketing Activities

Having brought its products together with consumers, practitioners, and professionals in 80 countries, Kalekim continued its marketing activities in 2022 with fairs and organizations in various regions of the world. Kalekim participated in the KievBuild Fair in Kyiv, the capital of Ukraine, and the Yugbuild Fair in Krasnodar, Russia, between February 16 and 18, 2022, introducing its construction chemicals and paint products as well as its decorative coating brand Visuelle to professionals abroad for the first time. Kalekim also participated in the Festiculture Fair held in Lyon, France, between May 13 and 15, 2022, the Construct Iraq Fair held in Erbil, Iraq, between May 24 and 26, 2022, and the Batimat Fair, which has an important place in the global market, held in Paris, the capital of France, between October 3 and 6, 2022, with the products and solutions it offers to the sector.

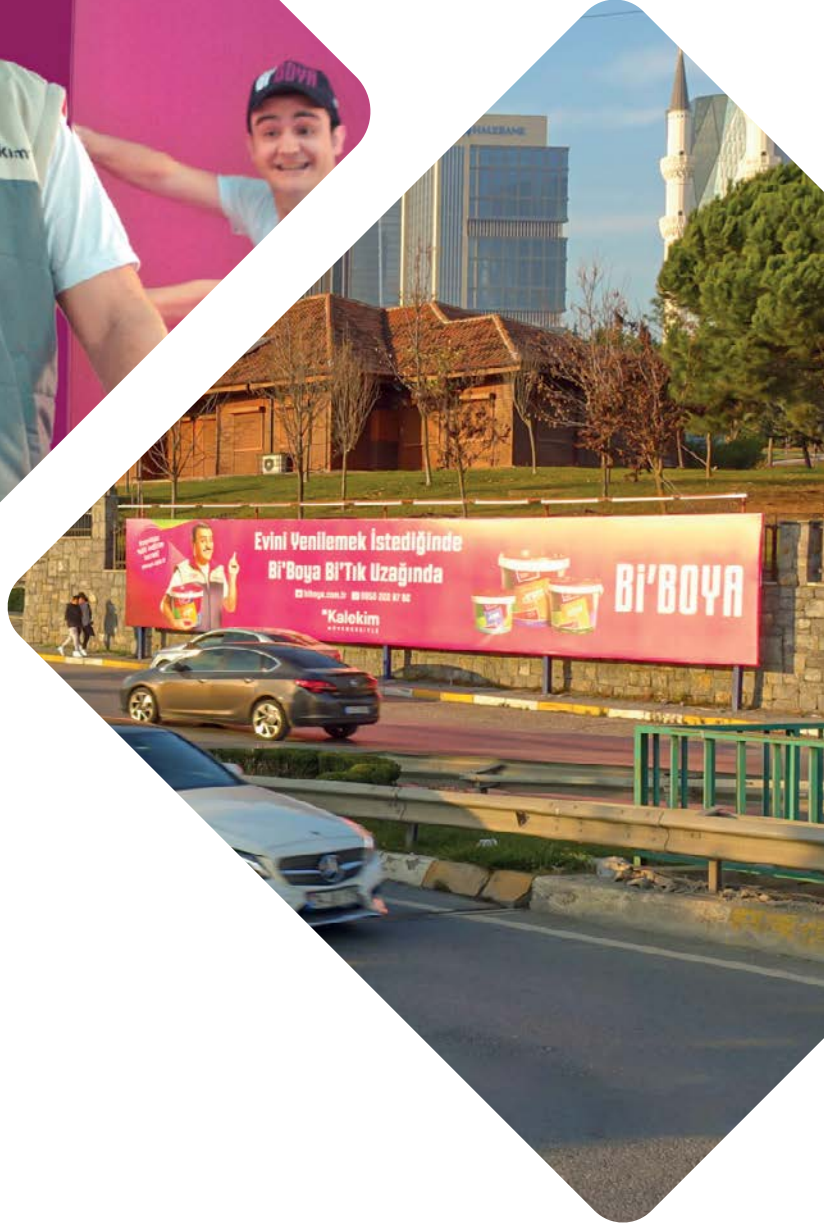
In 2022, Kalekim organized overseas training activities for practitioners, dealer employees, and professionals at different locations in TRNC, North Macedonia, Albania, Kenya, France, Georgia, and Iraq. Product, application, and technical solution details were shared during the trainings.

In April and May, a commercial with the theme “Kalekim company presentation” was broadcast on Albanian local television. In Erbil, Sulaymaniyah, and Duhok cities of Iraq, inner-city outdoor advertisement activities were carried out.

Within the scope of digital marketing activities, social media accounts were kept active and advertising activities were continued in target countries through Google Adwords activities, thereby enabling interaction with the target audience.

### Domestic Marketing Activities

Domestic Marketing Activities In 2022, Kalekim continued its trainings and seminars for masters, a target customer group in Türkiye. 12,807 paint and tile application masters participated in tile and paint application trainings and seminars held in 110 different locations across Türkiye. The Company has also met and contacted masters through live broadcasts on the Kalekim Master Club Facebook account.



Kalekim actively communicated with masters through the Kalekim Master Club social media accounts and organized campaigns for masters on Ramadan Eid, Father's Day, and June 11, Master's Day, which was dedicated to masters by Kalekim in 2022. As part of the June 11 Master's Day celebrations, a celebration film was prepared and shared on social media accounts.

Kalekim visited 1,202 craftsmen at construction sites throughout the year, communicated with them one-on-one, interviewed them about their wishes, requests, and expectations, and presented them with equipment they can use in their professional lives.

In the advertising campaign prepared for the Bi'Boya brand within the scope of the ongoing paint product group promotion activities in Türkiye, the commercial film, in which Bi'Boya stands by the consumer at every stage of the painting process, started with the consumer's question "Which paint is the most beautiful?" and was narrated by the famous actor Şinasi Yurtsever visiting the home of a young couple as a guest and painting their walls in the role of a master. The campaign was broadcast on TV, radio, and digital platforms in May and December.

In December, Bi'Boya billboards were installed at 23 different locations in Istanbul. In addition, the Bi'Boya e-commerce promotional film was broadcast on Modyo TV on Istanbul's subway and metrobus lines and the Bi'Boya promotional film was broadcast on Istanbul's Marmaray line.

Sales of all products and paint product sets prepared for digital platforms were also started in marketplaces. In addition, sales campaigns were organized for masters and end consumers on biboya.com.tr. Biboya.com.tr website UX design improvement efforts continued throughout the year.

## Marketing Activities

# Kalekim's products meet with consumers, applicators and professionals in 80 countries

**Kalekim sponsored the Mardin Biennial, bringing together people, who are engaged in cultural production in various parts of the world.**

In 2022, visits, information sharing, and promotional meetings continued for architects, the target audience of the decorative covering brand Visuelle, and display activities were carried out to increase visibility at sales points. New sales points and display applications were added for the Visuelle brand. A new sales point was established in Ankara and Visuelle display applications were designed for different Kalekim dealers, primarily in Denizli, Trabzon, and Istanbul. The activities specific to the architect and end consumer target audience in the Visuelle brand have also been featured in sectoral publications, especially on social media accounts.

A 360-degree virtual tour of the showroom, where different textures of Visuelle combining walls with design can be seen, is available on the website.

Kalekim sponsored the Mardin Biennial, which was organized for the fifth time in 2022, and contributed to the meeting of people who are engaged in cultural production in various parts of the world and who are at the forefront of this fictional proposition.

### **Targets for 2023**

In addition to the 50<sup>th</sup> Anniversary communication activities to be carried out in 2023, Kalekim will continue its sales and marketing activities unabated at home and abroad.

Within the scope of international promotion and publicity activities, Kalekim plans to participate in the following fairs:

- Kuwait Build – Kuwait
- Mosbuild – Russia
- Construct Iraq - Iraq
- Export Products Fair - Turkmenistan

Outdoor advertising activities will continue to be carried out in Northern Iraq and other regions of Iraq. In addition, Kalekim, which aims to carry out advertising activities in Russia, Romania, and Kenya, will carry out training and marketing activities in Kenya, France, and Russia.

Kalekim will continue its face-to-face seminars, social media campaigns, on-site visits, and focus group meetings for masters and increase interaction. On the other hand, various marketing campaigns and outdoor advertising activities are planned for the end consumer. Kalekim plans digital advertising activities, architect meetings and conversations, on-site visits, and advertising activities in printed and other media for architects, another target group.

In line with its strategic goals, Kalekim, which will continue to diversify its product range, has also planned UI & UX improvement works for its digital assets such as Bi'Usta, Bi'Renk, and kalekim.com.

Visuelle, which offers decorative covering products and services, is planned to be included in architectural application platforms to increase interaction with target customer groups.



## Investments

# Domestic and international investment activities continue unabated

**Kalekim made investments totaling TL 87.6 million in 2022 in order for its production facilities to continue their operations.**

Kalekim makes the necessary investments to ensure that the production facilities located in Istanbul, Isparta, Mersin, Yozgat, Mardin, Erzurum, and Balıkesir in Türkiye and in Albania/Tirana abroad continue to operate steadily. In 2022, Kalekim made TL 87.6 million worth of investments.

Kalekim completed its investment in the Mardin Dry Mortar Production Facility, which started in October 2021 to support Iraqi exports, in June 2022. As a result of this investment, the capacity of the Mardin Dry Mortar Production Facility increased from 90 thousand tons to 226 thousand tons. The total investment made in the facility until the end of 2022 amounted to approximately TL 39 million.

Technological and digitalization investments continue to increase paint production efficiency at the Balıkesir Facility. In this context, the palletizing system with fully automatic robotic arms was launched in November and the MES (Manufacturing Execution System) project was started in December in line with the scope of lean working systems.

The company also continues to purchase new equipment within the scope of R&D investments. In this context, TL 2.0 million worth of R&D investment was made in 2022.

On the other hand, Kalekim continued its investments in information technologies relentlessly and made IT investments worth TL 6.7 million in 2022.

In 2022, Kalekim continued to purchase color banks and purchased 19 color banks worth TL 3.6 million by the end of the year.

Kalekim completed the construction of an indoor stockyard worth TL 3.8 million in Atabey district of Isparta in order to increase the efficiency of filling production in Isparta in 2022.

In 2022, 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 2022, the amount spent is TL 15.2 million.



## R&D Activities

# R&D activities focusing on innovation and sustainability

**In 2022, Kalekim initiated raw material structure analysis studies in the Synthesis laboratory established within the R&D center.**

Kalekim continues to carry out its R&D, design, and innovation-oriented activities focusing on innovation and sustainability to support the strategies of the Company and increase its know-how by expanding its field of study every year. Operating with an advanced R&D laboratory infrastructure, Kalekim initiated raw material structure analysis studies in 2022 in the Synthesis laboratory it established within the R&D center in 2021 in order to expand the scope of future R&D activities and carry out deeper chemistry studies. With these studies, the search for partners to be included in the m-Era.net project within the scope of international incentives was initiated in 2022, and project plans were made with Pardubice University in Prague. m-Era.net project is expected to start in 2023.

Kalekim has made R&D expenditures\* amounting to TL 16.4 million in 2022.

In 2022, Kalekim increased its focus on innovation and sustainability in design processes and started to carry out product design and innovation processes via the Product Innovation Cocoon structure, which was formed with the participation of department representatives from R&D, Marketing, Supply Chain, Production Plants, Quality Management, etc. departments involved in the process. Product development and innovation activities are monitored in the Product Innovation Cocoons, which convene at certain intervals, and the progress of the projects is presented to the Innovation Executive Committee through quarterly presentations.

In 2022, six umbrella projects were completed at Kalekim R&D center and a total of 72 product recipes were published within the scope of these studies. In addition, 13 projects, for which the works have been initiated, continued in 2022, and the works will continue in 2023 as well. Four planned projects are scheduled to start in 2023.

### Completed Umbrella Projects:

- The development of products that complement the epoxy floor coating product line
- Developing of rapid-curing thick screeds, and PVC adhesives that will be used for PVC applications on that screeds.
- The efforts for 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
- Research of optimization/improvement and new product potentials in interior wall paint products

### Ongoing Umbrella Projects:

- 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

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



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**Kalekim has made R&D expenditures amounting to TL 16.4 million in 2022.\***

- Research of optimization/improvement opportunities and new product potentials in waterproofing products
- Development of products related to new application methods in exterior products
- Development of opportunities to contribute to sustainability in paint group products
- Developing opportunities to contribute to sustainability in construction chemical products
- Use of shear thickening fluids (STF) in construction chemical products

- Investment opportunities and product development project
- The effect of cement content changes on microstructure and performance characteristics in construction chemicals products
- Research of optimization/improvement and new product potentials in construction protection and reinforcement products
- Development of decorative and special-effect interior and exterior coatings
- Development of functional coating materials

**Planned Umbrella Projects:**

- Development of magnetic cleaning gel for historic buildings
- Monitoring microstructure and performance changes in cement-based products during the shelf life
- Creating sustainability opportunities through geopolymer-based product studies
- Updating the product range in the interior paint group in line with market dynamics

## R&D Activities

# Product development activities continue in the R&D Center

**25 new product studies were conducted in 2022, 37 optimization/improvement activities for existing products and 10 localization studies were completed.**

### 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 2022, 25 new product studies were conducted, optimization/improvement activities for 37 existing products, and 10 localization studies were completed.

Considering that they have an impact, especially in the field of innovation and sustainability, in 2022 with the studies on;

- Multi-purpose adhesive in polyaspartic structure, a product form that has no exact equivalent in the market was created by conducting research on different chemicals,
- Hydrophobic repair mortar that can be used for the repair of exterior facade sheets and provides solutions to different problems that are not available in the market was studied,
- Epoxy primers that can be used on different surfaces, hardeners with different chemistries were tested and finally, a product formulation with minimized negative effects on the environment compared to its competitors was reached,
- Powder-form products to be used for the restoration of historical monuments, it is planned to contribute to the preservation of the historical texture,
- Powder interior coating material, which minimizes water consumption, can be used and show performance

for multi-purposes, and the negative impacts on the environment of which are minimized with its ultra-low VOC content and biocide-free formula, is continued,

- Recycling project carried out within the scope of paint products, it is aimed to create a positive impact on sustainability and circular economy thanks to the planned studies on paint waste and recovery processes,
- Many decorative products in order to expand the product range and increase the export sales volume of the Visuelle brand, which was launched in 2021,
- Current product optimizations, the work was carried out, especially to reduce CO<sub>2</sub> emission sources/use substitute structures and improve performance.

The product studies initiated in 2022 will continue in 2023 with the same perspective.

In particular, we have internationally funded project ideas for product ideas that can be used for earthquake safety and pre-surface preparation for historical monument restoration processes, and the projects are planned to start in 2023.

In addition, three fundamental research studies carried out within the applied research laboratory to analyze structure-performance relationships continued. Within the scope of the current product optimization studies, TL 13.9 million was saved, and a turnover of TL 7.1 million was generated from the new products developed by R&D Department.

To support the product development activities carried out in 2022, 15 test methods have been developed and put into use. During the year, 340 alternative raw materials were examined in the construction chemicals group and 138 in the paint group. In 2022, a total of 120 customer complaints were reviewed and reported in the construction chemicals group and 159 in the paint group. Based on the requests from the customers, 360 special color studies have been completed. In 2022, 100 competitor product reviews have been completed in the construction chemicals group and 86 in the paint group.

In 2022, 3,799 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 2022, raw material/product studies were carried out for foreign investments such as Albania, Iraq, and Romania.

In 2022, intellectual property applications were filed for Bi'Boya Tek Kat Comfort, an interior paint that covers in a single application, and Wintertech technology, which allows cement-based products to be applied at temperatures as low as -10°C. Preliminary studies for patent applications of the Kalekim IOT Service package, which enables the use of IOT systems in construction chemicals products and polyaspartic multi-purpose adhesives, have been carried out, and applications for patents will be made in 2023.

As an output of product development and fundamental research activities, an article has been completed, and the work for two articles is ongoing in 2022. Efforts have been initiated to publish the completed article. Three of the R&D studies carried out with the support of the Applied Research team were presented at three international conferences (International Drymix Mortars Conference - Istanbul, International Polymer, Plastic and Composite Materials Conference - UK, International Conference on Engineering, Science and Technology Studies - Antalya) in 2022.

In order to support product development, method development, and testing, 10 cooperation studies with suppliers and universities are ongoing. Two of these cooperation studies have been transformed into projects within the scope of Open Innovation. The Open Innovation projects carried out with two companies from Türkiye and Canada will continue in 2023 as well. In 2023, it is planned to cooperate with two more companies within the scope of Open Innovation. Also, as part of the funded projects planned to be carried out in 2023 with international incentives, cooperation negotiations with partners from different countries (Spain, Italy, the Czech Republic, and Germany) are ongoing.



In 2022, four award applications were made by the Kalekim R&D Center. It is also planned to make award applications for different studies in 2023.

- ISO Green Transformation Awards-BiBoya Fresh Comfort Product
- Sustainable Business Awards-Izolotex 1K/Multi-plant structuring and sustainable product development studies
- Golden Plumb Corporate Idea Award-Kalekim IoT Service Package

Kalekim R&D center plans to make presentations at six international conferences in 2023 as an output of the fundamental research and product development activities carried out in 2022.

- International Conference on Construction, Energy, Environment and Sustainability (Portugal)-Hydraulic Lime Characterization Method
- International Conference on Structural and Civil Engineering Research (Spain)-Performance monitoring with compressive strength in triple-bonded systems by using the Internet of Things technology
- International Conference on Surfaces, Interfaces and Coating Technologies (Portugal)-Development of thermomechanical properties of two-component castor oil-based polyurethane adhesive by using 3-glycidioxypropyltrimethoxysilane and carbodiimide
- European Coatings Show (Germany) - Development of a multifunctional powder interior coating material with a sustainable perspective
- European Ceramic Society Conference (France)-Development of flexible waterproofing material using geopolymers as a substitute for cement
- International Summit on Biopolymers and Polymer Science (Belgium) - Examination of dissolution kinetics of polymer used in powder interior coating material at different application temperatures



## Information Technologies

# Fast, reliable, and result-oriented infrastructure efforts in digital transformation

**Kalekim continues, within the scope of the digital transformation project, to renew and continuously improve its infrastructure by utilizing the capabilities of technology.**

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. In 2022, the application development and integration phases of the portal will be completed and go live in the first quarter of 2023.
- 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. In order to communicate with customers through different channels, the Salesforce Digital Engagement module was started to be used actively in 2022.
- 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, the work to conduct data analytics and cross-sales algorithms digitally was completed.

- 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

The centralized management of biboya.com.tr, kalekim.com, and SAP & kalekim.com infrastructure to support e-commerce, media center development was ensured through the installation of the PIM (Product Information Management) tool in 2022 in order to improve the product master data structure and develop the master data management structure. In 2023, different integration sources are planned to be included.

### 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. For the heading of the development of a market-oriented product management structure, PLM Product Lifecycle Management conceptual studies were carried out and the implementation was started in 2022. In 2023, Phase 2 of the implementation is planned to cover mainly R&D and marketing processes and necessary integrations with external systems.



### Learning Management Systems

The Employee Training and Learning Portal, the first phase of LMS portals covering the employees of the organization and dealers in the customer ecosystem and supporting continuous self-directed learning with a user-friendly interface from a central source, went live in 2022. In 2022, the project roadmap and details were determined, and the Dealer Employee-Authorized Service Portal is planned to be activated in 2023.

### Supplier Relationships Management

A project is planned for the SRM Supplier Relations Management application in 2023 to systematically and on a group-wide basis evaluate the strengths and capabilities of suppliers in relation to the overall business strategy, determine which activities we will engage in with different suppliers, and plan and conduct all interactions with suppliers through digital media.

### 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.

In 2023, the project to digitalize the production management processes of the Dry Mortars enterprise, also located in Balikesir, will be initiated. After the project, which is determined as a template, its dissemination to other enterprises will continue in the following phases and years.

### 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.

### Process Developments

SAP PaPM module: In the last quarter of 2022, infrastructure work has been completed for implementation, and efforts are underway to enable profitability and performance analysis in the desired complexity and detail.

### Kalekim Lyksor Integration

In parallel with all IT technical infrastructure and applications, the works to ensure a working environment in compliance with Kalekim systems, procedures, policies, and instructions were completed in 2022. It is aimed that Kalekim Lyksor users will also have access to and benefit from Kalekim standards such as ERP, local and remote area network environments, operating systems, office applications, and it is planned to continue to work in parallel with these aims in 2023.

### ISO27001 ISMS Certification

In June 2022, as a result of the audits conducted by TSE in multiple locations and multiple departments, Kalekim was awarded a certificate for the establishment and operation of an information security management system in accordance with ISO 27001 standards.

## Human Resources

# Honest, efficient, reputable, customer-oriented human resources practices

**Customer orientation, efficiency, honesty, respect, trust, openness, social responsibility, teamwork, quality, and continuous improvement are also the basic values of Human Resources Management.**

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 10 Production Facilities, 8 Regional Sales Offices, and a widespread sales network in Türkiye, employs a total of 481 people, 278 of whom are paid monthly and 203 of whom are paid hourly, as of the end of 2022.

### Working Conditions

Working hours of the Kalekim General Directorate office are between 8:00 and 18:00 on weekdays; in enterprises, working hours are set in shifts from Monday to Saturday. General Directorate employees can work remotely based on their roles.

### Remuneration 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 at the beginning of 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.

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.

## Human Resources

# Sustainable and learning organization culture in human resources

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

## 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
- Foreign Language Training

## Training Hours

In 2022, a total of 21,603 hours of training was organized, including 11,430 hours for monthly paid employees and 10,173 hours for hourly-paid employees.

	Training Hours	Number of Participants*	Person/Hours
Monthly Paid	11,430	239	48
Hourly Paid	10,173	170	60
<b>Total</b>	<b>21,603</b>	<b>409</b>	<b>53</b>

\* Excludes Kalekim Lyksor employees.

## 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, Deputy General Manager, Vice President, 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/Expert, and Expert Assistants 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. As of 2022, Kalekim has eight internal trainers.

### **Internal Communication**

Kalekim has a Motivation and Internal Communication Committee consisting of employees selected to represent all teams in order to carry out various internal communication activities throughout the year for the purpose of providing information to employees in different areas other than work, creating a positive working environment, increasing loyalty and satisfaction, and supporting sustainability. The Committee supports the creation of synergy for Kalekim employees in different locations to act in harmony.

Kalekim employees are also informed at certain intervals through the internal communication bulletin “Biz'den Haberler (News 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 Loyalty Survey**

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

According to the results of the Employee Loyalty Survey conducted in 2022, the satisfaction rate and loyalty rate of Kalekim employees were determined as 81% and 69%, respectively.

### **Employee Experience Design**

There is an employee experience team consisting of nine different personnel in order to update the practices according to the experiences and expectations of Kalekim employees and start using new practices within the company. The “Kalex” experience team focused on ideal recognition, appreciation, and rewarding processes in order to improve the recognition, appreciation, and rewarding experiences of Kalekim employees and created recognition and appreciation mechanisms to be used in the coming years by conducting various studies.

### **Recognition Appreciation Model**

With the Recognition Appreciation Model, a recognition and appreciation model based on the basic principles of fair, timely, rewarding effort, systematic, sustainable, and making-feel-valued is used in order to achieve sustainable success, ensure employee loyalty, strengthen employee experience, and become an innovative organization.

### **From Us to Us Mentoring and Reverse Mentoring Program**

From Us to Us Mentoring programs were initiated to strengthen technical, managerial and relational skills, transfer our culture and values across generations, experience new ideas, and gain new perspectives; and From Us to Us Reverse Mentoring programs were launched to increase intergenerational information sharing and communication, provide the younger generation with first-hand access to company stories and the experiences of senior management, increase loyalty, adopt an open attitude towards new ideas and innovations, and gain a global perspective. In 2022, a total of 21 employees participated in the program as Mentors, Mentees, and Reverse Mentors.

### **The Program for the Creating and Developing Innovation Culture**

The Program for the Creation and Development of Innovation Culture was initiated to create and develop an innovation culture at Kalekim, provide employees with competence in this field, and create an environment that will enable the development of innovative ideas. At the end of the six-month process, cocoons consisting of six different teams will experience the entire process from the birth of an idea to its implementation and will become innovation culture ambassadors for the following periods. The program is shared through bulletins published within the Company and the dissemination of the culture throughout the Company is supported.

### **The Human Resources activities in 2022 are as follows;**

- In line with strategic priorities, the Company's values and new generation competency needs were taken into consideration and the values and competency model was revised.
- The infrastructure and installation phases of the “Kale Campus - Digital Learning Management System” project, which has been initiated as part of the development program, were completed and launched.
- With the Kale Masters project initiated within the scope of Internal Training, eight employees have become internal trainers, and the training videos of three internal trainers were filmed and uploaded to the Digital Learning Management System.
- To create and develop an innovation culture at Kalekim, provide employees with competence in this field, and create an environment that will enable the development of innovative ideas, the Program for the Creation and Development of Innovation Culture was initiated.

## Human Resources

# In-house common culture and teamwork

**The Castles of the Future aims to create a common culture and strengthen teamwork in Kale Group.**

- Kalex Employee Experience Team was established. The Team analyzed existing practices and employee expectations and created the Kalekim Recognition Appreciation System.
- A remote working model was launched for General Directorate positions.

## 2023 Targets

- Establishment and standardization of HR policies for organizational structure and other needs within the scope of overseas investment activities
- Establishing and increasing employee competencies in the fields of data analysis and big data management that will be created within the scope of digital transformation projects
- Implementation of the digitalization issues planned as Human Resources under the heading of digital initiatives
- Determining the technical competencies of positions within the scope of talent management, and after conducting current situation analysis and gap analysis, updating Individual Development Plans for all employees by taking into account the new competency set as well
- Creating an academy infrastructure for production workers
- Internalization, implementation and monitoring of the Kalekim Recognition-Appreciation System

## Number of Employees

Grand Total	481
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## Educational Background Distribution

PhD	3
Master's Degree	52
Bachelor's Degree	187
Associate Degree	56
High School and Lower Degrees	183

## Gender Distribution

Male	391
Female	90

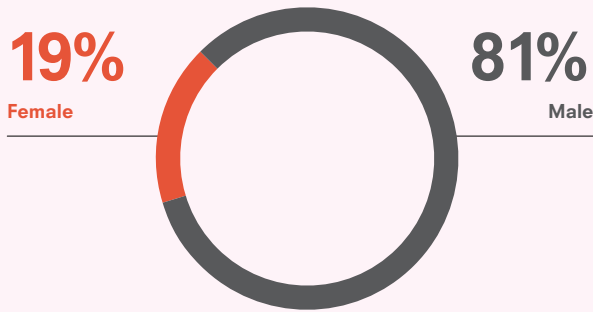
## Seniority Range

0-1 year	60
1-3 years	105
3-5 years	95
5-8 years	38
8-10 years	33
10-15 years	53
15-20 years	48
20+ years	49

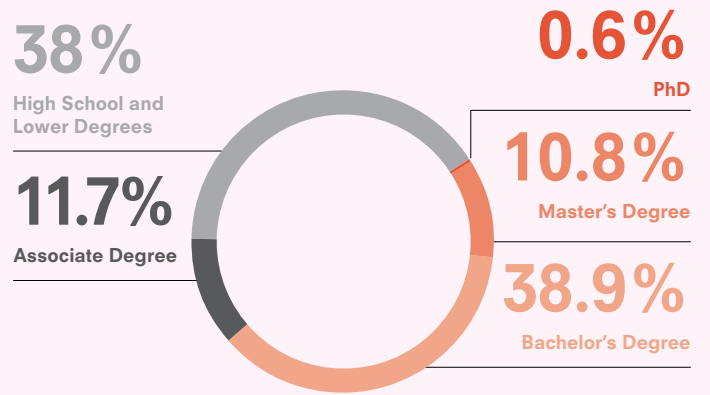
## Age Range

21-25	31
26-30	74
31-35	110
36-40	95
41-45	83
46-50	54
51-55	28
56 +	6

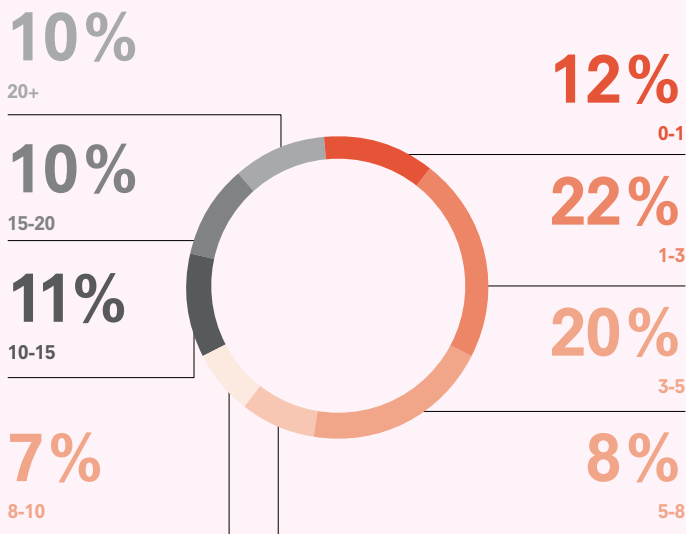
### Female-Male Employee Distribution



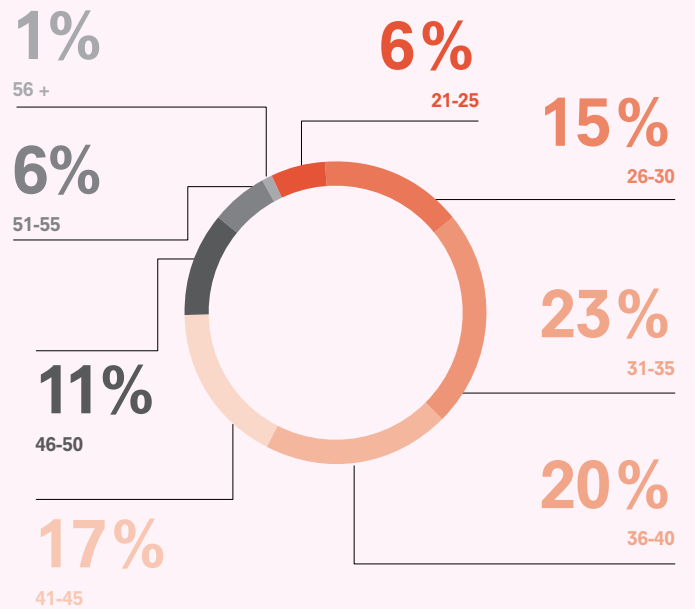
### Educational Distribution



### Seniority Distribution



### Age Distribution



## Sustainability Approach

# Focal point of sustainability in all areas of activity

**Kalekim, which includes “Sustainability” strategy among its corporate strategies, continues to implement sustainability projects.**

With the developing world, increasing needs lead to an increase in demands, and demands lead to faster consumption of existing resources. The process experienced in the last few years has shown us all that the Earth’s resources are not unlimited. Neither we nor the world has no time to waste in this regard anymore. Therefore, Kalekim considers it a pleasing development that sustainability is among the important topics of the world today. At this point, sustainability and efficient use of resources have become much more important for companies than profit. However, it is not sufficient to address sustainability from a single point of view. Sustainability must be addressed together with its environmental dimension to protect natural resources and environmental heritage, its economic dimension to create employment and income by protecting the population, and its social dimension covering issues such as welfare, social benefit, health, safety, education, and employee rights.

Kalekim addresses all components with a holistic approach while formulating its sustainability strategies and policies. Kalekim, which includes “Sustainability” strategy among its corporate strategies, continues to implement sustainability projects. While investing in technology and human resources, on the one hand, it strives to protect the world with sustainable products, projects, and practices on the other.

Kale Group and its companies have internalized the sustainability approach since their establishment, prioritized projects that create value, and implemented their activities. Sustainability constitutes the focal point in all areas of activity.

For 65 years, Kale Group has been working for a better world and a better future in every step it takes from production to design. In line with this understanding, the “Care For Your World” movement was initiated with the goal of creating sustainable value. 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.

### **Purpose of Sustainability**

It is to leave a more livable planet for future generations by focusing on creating value on the basis of economic, environmental, and social dimensions in line with the strategies.

The targets and action plans were determined by taking into account the strategies, the Care For Your World movement, the United Nations Sustainable Development Goals, the Global Compact, stakeholder expectations, and sectoral priorities.

### **Risk and Opportunity Analysis in Sustainability**

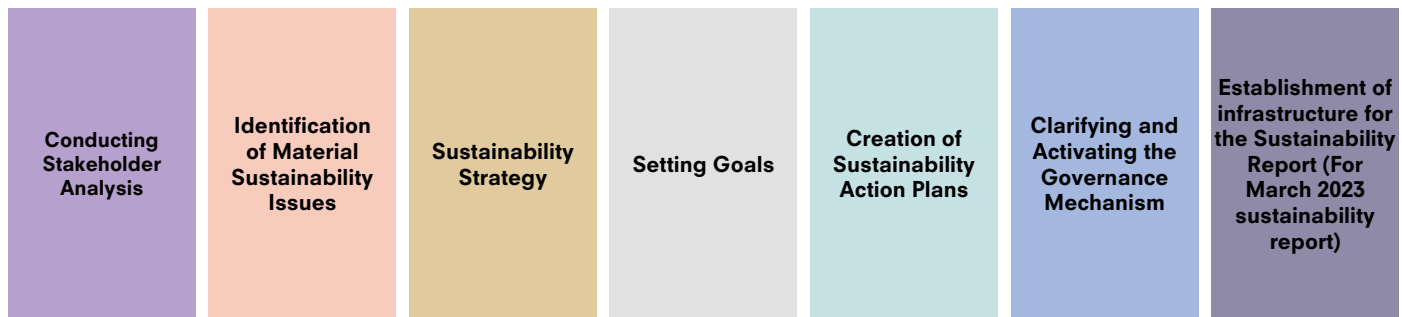
At Kalekim, risks are managed in line with the “Risk Management Policy”. The risks are defined under five main categories: financial, strategic, operational, compliance, and external risks; impact and probability analyses are performed; their degrees are determined and prioritized in line with five-point scales. 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. 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. "Sustainability Risk" is included in our corporate risks. This risk definition includes failure to adapt to the themes of combating climate change, circular business model, sustainable products, and employee and community well-being. Operational risks related to these risks are included in the process risks as well. Kalekim continues its efforts to raise the level of awareness in the company and society on

this issue through the Sustainability Committee. Decisions and actions taken against risks are defined as opportunities. Opportunities are identified together with process owners, evaluated by taking into account the impact and probability matrix, the path to be followed for each of the evaluated and prioritized opportunities, and the responses to be given according to the opportunity appetite are determined. Opportunity responses are categorized as feasible, traceable, and non-feasible.

### Sustainability Activities

Within the scope of sustainability, a 7-step roadmap was created for 2022. The roadmap was regularly reviewed and monitored by the Sustainability Committee.



#### 1. Conducting Stakeholder Analysis:

The current situation analysis aims to establish a more systematic approach to sustainability management by revealing the current situation of Kale Group and its companies according to the sustainability leadership assessment and bring a strategic perspective to the most material social, environmental, and corporate governance issues that will create value for stakeholders.

Stakeholder analysis was carried out in order to reveal the material social, environmental, governance, and economic issues that will create the greatest impact and value for Kalekim and its stakeholders, include stakeholder opinions in strategic processes by taking stakeholder opinions through a wide sample group, and seek stakeholders' opinions on the Company's activities.

#### 2. Identification of Material Sustainability Issues:

##### Sustainability Priorities

Stakeholder requirements and expectations, industry and Kale Group priorities, strategies, and policies have been established in line with short/medium and long-term targets.

## Sustainability Approach

# Priorities set in line with the objectives

The prioritization study points out the areas where Kalekim should focus on sustainability and where its impact is high.

### Prioritization Method

The prioritization study is conducted to identify the areas that the Company will focus on. This is **not a performance evaluation study**, but only points out areas where the Company should focus on sustainability and **where it has a high impact**. This matrix assesses critical economic, environmental, and social issues. **It maps the economic, environmental, or social issues on which the Company has a great impact.**

Importance for stakeholders





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**Kalekim manages sustainability in line with the “Care For Your World” movement and Kale Group’s sustainability strategy.**

Issues	
R&D and Innovation	1
Greenhouse Gas Emissions and Energy Management	2
Resource Utilization and Operational Efficiency	3
Clean Technology Investment	4
Circular Economy and Waste Management	5
Supply Chain Management	6
Water and Waste Water Management	7
Product Management	8
Occupational Health and Safety	9
Customer Orientation and Customer Experience	10
Digitalization	11
Biodiversity	12
Risk Management	13
Fair Working Environment and Employee Rights	14
Social Investments	15
Talent Management	16
Stakeholder Relations	17
Equal Opportunity, Diversity, and Inclusion	18
Business Ethics	19
Information Security and Customer Privacy	20
Transparency	21
Compliance	22

## Sustainability Approach

# “Care for Your World” movement

**Kale Group’s sustainability strategy consists of Sustainable Business Model, Energy & Resource Management, Cultural Transformation, and Social Benefit.**

### 3. Sustainability Strategy

Kalekim manages sustainability in line with the “Care For Your World” movement and Kale Group’s sustainability strategy. Kale Group’s sustainability strategy consists of Sustainable Business Model, Energy & Resource Management, Cultural Transformation, and Social Benefit.

### 4. Setting Goals

Within the framework of the sustainability strategy and the “Care For Your World” movement, sustainability targets integrated with material sustainability issues were identified. Stakeholder analysis and material sustainability issues constituted an important input in goal setting. Sustainability goals are integrated with processes and business conduct. Short-, medium- and long-term action plans were developed by working groups to achieve the goals. Both the goals and action plans were started to be monitored with the approval of the sustainability committee.

### 5. Creation of Sustainability Action Plans

In order to support the sustainability goals, working groups prepared Action Plans on how the 2030 and 2050 goals will be achieved. The action plans were finalized with the approval of the Sustainability Committee.

The actions planned to achieve the goals are monitored by the Sustainability Committee at specified intervals.

### 6. Clarifying and Activating the Governance Mechanism

At the Kale Group, sustainability studies are managed by the Vice President 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, Working Groups, Volunteers Platform, and Communication Unit.

### 7. Establishment of infrastructure for the Sustainability Report

Kalekim aimed to publish its first sustainability report in March 2023, including data for 2022. In this context, performance indicators were diversified, a sustainability report writing team was created and trainings were provided. Kalekim aims to publish its sustainability report according to GRI standards.





### Sustainability Activities

Kalekim conducts carbon footprint measurements every year to evaluate its impact on the environment. Thanks to the actions taken in this context, the CO<sub>2</sub> emission rate has been reduced by 21% in the last 8 years, and carbon emission reduction equivalent to 6,910 tree plantings has been achieved by preventing carbon emissions to nature. In achieving this success; getting closer to the market and raw materials with multi-plant structuring, producing raw materials by itself in some locations, and implementing a supplier development program have been effective.

Within the scope of the circular economy, the Company cooperates with EAGD (the Association for Supporting the Recycling of Electronic Waste) and supports education by recycling the electronic waste generated at its facilities.

Having adopted the Responsible Care Principles, a voluntary program, in 1993, Kalekim continued to work in this direction in 2022 as well.

Standards related to product quality and safety (TSE, CE, CSTB, G, etc.) are followed and compliance with these standards is reviewed through internal (Marketing, R&D, Quality Control, Quality Management, Export departments) and external (TSE, Provincial Directorate of Environment, Urbanization and Climate Change, CSTB) mechanisms.

Various sports events are organized for company employees, and master training seminars/trainings are held at various locations and online.

In order to increase energy efficiency, electricity consumption was measured, LED lighting was installed, and the number of photocell lighting fixtures was increased. In 2022, 686,230 kWh of energy savings were achieved through energy efficiency efforts. This prevented the release of about 341 tons of carbon and saved energy equivalent to the average annual electricity consumption of 225 households of four people.

In order to follow the agenda on sustainability and contribute to the industry by sharing company opinions/suggestions, the Company took part in working groups in various sectoral associations (TKSD, BOSAD, İZODER, İMSAD, ÇEDBİK) and shared its sustainability efforts with stakeholders in various sectoral magazines/journals (İnşaat Dünyası [Construction World], Yapı İnşaat Malzemeleri Dergisi [Journal of Building Construction Materials]).

In order to improve sustainability processes, benchmarking was carried out with companies that have good practices in their fields. In 2022, process benchmarking was carried out with 2 companies in terms of sustainability.

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 2022 are as follows:

Suppliers, joint ventures, contractors:	98%
Society:	94%
Business and Governance Stakeholders:	99%

## Sustainability Approach

# Efficient use of natural resources

**Natural resources will be used efficiently, and measurements and plans will be made for renewable energy and water efficiency.**

### Planned Sustainability Actions

Efforts to reduce the carbon footprint will continue in the coming period. Natural resources will be used efficiently, and measurements and plans will be made for renewable energy and water efficiency. Within the scope of renewable energy, it has been decided to establish a solar energy system in 2023, primarily to meet the needs of the group, within the scope of both cost reduction goals and sustainability studies, taking into account the increasing natural gas and electricity prices. It has been decided to install 5 MWe (MegaWatt Inverter) on 99,520.07m<sup>2</sup> of the 171,477.07m<sup>2</sup> area in 5 different parcels at Yerköy Kale Seramik Special OIZ address, and 0.96 MWe on the Balıkesir factory roof, 5.96 MWe in total, and make an investment of approximately USD 6.0 million.

Kalekim, 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, stakeholders' needs and expectations are analyzed using feedback surveys conducted 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 companies with their practices, Kalekim will continue to expand its ecosystem and create different business associations.

Kalekim, which will continue to improve its works on innovation and digitalization, will carry out works 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. It has activated activities related to the reuse of packaging materials by including circular economy in many innovation projects. It has also started to use recycled raw materials in some of its product packaging.

In line with the life cycle analysis of its products, Kalekim has initiated works to design its products based on recycling and upcycling principles and circularity from the design stage to the end of their lifecycle.

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

To create "Common Value" through Sustainability Activities in 2023, it has continued its activities on;

- The development of the sustainability management system structure,
- The implementation of the strategic framework (implementing economic, environmental, and social projects in line with sustainability priorities),
- The dissemination and internalization of sustainability culture.



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**A total of TL 23,136,200.63 in savings was achieved with the completion of operational excellence efforts.**

**2022 Sustainability Highlights**

At Kalekim, we continued taking steps that are Socially Responsible and will make a difference in society in 2022. The seeds of many of our projects were sown in previous years, and we see the positive effects of these projects in 2022 as well. In addition to its financial success, Kalekim has also taken very effective steps in terms of sustainability.

- Two patent applications were filed for Bi’Boya Tek Kat Comfort, an interior paint that covers in a single application, and Wintertech technology, which allows cement-based products to be applied at temperatures as low as -10oC.
- In 2022, 4 award applications were made within the scope of the studies carried out at Kalekim R&D Center with a focus on sustainability and innovation.
- In Kalekim R&D center, 6 umbrella projects were completed and within the scope of these studies, 25 new products, 37 existing product optimization/improvement studies, and 10 localization studies, as well as recipe studies for 72 products were finalized.
- By including the ISO 27001 Information Security Management System in its management systems, it has taken important steps to protect the personal data of its stakeholders.
- Sustainability targets were set in order to concretize transparent communication with stakeholders and demonstrate progress.
- As a result of optimization in production processes and transition to energy-efficient equipment, 116 tons of CO<sub>2</sub> emissions were prevented with 232,694 kWh of energy savings compared to 2021, which is equal to the amount of CO<sub>2</sub> removed from the atmosphere by approximately 9,666 trees per year.
- By producing raw materials by ourselves and thanks to the supplier development program in nearby locations, 3,967 tons of CO<sub>2</sub> was reduced and savings equivalent to planting 9,675 trees were achieved.

- The improvement in the use of 10% recycled raw materials in product packaging saved 38,437.5 kWh, equivalent to the annual average electricity consumption of 13 households of four people.
- Approximately 32 tons of the packaging put on the market was produced from recycled packaging materials.
- A total of TL 23,136,200.63 in savings was achieved with the completion of operational excellence efforts.
- Approximately 71% of the waste from the plants was sent for recycling.
- Although the amount of water used per product remained the same as a result of water-saving efforts, water consumption in production decreased from 37% in 2020 to 31% in 2022.
- Within the scope of the Program for the Creating and Developing Innovation Culture, 61 employees took part in innovation cocoons.
- “Kale Campus”, a digital learning management system, was designed to support all employees in their training and development journey and provide a personalized learning experience and made available to all employees as of 2022.

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



## Environment

# “A Better Environment, A Happier Life” approach in Environmental Policy

**Kalekim’s Environmental Policy includes the commitment to “Respecting the environment, creating environmental value, using natural resources effectively and efficiently, and managing risks and opportunities effectively”.**

### 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 Policy includes, in particular, the commitment to “Respecting the environment, creating environmental value, using natural resources effectively and efficiently, and managing risks and opportunities effectively”.

To achieve the goals and objectives contained in the 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 planned and carried out various projects and activities within the scope of the environmental dimension of sustainability studies. In 2022, 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 two production facilities of Kalekim, it was decided the Environmental Permits would continue.
- 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 were made in 2022. In 2023, the environmental permit application will be made.
- It has been determined that all suppliers, except for one company, have fulfilled their obligations by managing the necessary work 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 2022.
- Saplings were planted on 24.02.2022 with the participation of Mersin Plant employees and on November 11, 2022 with the participation of 60 employees at all locations during the 'National Afforestation Day' event organized for the March 21-26 Forestry Week.
- Starting from February 01, 2022, three saplings were planted for each new recruit. The Tema Foundation Certificate for the planted saplings is included in the Welcome Kit and shared with the employee when he/she starts work.
- Synergy Meetings were held quarterly at all facilities with the participation of Environmental Officers and Environmental Representatives.
- The emergency action plans have been reviewed by conducting drills to be prepared for environmental emergencies.
- Environmental risk notifications received from employees through the suggestion and risk system were analyzed and improved.

## Environment-oriented activities carried out in line with the sustainability strategy

### Goals

Kalekim will continue environment-oriented activities carried out in line with its sustainability strategy in the coming periods. Within this scope, the Company plans to implement the following projects in 2023:

- Studies on analyzing the points where waste is generated and analyzing, reducing, and preventing at its source the waste sent for recycling
- Water footprint studies
- Mechanisms to increase the efficiency of domestic water (sensor applications, etc.)
- Balıkesir treatment plant effluent recovery
- Raising employee awareness and consciousness
- Research on the collection of rainwater and its use as irrigation water
- Research on gray water application and reuse of gray water
- Prioritization of sustainable product studies in innovation cocoons
- Recycled packaging use projects
- Pallet use project within the scope of circular economy
- Reusing materials or using recycled raw materials
- SPP installation
- Supplier development efforts to reduce environmental impact
- Feasibility studies for using electric/hybrid vehicles as company/shuttle vehicles
- Process efficiency (right product in one go)
- Providing input from operational excellence efforts
- Transportation/route optimization for field sales and employee shuttle vehicles
- Reducing the amount of waste through the studies carried out in the circular economy (reducing the number of vehicles for waste)
- Reducing the size of the waste using the press machines and minimizing the number of transfers by vehicles

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**The emergency action plans have been reviewed by conducting drills to be prepared for environmental emergencies.**

## Occupational Health and Safety

# Occupational health and safety activities carried out with the zero-accident goal

**As a result of occupational health and safety activities carried out with the zero-accident goal, the number of accidents with lost days decreased by 14% in 2022 compared to 2021.**

### 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 followings to all its shareholders;

- Ensuring business continuity by effectively **managing risks, opportunities, and resources,**
- Complying with the legislation and applicable conditions, preventing occupational accidents and diseases, **creating a safe working environment,**
- **Achieving operational excellence** by increasing continuous improvement and efficiency in all activities.

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 2022

As a result of the occupational health and safety activities carried out with the zero-accident goal, Kalekim reduced the number of accidents with lost days by 14% in 2022 compared to 2021.

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 36 of the 42 points where REBA analysis was conducted in 2022 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 two months) in six 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.

Conducting workplace environmental measurements (noise, dust, vibration, volatile organic compounds, thermal comfort, etc.) every two years in order to create a safe and healthy working environment in all its facilities, Kalekim updated the Explosion Protection Documents it had previously prepared within the scope of the "Directive on the Protection of Employees from the Hazards of Explosive Atmospheres" in all its facilities in 2022, reviewed its risky areas, and planned the necessary improvements.

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.

Kalekim has carefully followed and implemented the measures taken by the Ministry of Health and competent authorities due to the COVID-19 pandemic.

It manages its occupational health and safety activities through the Meditek information system in all its facilities. 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.

## Occupational Health and Safety

# Activities planned to be implemented in the future with the zero-accident goal

**Many improvements are planned to be made in the coming period in line with the development of an occupational health and safety culture and the zero-accident goal.**

### 2023 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 emergency management,
- Increased safety measures at loading ramps,
- Development and improvement of machine safety systems,
- Development of fire extinguishing systems,
- Continuing ergonomic improvement efforts,
- Development of a locking and tagging system,
- Improvement of the raw material printing area,
- Development of subcontractor management system,
- Development of the work permit system,
- 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. In 2023, it is planned to conduct a baseline assessment according to this model.

## Corporate Social Responsibility Projects

# Circular project investments generating positive impact are prioritized

**Kalekim focuses on creating local development and social benefit by “caring for” the world and people and values circular projects generating positive impact.**

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, vocational courses were provided through KSV, and the Construction Technical Teachers were supported with in-service training.

### Open Door Days

Students from the Department of Industrial Engineering and the Department of Chemical Technology of Erzurum Atatürk University and students from the Chemistry Department of Mardin Fehim Adak Vocational and Technical Anadolu High School were hosted at the plant and assisted in their project work. Also, in June 2022, we hosted a delegation of teachers from Turkish Cement Vocational and Technical Anadolu High School in our Istanbul Facility and provided information about our company.



## Corporate Social Responsibility Projects

# A blood donation campaign was organized

**In September 2022, a blood donation campaign was organized by the Red Crescent at all locations with the participation of employees, and 70 Kalekim employees participated in the campaign.**

### Experience Sharing

Our different managers attend experience-sharing meetings at various universities (Marmara University, Istanbul Aydın University, Gelişim University) and share their experiences on business life with students.

### Creating Traditional Playgrounds in Schools

With the participation of Kalekim volunteers, traditional playgrounds were created in 3 schools in Bursa, Mardin, and Yozgat using our own paints to encourage children to play in the fresh air.

### Mardin Facility and AFAD Cooperation

Following the flood disaster in Pakistan, an aid campaign was launched in Mardin with the leadership of AFAD. Kalekim voluntarily took part in the palletizing, stretching, and loading of the flour bags collected for those affected by the natural disaster.

### World Hygiene Day

On September 17<sup>th</sup>, World Hygiene Day, as part of the campaign initiated by "Let's Do It! Türkiye", the world's largest civilian garbage collection movement, of which Kalekim is a supporter, volunteers took to the field in line with the 'Care For Your World' movement.

### Istanbul Marathon

The 44<sup>th</sup> Istanbul Marathon was held on November 6 with the participation of approximately 60 thousand runners, including 30 thousand athletes from 102 countries. "Kale Volunteers" also took their place among the thousands to support children with Cerebral Palsy.

### Blood Donation

In September 2022, a blood donation campaign was organized by the Red Crescent at all our locations with the participation of our employees. A total of 70 employees participated in this campaign.

### Drilling Water Wells

On April 20, 2021, a water movement was established to drill water wells in Gambia within the scope of the 'Kale Volunteering Program'. With the cooperation of 'Sen de Gel (You also Come) NGO', within the scope of the event, which can be supported by shopping through the Kale Goodness Platform, Kale Group drilled six water wells in the Gambia in March 2022.

### Blue Caps Collecting Campaign

With the blue bottle cap collection campaign, blue bottle caps are collected in all facilities. In this context, 38.6 kg of blue caps were collected and delivered in 2022. In the coming period, the blue bottle caps collected will be sent to the Spinal Cord Paralysis Association of Türkiye and battery-powered and manual chairs will be distributed to those in need.

### Establishing Technology Classrooms

Within the scope of the circular economy, in order to recycle the electronic waste generated at the facilities and to support education, in 2022, 3 technology classrooms were established in schools needing it, in cooperation with EAGD (the Association for Supporting the Recycling of Electronic Waste).





# Agenda of the Ordinary General Assembly Meeting

## KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET AŞ.

### 2022 ACTIVITY YEAR ORDINARY GENERAL ASSEMBLY MEETING AGENDA

dated 31.03.2023

1. Opening and election of the Presiding Board,
2. Reading and deliberation of the Board of Directors Annual Report for the 2022 activity year,
3. Reading the summary of the Independent Audit Firm's Report for the 2022 activity year,
4. Reading, discussing, and approving the consolidated CMB and TCC balance sheet and profit and loss accounts for the 2022 activity year,
5. Release of the Members of the Board of Directors due to their activities and transactions in the 2022 accounting period,
6. Discussing and resolving the proposal of the Board of Directors regarding the dividend distribution for the fiscal year 2022,
7. Discussing and resolving the amendment of Articles 3 and 9 of the Company's Articles of Association, which have been approved by the Capital Markets Board and the Ministry of Trade of the Republic of Türkiye,
8. Discussing and deciding on the determination of the numbers and election of members of the Board of Directors and their terms of office,
9. Discussing and deciding on the membership remuneration of the members of the Board of Directors for the 2023 activity year,
10. Providing information about donations and aids made in the 2022 activity year and discussing and deciding on the donation limit for the 01.01.2023 - 31.12.2023 activity year,
11. 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 2023 activity year,
12. Authorization of the Board Members to perform the transactions set forth in Articles 395 and 396 of the Turkish Commercial Code;
13. Providing information to shareholders about the guarantees, pledges, and mortgages issued by the Company in favor of 3<sup>rd</sup> parties in accordance with the regulations of the Capital Markets Board, as well as income or benefits they have generated,
14. Closing.

## Profit Distribution Proposal for 2022

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

Resolution Date: 09.03.2023

Resolution No.: 2022/17

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, İSMAİL ERDAL AKKOÇOĞLU

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, it was approved unanimously that the distribution of gross profit of TL 115,000,000 (one hundred fifteen million Turkish Liras), corresponding to the gross cash dividend of TL 1.00 (net TL 0.90) for each share with a nominal value of TL 1, which corresponds to 21.83% of the total distributable net profit figure for the accounting period of 2022, to shareholders in cash from April 10, 2023, 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 2022 Accounting Period

Chairperson of the Board of Directors and  
Executive Board Member

**H. İBRAHİM BODUR HOLDİNG A.Ş.**  
represented by  
**Dr.(h.c.) HATİCE ZEYNEP BODUR OKYAY**

Vice Chairperson  
**KADRİ TARIK ÖZÇELİK**

Board Member  
**HALUK ALPERAT**

Board Member  
**ENDER FERRUH ARSLAN**

Board Member  
**ADİLE ESRA TÖZGE**

Board Member  
**FERDİ ERDOĞAN**

Board Member  
**MUSTAFA YILMAZ**

Board Member  
**İSMAİL ERDAL AKKOÇOĞLU**

Board Member  
**FEVZİ TAYFUN KÜÇÜK**

## Dividend Distribution Table for 2022

KALEKİM KİMYEVİ MADDELER SAN.VE TİC. A.Ş. DIVIDEND DISTRIBUTION TABLE FOR 2022 (TL)			
1	Paid-in/Issued Capital		115,000,000.00
2	Total Legal Reserves (According to Legal Records)		37,218,396.96
If there are privileges for the distribution of profits according to the Articles of Association, information on such privileges			
		<b>According to CMB</b>	<b>According to Legal Records</b>
3	Profit for the Period	508,028,101.58	330,459,802.68
4	Taxes Payable (-)	-16,625,309.74	45,334,849.64
5	Net Profit for the Period (=)	524,653,411.32	285,124,953.04
6	Previous Year's Losses (-)	0.00	0.00
7	Primary Legal Reserve (-)	0.00	0.00
8	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	524,653,411.32	285,124,953.04
9	Donations Made During the Year (+)	2.223.429,69	
10	Endowment added distributable net period profit on which the first dividend is calculated	526,876,841.01	
11	1 <sup>st</sup> Dividend to Shareholders	115,000,000.00	
	- Cash	115,000,000.00	
	- Bonus	0.00	
	- Total	115,000,000.00	
12	Dividend Distributed to Holders of Privileged Shares	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	0.00	
16	Secondary Legal Reserve	10,925,000.00	
17	Statutory Reserves	0.00	
18	Special Reserves		
19	EXTRAORDINARY RESERVES	398,728,411.32	159,199,953.04
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	220,000.00	1.000000	100.00
	Group B	114,780,000.00	1.000000	100.00
	TOTAL	115,000,000.00		
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 (*)	111,313,051.24	0.900000	90.00
	TOTAL	111,313,051.24		
<b>THE RATIO TO THE PERIOD PROFIT</b>				
<b>THE AMOUNT OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)</b>			<b>THE RATIO TO THE DISTRIBUTABLE PROFIT (%)</b>	
115,000,000.00			21.83	

(\*) 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 below of the Turkish Commercial Code, in accordance with the subsidiary report adopted by the resolution of the Board of Directors of the Company dated 03.03.2022 and numbered 2023/14, in the 2022 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 being taken for the benefit of controlling shareholder H. İbrahim Bodur Holding A.Ş /controlling entity or its subsidiaries. In the 2022 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 and the document is still valid.

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 and it continues its activities. 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 6 meetings in 2022. 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.

### 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.

The risks that are specifically monitored within the framework of the Corporate Risk Management Program and the practices addressed in 2022 are summarized below.

## Information on Risk Management Practices

### 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 continues its efforts to raise the level of awareness in the company and society on this issue through the Sustainability Committee.

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.

It is recognized that the risk of infectious diseases may arise due to different viruses in the coming years as well. Action plans that will protect the health of all employees, stakeholders, business partners, and consumers, without allowing the associated and potential risks to disrupt production and services for the basic needs of society, have been prepared.

Kalekim monitored disruptions in the supply chain, supply reliability risk, and the increase in commodity prices due to the ongoing impact of the pandemic as risks in 2022, as in the whole world. 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 has implemented the innovation system it has developed through benchmarking studies and internal resources.

The risks caused by the Russia-Ukraine war, which started in February 2022, on Kalekim's sustainability have been assessed and necessary actions have been taken to determine its direct and indirect effects.

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.

Except for the loan used to finance the working capital needs of its subsidiary Kalekim Lyksor A.Ş., Kalekim has no financial liability to banks. 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

The earthquake that occurred in Türkiye on February 6, 2023, and affected an area close to the Group's production facilities in Mersin, Mardin, and Diyarbakır did not cause any damage to the Group's facilities. In the aftermath of the earthquake, no adverse effect on the Group's operations is expected.

On January 19, 2023, the Group decided to invest in SPP at Yerköy Kale Seramik Special OIZ and Balıkesir plants. In addition, the application for EIA compliance for the branch at Yerköy Kale Seramik Special OIZ has been made.

### Amendments to Legislation in 2022

There is no information on legislative amendments which can have a significant impact on the Company's activities.

### 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 2022

The Company has not been subject to any private and public audits in 2022.

## 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. **16/01/2023**

**FEVZİ TAYFUN KÜÇÜK**  
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 Türkiye 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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**İSMAİL ERDAL AKKOÇOĞLU**  
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 Türkiye 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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**MUSTAFA YILMAZ**  
SIGNATURE



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**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 Türkiye 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.

The Company adopted the Profit Distribution Policy and 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 held on 31.03.2022 and, thus, the Company complied with this mandatory principle.

The Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee were established, and the Corporate Governance Committee also assumed the duties of the Nomination Committee and Remuneration Committee as stipulated in the Communiqué with the Board Resolution of the same date. 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.

Following the end of the 2022 accounting period, within the framework of the CMB’s determination of the groups to which the companies belong for the year 2023, an application was made in respect of the scope of Group 1, to which the Company belongs, in the context of mandatory corporate governance principles to the CMB regarding the suitability of the candidates for the independent Board member positions with the decision of the Board of Directors dated 24.01.2023 and numbered 2023/07, and no disapproving opinion was expressed about the independent members.

In 2022, efforts for compliance with the corporate governance principles were undertaken in accordance with the Capital Markets Law which covered the regulations of the CMB on the Corporate Governance Principles and with the communiqués issued on the basis of this law. During the year, our Company’s website and annual report were reviewed and the necessary revisions were made to achieve full compliance with the principles. Necessary arrangements have been made on the renewed website to be commissioned in 2023.

As disclosed to the public with our material disclosure dated 12.12.2022, our Company has signed a one-year contract with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on 12 December 2022 for the evaluation of the degree of compliance of our Company with Corporate Governance Principles by independent institutions.

## Statement of Compliance with the Corporate Governance Principles

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.*

*Regarding the principles numbered 3.1.3, 3.1.4, and 3.5.1, the Ethics Line communication channels of the policies and procedures about the rights of stakeholders regulated in the Kale Group Code of Ethics Regulation will be available on Kalekim's renewed website, which will be activated in 2023.*

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

*In relation to principle no. 4.3.9., the ratio of female members in our Board of Directors, which had previously been 25%, became 22% in 2022 with the increase in the number of independent members. No policy has yet been formulated on this issue.*

*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 2022, 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](http://www.kap.gov.tr)) within the period specified by the CMB.

## Corporate Governance Principles Compliance Report and Information Form

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
<b>Corporate Governance Compliance Report</b>						
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS</b>						
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					
<b>1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION</b>						
1.2.1- The company management has avoided taking any action that makes it difficult to carry out a special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
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 Assembly.					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 Assembly Meeting.	X					
1.3.10-The agenda of the General assembly 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 about the amount on a donation basis and the beneficiaries is provided at the request of the shareholders at the General Assembly. It is planned that the practice will continue in this direction in the following General Assemblies.
1.3.11 - The General Assembly Meeting was held open to the public, including the stakeholders and media, without having the right to speak.	X					
<b>1.4. VOTING RIGHT</b>						
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 Assembly 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 management control.

## Corporate Governance Principles Compliance Report and Information Form

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercising of minority rights.	X					
1.5.2 - The Articles of Association extends the exercising of minority rights to those who own less than one twentieth of the outstanding shares, and expands 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.
<b>1.6. DIVIDEND RIGHTS</b>						
1.6.1 - The Dividend Distribution Policy approved by the General Assembly 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	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					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
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 of real person shareholders owning 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					
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the Company's activities.	X					
2.2.2 - The annual report includes all elements listed in corporate governance principle 2.2.2.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
<b>3.1. COMPANY POLICY REGARDING STAKEHOLDERS</b>						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fide 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 and published on the Company's website. <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a> Kalekim's renewed website, which will be commissioned in the first half of 2023, will include the relevant regulation and contact information.
3.1.4- Mechanisms necessary for the stakeholders to inform transactions contrary to law or ethics have been established.		X				Within the Kale Group Ethical Codes Regulation, policies and procedures regarding the rights of stakeholders are defined and published on the Company's website. <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a> Kalekim's renewed website, which will be commissioned in the first half of 2023, will include the relevant regulation and contact information.
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY</b>						
3.2.1 - The Articles of Association, or the internal regulations 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					
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The Company has a policy on human resources development, and 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					There is no union organization or subjection to syndication.

## Corporate Governance Principles Compliance Report and Information Form

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
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					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1- The Company measured customer satisfaction, and operated to ensure unconditional 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					
<b>3.5. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The Board of the corporation has adopted a code of ethics and disclosed on the corporate website.		X				Within the Kale Group Ethical Codes Regulation, policies and procedures regarding the rights of stakeholders are defined and published on the Company's website. <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a> Kalekim's renewed website, which will be commissioned in the first half of 2023, will include the relevant regulation and contact information.
3.5.2- The company has been mindful of its social responsibility. Has adopted measures to prevent corruption and bribery.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The Board of Directors has ensured that strategy and risks do not threaten the long-term interests of the company, and an 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 strategic targets, ensured resources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. BOARD OF DIRECTORS' PRINCIPLES OF ACTIVITY</b>						
4.2.1 - The Board of Directors documented its activities and reported 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 Chairperson and Chief Executive Officer are separated and defined.	X					
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 between the company and 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.
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			Our rate of female members in our Board of Directors, which was 25% before, decreased to 22% in 2022 with the increase in the number of independent members.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS</b>						
4.4.1 - Each board member attended the majority of the board meetings in person or online.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	All board members attended the meetings physically.

## Corporate Governance Principles Compliance Report and Information Form

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include directors' 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 Assembly Meeting.			X			There are no limitations on the external duties held by the Members of the Board of Directors. 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.
<b>4.5. COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS</b>						
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. Considering the number of independent members of the Board of Directors, no changes in the current situation are planned.
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					
<b>4.6. FINANCIAL RIGHTS OF THE BOARD MEMBERS AND EXECUTIVE DIRECTORS</b>						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No 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.

1. SHAREHOLDERS	
<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	3 investor conference was attended, 4 online meetings were held for institutional investors and analysts to announce quarterly results.
<b>1.2. Right to Obtain and Examine Information</b>	
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.
<b>1.3. General Assembly</b>	
The link of the announcement made in the Public Disclosure Platform (PDP) that includes the information requested under the principle 1.3.1 (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/1008804">https://www.kap.org.tr/tr/Bildirim/1008804</a>
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously	Presented in Turkish only.
The links of the announcements made on PDP 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 to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There is no such transaction.
The links of the announcements made on the Public Disclosure Platform (KAP) related to the transactions that are of a frequent and continuous nature, under the Communiqué on Corporate Governance (II-17.1), article 10	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 PDP with the minutes of the General Assembly Meeting where the donation and aid policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/933270">https://www.kap.org.tr/tr/Bildirim/933270</a>
The number of the Article in the Articles of Association governing stakeholders' attendance at general assembly	Article 15
Information regarding the stakeholders who attend the general assembly	Media organizations did not participate in the 2021 Ordinary General Assembly meeting dated March 31, 2022. Our General Assembly was attended by the Independent Audit Company's Accountable Auditor, our Board of Directors members, our Shareholders and Company employees.
<b>1.4. Voting Rights</b>	
Whether there are any privileged voting rights	No
In case there are voting privileges, the privileged shareholders and their voting percentages	-
Shareholding rate of the majority shareholder	68.67%
<b>1.5. Minority Rights</b>	
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 association.	-
<b>1.6. Dividend Right</b>	
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	-

# Corporate Governance Principles Compliance Report and Information Form

## General Assembly Meetings

General Assembly Date	The number of requests for additional disclosure regarding the agenda of the general assembly	Shareholder participation rate to the general assembly meeting	Percentage of shares directly present	Percentage of shares represented by proxy	The heading of the section on the corporate website that includes the general assembly meeting minutes, and also indicates the dissentive and affirmative votes for each resolution	The heading of the section on the corporate website that contains all questions asked and all responses provided at the general assembly meeting	The number of the relevant item or paragraph of general assembly meeting minutes in relation to related party transactions	The number of persons who have privileged access to Company information and who are notifying to the Board of Directors (list of insiders)	The PDP link of the general assembly notification
31.03.2022	0	73.84%	0.16%	73.67%	<a href="https://www.kalekim.com/genel-kurul">https://www.kalekim.com/genel-kurul</a>	<a href="https://www.kalekim.com/genel-kurul">https://www.kalekim.com/genel-kurul</a>	-	0	<a href="https://www.kap.org.tr/tr/Bildirim/1014739">https://www.kap.org.tr/tr/Bildirim/1014739</a>

## 2. 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	<a href="http://www.kalekim.com/en/yatirimci-iliskileri">www.kalekim.com/en/yatirimci-iliskileri</a>
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	<a href="http://www.kalekim.com/en/yatirimci-iliskileri/sirket-bilgileri/ortaklik-yapisi">www.kalekim.com/en/yatirimci-iliskileri/sirket-bilgileri/ortaklik-yapisi</a>
Languages in which the corporate website is presented	Turkish and English

### 2.2. Annual Report

The page numbers 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	Corporate Governance / Other Explanations
e) The page number or heading of the section that includes information regarding important lawsuits filed against the company and possible consequences thereof	Corporate Governance / Other Explanations
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) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	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

<b>3. STAKEHOLDERS</b>	
<b>3.1. Corporation's Policy on Stakeholders</b>	
The heading of the section on the corporate website that includes the policy on compensation	Investor Relations / Policies
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	<a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a> etikhat@kale.com.tr +90(212)3715450
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation's Management</b>	
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.
<b>3.3. Human Resources Policy</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	None
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	<a href="http://www.kalekim.com/tr/hakkimizda/insan-kaynaklari">www.kalekim.com/tr/hakkimizda/insan-kaynaklari</a>
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also, provide a summary of relevant parts of the human resource policy.	Within the Kale Group Ethical Codes Regulation, policies and procedures regarding the rights of stakeholders are defined and published on the Company's website. <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a>  Kalekim's renewed website, which will be commissioned in the first half of 2023, will include the relevant regulation.
The number of definitive convictions the company is subject to in relation to health and safety measures	0
<b>3.5. Ethical Rules and Social Responsibility</b>	
The heading of the section on the corporate website that includes the policy on ethical principles	Within the Kale Group Ethical Codes Regulation, policies and procedures regarding the rights of stakeholders are defined and published on the Company's website. <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a>  Kalekim's renewed website, which will be commissioned in the first half of 2023, will include the relevant regulation.
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	<a href="http://www.kalekim.com/tr/hakkimizda/surdurulebilirlik-yaklasimlarimiz">www.kalekim.com/tr/hakkimizda/surdurulebilirlik-yaklasimlarimiz</a>
Any measures combating any kind of corruption including embezzlement 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.

## Corporate Governance Principles Compliance Report and Information Form

4. BOARD OF DIRECTORS-I	
Fundamentals of Activities of the Board of Directors	
Date of the last board evaluation conducted	None
Whether the board evaluation was externally facilitated	No
Whether all board members are discharged	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation of authority has been made among the members of the board of directors.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
The name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Internal Audit and Internal Control Activities
Name of the Chairperson	Hatice Zeynep Bodur Okyay
Name of the CEO / General Manager	Timur Karaoğlu
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
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 name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None
The number and ratio of female Board Members	2 (22%)

STRUCTURE OF THE BOARD OF DIRECTORS							
Name/Surname of the Board Member	Executive or Not	Independent Member or Not	The First Election Date to 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	Not Independent Member	08.07.2013	-	Not applicable	No	-
Adile Esra TÖZGE	Non-executive	Not Independent Member	18.07.2016	-	Not applicable	No	-
Ferdi ERDOĞAN	Executive	Not Independent Member	30.04.2002	-	Not applicable	No	-
Mustafa YILMAZ	Non-executive	Independent member	10.03.2021	<a href="https://www.kap.org.tr/tr/Bildirim/936625">https://www.kap.org.tr/tr/Bildirim/936625</a>	Considered	No	-
Fevzi Tayfun KÜÇÜK	Non-executive	Independent member	10.03.2021	<a href="https://www.kap.org.tr/tr/Bildirim/936625">https://www.kap.org.tr/tr/Bildirim/936625</a>	Considered	No	Yes
İsmail Erdal AKKOÇOĞLU	Non-executive	Independent member	31.03.2022	<a href="https://www.kap.org.tr/tr/Bildirim/1022802">https://www.kap.org.tr/tr/Bildirim/1022802</a>	Considered	No	-

4. BOARD OF DIRECTORS-II	
<b>4.4. Board Meeting Procedures</b>	
The number of physical board meetings involving members attending in person in the reporting period	7 Board of Directors meetings were held physically.
Average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	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 name of the section on the corporate website that demonstrates information about the board charter	None
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None
<b>4.5. Board Committees</b>	
Page numbers or section names of the annual report where information about the board committees are presented	Board Committees and Board Evaluation
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/933270">https://www.kap.org.tr/tr/Bildirim/933270</a>
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name)	Board Committees and Board Evaluation <a href="http://www.kalekim.com/tr/yatirimci-iliskileri/kurumsal-yonetim/komiteler">www.kalekim.com/tr/yatirimci-iliskileri/kurumsal-yonetim/komiteler</a>
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name)	Board Committees and Board Evaluation <a href="http://www.kalekim.com/tr/yatirimci-iliskileri/kurumsal-yonetim/komiteler">www.kalekim.com/tr/yatirimci-iliskileri/kurumsal-yonetim/komiteler</a>
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name)	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 website (Page number or section name)	Board Committees and Board Evaluation <a href="http://www.kalekim.com/tr/yatirimci-iliskileri/kurumsal-yonetim/komiteler">www.kalekim.com/tr/yatirimci-iliskileri/kurumsal-yonetim/komiteler</a>
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name)	The activities of the Remuneration Committee are carried out by the Corporate Governance Committee.
<b>4.6. Financial Rights</b>	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name)	Board of Directors Report and Chairperson's Message & General Manager's Message
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Policies /Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name)	Financial Rights Provided to the Members of the Board of Directors and Senior Executives

## Corporate Governance Principles Compliance Report and Information Form

Composition of Board Committees-I				
Names of the Board Committees	Name of the Committee Designated as "Other" in the First Column	Name/Surname of Committee Members	Whether Committee Chair or Not	Whether Board 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 Tözge	No	Board Member
Corporate Governance Committee	-	İsmail Erdal Akkoçoğlu	No	Board Member
Corporate Governance Committee	-	Ömer Karakaşoğlu	No	Not a Board Member
Corporate Governance Committee	-	Orkun İnanbil	No	Not a Board Member
Early Detection of Risk Committee	-	Mustafa Yılmaz	Yes	Board Member
Early Detection of Risk Committee	-	Kadri Tarık Özçelik	No	Board Member
Early Detection of Risk Committee	-	Ender Ferruh Arslan	No	Board Member

Composition of Board Committees-II					
Names of the Board Committees	Name of the Committee Designated as "Other" in the First Column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The number of reports presented to the Board by the Committee on its activities
Audit Committee	-	100%	100%	4	4
Corporate Governance Committee	-	100%	40%	2	2
Early Detection of Risk Committee	-	66%	33%	6	6

## Statement of Compliance with the Sustainability Principles

Kalekim wants to climax its sustainability journey with its first sustainability report, which it plans to issue in 2023. Kalekim continues its activities by embracing and following good practices in the field of sustainability, including those specified in the Capital Markets Board (CMB) Sustainability Principles Compliance Framework. The majority of the principles and good practices specified in the “Sustainability Principles Compliance Framework” put into effect by the Capital Markets Board (CMB) are currently managed by Kalekim, and the performance related to the subject is regularly reviewed and evaluated, and remedial actions are implemented. Considering it in this context, Kalekim has achieved compliance with most of the principles specified in the non-mandatory “Sustainability Principles Compliance Framework” prepared by the CMB with the “comply or explain” approach.

Practices regarding the principles within the scope of the CMB’s Sustainability Principles Compliance Framework are presented for the evaluation of stakeholders by referring to the “Sustainability” section of the Kalekim Annual Report, as well as the corporate websites of Kalekim and Kale Holding. The explanations regarding the principles to be improved within the scope of the shared information are as follows:

- B.19 Works on renewable energy production and utilization are ongoing. Not available for 2022 but included in the 2023 work plan.
- Regarding principle B.23, internal carbon pricing studies have not started yet.
- There are no carbon credits accumulated/purchased.
- Regarding principle B.24, internal carbon pricing studies have not started yet.

The Sustainability Principles Compliance Report, which was prepared in accordance with the formats specified by the CMB’s decision dated 23.06.2022 and numbered 34/977 and approved by the Company’s Board of Directors, is attached to the annual report, and the relevant documents are also available on the page of the Company on the Public Disclosure Platform.

## Sustainability Principles Compliance Report

		COMPLIANCE STATUS					
	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	YES	NO	PARTIAL	NOT APPLICABLE	DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
<b>A. General Principles</b>							
<b>A1. Strategy, Policy and Objectives</b>							
A1.1	The Board of Directors determines environmental, social and governance (ESG) priority issues, risks and opportunities.	X				Kalekim manages its sustainability activities through the sustainability committee led by Kalekim General Manager and based on the Kale Holding approach. In this context, Kalekim will issue its first sustainability report in 2023. Risks and opportunities are also mentioned in the 2022 annual report.	Kalekim Annual Report 2022, Sustainability Section/ Risk and Opportunity Analysis in Sustainability
	The Board of Directors establishes ESG policies (For example: Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) and declares to the public.	X				Kalekim manages management systems with an integrated perspective. Relevant policies are available on the company website.	<a href="https://www.kalekim.com/tr/hakkimizda/entegre-yonetim-sistemi-politikamiz">https://www.kalekim.com/tr/hakkimizda/entegre-yonetim-sistemi-politikamiz</a>  <a href="https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari">https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari</a>
A1.2	The short and long term goals in line with ESG policies are declared to the public.	X				Targets determined to ensure compliance with the strategic approach include all material issues; primarily reducing our greenhouse gas emissions by 35% until 2030 compared to 2015, (12,912 tons of CO <sub>2</sub> in 2015), and reaching net zero in 2050.	Kalekim Annual Report 2022, Sustainability Section/Setting Goals

		COMPLIANCE STATUS					
If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.							
Information on compliance with the principles are included in the "Description" column.		YES	NO	PARTIAL	NOT APPLICABLE	DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.							
<b>A2. Implementation/Monitoring</b>							
A2.1	The committees and/or units responsible for the implementation of ESG policies as well as the highest-level person in charge of ESG issues and their duties are determined and publicly disclosed.	X				At the Kale Group, sustainability studies are managed by the Vice President of Corporate Strategy and Business Development and the Department of Corporate Communication ("KIBB"). 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.	Kalekim Annual Report 2022, Sustainability Section
	The responsible committee / unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year.	X				Studies carried out within the scope of sustainability are regularly reported to the board of directors by the sustainability committee.	Kalekim Annual Report 2022, Sustainability Section
A2.2	Implementation and action plans in line with the ESG targets are formed and declared to the public.	X				Priority issues and action plans prepared within this scope are also explained in detail in the Sustainability Report, which is planned to be published in 2023.	Kalekim Annual Report 2022, Sustainability Section/ Establishing Sustainability Action Plans
A2.3	The scope of ESG Key Performance Indicators (KPI) and relevant indicators are announced on a yearly basis.	x				At Kalekim, all ESG key performance indicators are followed and reviewed every year. The detailed breakdown by years will be shared with the stakeholders in the sustainability report to be released in 2023. In addition, in the Sustainability section of the Annual Report 2022, achievements are explained briefly under the title of "2022 Sustainability Highlights".	Kalekim Annual Report 2022, Sustainability Section/ 2022 Sustainability Highlights
A2.4	Activities that improve sustainability performance in business processes, products, and services have been disclosed to the public.	X				Innovation and R&D studies are explained in detail in the annual report.	Kalekim Annual Report 2022, About Kalekim, Our Products, Services and Solutions, R&D Activities sections

## Sustainability Principles Compliance Report

	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
		YES	NO	PARTIAL	NOT APPLICABLE		
	<b>A3. Reporting</b>						
A3.1	Information regarding the performance of the Incorporation in terms of sustainability performance, targets and activities are included correctly and adequately in the annual report.	X					Kalekim Annual Report 2022, Sustainability Section
A3.2	Information about its activities on which of the United Nations (UN) 2030 Sustainable Development Goals are related to has been disclosed to the public by the Incorporation.	X					Kalekim Annual Report 2022, Sustainability Section
A3.3	Information about the important lawsuits filed and/or concluded in ESG issues, which are important in terms of ESG policies and/or will significantly affect activities, have been disclosed to the public.				X	There is no such legal process.	Kalekim Annual Report 2022, Corporate Governance Section
	<b>A4. Verification</b>						
A4.1	ESG Key Performance metrics of the Incorporation have been verified and publicly disclosed by an independent third party organization.		X			No external validation was received for the data.	
	<b>B. Environmental Principles</b>						
B1	The Company has disclosed its policies and practices in the field of environmental management, action plans, environmental management systems (known with ISO 14001 standard), and programs to the public.	X				All facilities have ISO 14001:2015 Certificate.	<a href="https://www.kalekim.com/tr/hakimizda/entegre-yonetim-sistemi-politikamiz">https://www.kalekim.com/tr/hakimizda/entegre-yonetim-sistemi-politikamiz</a>
B2	The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions were disclosed to the public regarding the environmental reports prepared to provide information on environmental management.	X					Kalekim Annual Report 2022, Sustainability Section
B3	Stated in A2.1.						
B4	Environmental targets included in the rewarding criteria within the scope of performance incentive systems based on stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public.	X				Kalekim balanced scorecard includes a sustainability index within the scope of climate-related sustainability targets. The sustainability index was created on the basis of environmental, social and economic dimensions. In addition, environmental targets are included in the process performance indicators. The balanced scorecard and performance indicators were reduced to individual scorecards and associated with the goals of the employees.	Kalekim Annual Report 2022, Human Resources Section

	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
		YES	NO	PARTIAL	NOT APPLICABLE		
B5	How priority environmental issues are integrated into business targets and strategies has been disclosed to the public.	X				The material issues are stated in the Annual Report 2022.	Kalekim Annual Report 2022, Sustainability Section
B6	Stated in A2.4.						
B7	How environmental issues are managed and integrated into business targets and strategies throughout the company's value chain, including the operational process, suppliers and customers has been disclosed to the public.	X					Kalekim Annual Report 2022, Sustainability Section
B8	Whether the environment organizations and non-governmental organizations are involved in the policy-making processes or not, and the collaborations with these institutions and organizations have been disclosed to the public.	X				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.	Kalekim Annual Report 2022, Environment Section
B9	In the light of environmental indicators (greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Indirect energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts), comparable information on its environmental impacts are disclosed to the public.	X				Within the scope of sustainability activities, Scope 1, Scope 2 and Scope 3 greenhouse gas emissions are calculated regularly. Similarly, environmental indicators such as energy consumption, water and waste are regularly monitored.	Kalekim Annual Report 2022, Sustainability Section
B10	Standards, protocols, methodologies, and reference year details used to collect and calculate data are disclosed to the public.	X				Regarding calculation methodologies (Greenhouse Gas Protocol (GHG)) was used.	Kalekim Annual Report 2022, Sustainability Section
B11	The status of the environmental indicators for the reporting year (increase or decrease) in comparison with previous years has been described.	X					Kalekim Annual Report 2022, Sustainability Section
B12	Short and long term targets to reduce environmental impact are set and these targets are announced together with information on their progress in relation to the goals set in the past years.	X					Kalekim Annual Report 2022, Sustainability Section
B13	The strategy and actions to combat the climate crisis are announced.	X					Kalekim Annual Report 2022, Sustainability Section

## Sustainability Principles Compliance Report

	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
		YES	NO	PARTIAL	NOT APPLICABLE		
B14	In order to prevent or minimize the potential negative impact of products and/or services on the environment, programs or procedures have been established and disclosed to the public.	X					Kalekim Annual Report 2022, Our Products, Services and Solutions, R&D Activities sections
	Actions for reducing greenhouse gas emissions of third parties (e.g. suppliers, subcontractors, dealers, etc.) are taken and these actions have been disclosed to the public.	X				Kalekim plans to control all sources of impact by adding the entire value chain to the Scope 3 calculation.	Kalekim Annual Report 2022, Sustainability Section
B15	The environmental benefits / profits and cost savings provided by projects and initiatives carried out to reduce environmental impact are announced.	X					Kalekim Annual Report 2022, Sustainability Section
B16	The total energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling) data are announced as Scope-1 and Scope-2.	X				Within the scope of sustainability activities, Scope 1 and Scope 2 greenhouse gas emissions are calculated regularly. Similarly, energy consumption data is calculated annually. It is planned to share all data in the sustainability report planned to be published in 2023.	Annual Report Sustainability Principles Compliance Statement (A.2.3)
B17	Information on electricity, heat, steam and cooling generated and consumed in the reporting year is provided.	X				The energy consumed within the scope of sustainability studies is reported directly and indirectly on the basis of breakdown (fuel oil, natural gas, etc.).	Annual Report Sustainability Principles Compliance Statement (A.2.3)
B18	Efforts to increase the use of renewable energy and transition to zero or low-carbon electricity have been made and disclosed to the public.	X				Renewable energy production and use is not available.	Kalekim 2022 Annual Report, Sustainability Section (Renewable energy targets have been shared.)
B19	The renewable generation of energy and the usage data are announced.				X	Renewable energy production and use is not available.	
B20	Energy efficiency projects are realized and the amount of energy consumption and emission reduction gained by means of these studies are announced.	X					Kalekim Annual Report 2022, Sustainability Section
B21	The amount of water withdrawn, used, recycled and discharged from underground or above ground, its sources and procedures are reported.	X				Detailed data on water consumption will be shared with stakeholders in the sustainability report to be published in 2023. The gains obtained as a result of water saving efforts are explained in the annual report.	Kalekim Annual Report 2022, Sustainability Section

	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
		YES	NO	PARTIAL	NOT APPLICABLE		
B22	Whether the operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax) is disclosed to the public.				X	Since the legal regulation processes regarding the carbon pricing system have not been completed yet in our country, there is no carbon pricing system in which the Company is involved.	
B23	The carbon credit information accumulated or purchased during the reporting period is announced.				X	Since the legal regulation processes regarding the carbon pricing system have not been completed yet in our country, there is no carbon pricing system in which the Company is involved.	
B24	If carbon pricing is applied in the company, details are disclosed.				X	Since the legal regulation processes regarding the carbon pricing system have not been completed yet in our country, there is no carbon pricing system in which the Company is involved.	
B25	Platforms where the Company discloses environmental information is announced.	X					Kalekim Annual Report 2022
	<b>C. Social Principles</b>						
	<b>C1. Human Rights and Employee Rights</b>						
C1.1	Corporate Human Rights and Labor Rights Policy is established in which full compliance with the legal framework and legislation regulating the human rights and business life in Türkiye, ILO Conventions that are ratified by Türkiye and the Universal Declaration of Human Rights is committed. Roles and responsibilities associated with the implementation of the policy are determined and announced.	X				Employee rights have been clearly defined within the Kale Group Code of Ethics regulation, Ethics Line Communication channels have been established for possible practices against violations of these principles, and these communication channels have been announced on the Kale Group website.  Ethical Codes Regulation and Ethics Line Contact information will be included on the company's new website, which will be commissioned in 2023.	<a href="https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari">https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari</a>  <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a>

## Sustainability Principles Compliance Report

	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
		YES	NO	PARTIAL	NOT APPLICABLE		
C1.2	Considering the supply and value chain effects, the Company includes fair workforce, improvement of labor standards, women's employment and inclusion (such as nondiscrimination on women, men, gender, religious belief, language, ethnicity, race, age, disability, refugee etc.) in its policy regarding the labor rights.	X				Employee rights have been clearly defined within the Kale Group Code of Ethics regulation, Ethics Line Communication channels have been established for possible practices against violations of these principles, and these communication channels have been announced on the Kale Group website.  Ethical Codes Regulation and Ethics Line Contact information will be included on the company's new website, which will be commissioned in 2023.	Kalekim Annual Report 2022, Sustainability Section  <a href="https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari">https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari</a>  <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a>
C1.3	Precautions taken throughout the value chain regarding the consideration of specific economic, environmental, and social factors such as low-income groups, women, or minority rights/opportunities have been disclosed to the public.	X					<a href="https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari">https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari</a>  <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a>
C1.4	Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced labor and child labor are reported.	X				Employee rights have been clearly defined within the Kale Group Code of Ethics regulation, Ethics Line Communication channels have been established for possible practices against violations of these principles, and these communication channels have been announced on the Kale Group website.	<a href="https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari">https://www.kalekim.com/tr/hakkimizda/insan-kaynaklari</a>  <a href="https://www.kale.com.tr/etik-hat">https://www.kale.com.tr/etik-hat</a>
C1.5	Investment in employees (training, improvement policies), compensation, vested benefits, right to unionize, work/life balance solutions and talent management issues are included in employee rights policy.	X					Kalekim Annual Report 2022, Human Resources Section
	Dispute resolution processes are determined by creating mechanisms for employee complaints and dispute.	X					Kalekim Annual Report 2022, Human Resources Section
	The activities carried out to ensure employee satisfaction during the reporting period are announced.	X					Kalekim Annual Report 2022, Human Resources Section

	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	COMPLIANCE STATUS				DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
		YES	NO	PARTIAL	NOT APPLICABLE		
C1.6	Occupational health and safety policies are established and declared to the public.	X					Kalekim Annual Report 2022, Sustainability/ Occupational Health and Safety
	The occupational accidents, measures taken to maintain health, and accident statistics are announced.	X					Kalekim Annual Report 2022, Sustainability/ Occupational Health and Safety
C1.7	Protection of personal data and data security policies are established and disclosed to the public.	X					<a href="https://www.kalekim.com/tr/kisisel-verilerin-korunmasi">https://www.kalekim.com/tr/kisisel-verilerin-korunmasi</a>
C1.8	Ethical policy is established and declared to the public.	X					<a href="https://www.kalekim.com/tr/etik-hat">https://www.kalekim.com/tr/etik-hat</a>
C1.9							
C1.10	Information meetings and training programs for employees on ESG policies and practices are organized.	X					Kalekim Annual Report 2022, Human Resources Section
	<b>C2. Stakeholders, International Standards and Initiatives</b>						
C2.1	A customer satisfaction policy regarding the management and resolution of customer complaints is established and announced.	X				Kalekim has 10002 certificate since 2010.	<a href="https://www.kalekim.com/tr/hakimizda/entegre-yonetim-sistemi-politikamiz">https://www.kalekim.com/tr/hakimizda/entegre-yonetim-sistemi-politikamiz</a>
C2.2	Information on stakeholders communication (with which stakeholders, on what issue and how often) is announced.	X					Kalekim Annual Report 2022, Sustainability Section
C2.3	International reporting standards adopted for the reportings are disclosed.	X					Kalekim Annual Report 2022, Sustainability Section
C2.4	Principles, signatory and member international organizations, committees and principles on sustainability and adopted by the Company are disclosed.	X					Kalekim Annual Report 2022, Sustainability Section
C2.5	Improvements and activities are conducted in order to be listed in the sustainability indices of Borsa Istanbul and/or international index providers.			X		Activities are planned to be included in the Kalekim Borsa Istanbul sustainability index.	

## Sustainability Principles Compliance Report

		COMPLIANCE STATUS					
	If the compliance with the principles is determined as "Yes" or "Partial", the report information/link regarding the information disclosed to the public should be included.  Information on compliance with the principles are included in the "Description" column.  The extent to which the requested information is presented as consolidated or solo should be stated in the "Description" column.	YES	NO	PARTIAL	NOT APPLICABLE	DESCRIPTION	REPORT INFORMATION (Including the page number)/ LINK ON PUBLIC DISCLOSURE
	<b>D. Corporate Governance Principles</b>						
D1	Stakeholders were consulted in determining measures and strategies in the field of sustainability.	X				In addition to responding to changing stakeholder expectations and global trends, the company conducted a strategic prioritization analysis in 2022 in order to identify environmental, social and corporate governance risks and opportunities.	Kalekim Annual Report 2022, Sustainability Section
D2	Efforts have been made to increase awareness about sustainability and its importance through social responsibility projects, awareness-raising activities, and trainings.	X					Kalekim Annual Report 2022, Sustainability Section

## **Amendments to the Articles of Association**

Considering the inclusion of our Company among the 2<sup>nd</sup> group companies with the Weekly Bulletin of the Capital Markets Board dated 13.01.2022, the obligation to have at least three independent board members within the scope of the group we are included within the framework of the mandatory corporate governance principles, and the structure of the committees; to increase the number of board members from eight to nine, the amendment of the articles of association made by the Board Resolution dated 11.02.2022 and numbered 2022/08 and the amendment of the articles of association, for which the approval of the Capital Markets Board, dated 18.02.2022 and numbered E-29833736-110.03.03- 17523, and the permission of the Ministry of Trade of the Republic of Türkiye, dated 04.03.2022 and numbered E-50035491-431.02-00072556498, were obtained, were approved by the ordinary general assembly resolution on 31.03.2022, registered on 09.04.2022 and announced in the Turkish Trade Registry Gazette dated 11.04.2022 and numbered 10556.

## 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 TÜRKİYE

#### BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT

RESOLUTION DATE: 09.03.2023

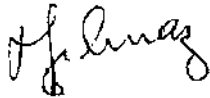
RESOLUTION NO.: 2022/18

About the annual report for the period 01.01.2022 - 31.12.2022 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-14.1. (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.
- We have examined the Corporate Governance Compliance Report ("CGCR") and the Corporate Governance Information Form ("CGIF") prepared for the accounting period 01.01.2022-31.12.2022 within the framework of the CMB's decision, dated 10.01.2019 and numbered 2/49 and the 'Sustainability Compliance Framework' prepared using the template in the decision of the CMB, dated 23.06.2022 and numbered 34/977, and that the said reports have been prepared in accordance with the CMB's Communiqué on Corporate Governance No. II-17.1 and the procedures and principles set out in the said decision,

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



**Özgün ÖZMEN**

Financial Affairs Manager

# Annual Report Compliance Opinion



CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ON THE BOARD OF DIRECTORS' ANNUAL REPORT  
ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

## 1. Opinion

We have audited the annual report of Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2022 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

## 2. Basis for Opinion

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

## 3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 9 March 2023 on the full set consolidated financial statements for the 1 January - 31 December 2022 period.

## 4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
  - events of particular importance that occurred in the Company after the operating year,
  - the Group's research and development activities,
  - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

## 5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited[consolidated] financial statements and with the information obtained in the course of audit.

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

Burak Özpoğraz, SMMM  
Partner

Istanbul, 9 March 2023



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

**Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. and Its Subsidiaries**

Consolidated financial  
statements as at  
December 31, 2022 and  
independent auditor's  
report



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

**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

**A. Audit of the consolidated financial statements**

**1. Our opinion**

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

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

**2. Basis for opinion**

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



### 3. Key audit matters

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

Key audit matters	How our audit addressed the key audit matter
<p><b><i>Revenue recognition</i></b></p> <p>As explained in Note 1, the Group operates in the production, marketing and sales of chemical products. The net revenue of the Company from these activities in 2022 is TRY 2,143,274,370 (Note 28).</p> <p>We focused on this area due to the following reason:</p> <ul style="list-style-type: none"> <li>- Revenue is one of the most significant measurement criteria for evaluating the results of strategies implemented throughout the year and performance follow-up.</li> </ul> <p>Accounting policies related to Revenue Recognition of the Group are disclosed in Note 2.5.</p>	<p>The following procedures were performed for the audit of the revenue:</p> <ul style="list-style-type: none"> <li>- The adequacy of the revenue recognition policies of the Group for requirements of TFRS 15, “Revenue from Contract with Customers” was evaluated,</li> <li>- Business processes on revenue recognition performed by the Group were understood,</li> <li>- Sales invoices were tested using the sampling method and these invoices were reconciled with the related delivery notes and collections from the customers,</li> <li>- Confirmation letters were sent to the Group’s customers based on the sampling method,</li> <li>- Sales contracts with the Group’s customers were evaluated and the adequacy of the timing of revenue recognition for different types of delivery was assessed.</li> </ul> <p>As a result of our work, we have no material findings related to the revenue recognition.</p>



#### **4. Other matters**

The financial statements of the Group as of 31 December 2021 and for the year then ended were audited by another audit firm whose audit report dated 1 March 2022 expressed an unqualified opinion.

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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



**B. Other responsibilities arising from regulatory requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 2 March 2023.

**Additional explanation for convenience translation into English**

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

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

A handwritten signature in blue ink, appearing to read "Burak Özpoyraz", is written over a light blue circular stamp.

Burak Özpoyraz, SMMM  
Partner

Istanbul, 2 March 2023

## **Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. and Subsidiaries**

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## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Statement of consolidated financial position as at December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	498,806,148	452,276,853
Financial Investments	18	48,855,538	-
Trade receivables		501,364,411	197,817,534
- <i>Due from third parties</i>	7	498,878,055	196,388,834
- <i>Due from related parties</i>	6	2,486,356	1,428,700
Other receivables		250,629	121,488
- <i>Due from third parties</i>	8	250,629	121,488
Inventories	9	215,757,026	75,646,429
Prepaid expenses	10	10,812,979	8,702,210
Assets related to current period tax	26	1,709,204	-
Other currents assets	11	23,894,635	18,683,544
<b>Total Current assets</b>		<b>1,301,450,570</b>	<b>753,248,058</b>
<b>Non-current assets</b>			
Other receivables		1,291,902	634,662
- <i>Due from third parties</i>	8	1,291,902	634,662
Equity accounted investees	4	-	9,118,386
Property, plant, and equipment	15	242,108,864	140,297,682
Intangible assets		72,707,825	14,680,825
- <i>Goodwill</i>	35	20,394,861	-
- <i>Other intangible assets</i>	16	52,312,964	14,680,825
Investment property	14	81,736,200	51,147,668
Prepaid expenses	10	371,030	-
Right of use assets	13	16,704,833	13,015,901
Deferred tax assets	26	80,784,991	1,994,662
<b>Total Non-current assets</b>		<b>495,705,645</b>	<b>230,889,786</b>
<b>Total assets</b>		<b>1,797,156,215</b>	<b>984,137,844</b>

The accompanying notes form an integral part of these consolidated financial statements.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Statement of consolidated financial position as at December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
		<b>December 31,</b>	<b>December 31,</b>
	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Liabilities</b>			
<b>Short term liabilities</b>			
Short term liabilities	17	68,538,487	5,499,367
- <i>Lease liabilities</i>	17	5,864,772	5,499,367
- <i>Bank Loans</i>		62,673,715	-
Short term portion of long-term borrowings	17	3,363,763	-
Trade payables		396,217,155	236,320,897
- <i>Due to related parties</i>	6	10,973,726	3,316,868
- <i>Due to third parties</i>	19	385,243,429	233,004,029
Payables related to employee benefits	23	13,025,691	1,668,426
Other payables		234,896	96,385
- <i>Due to related parties</i>	6	182,496	43,985
- <i>Due to third parties</i>	12	52,400	52,400
Deferred income	20	79,901,910	46,649,645
Current income tax liabilities	26	6,643,352	2,945,006
Short-term provisions		25,310,078	15,465,077
- <i>Provisions for employee benefits</i>	23	24,470,012	14,883,266
- <i>Other short-term provisions</i>	24	840,066	581,811
Other short-term liabilities	21	15,993,490	7,374,576
<b>Total Short-term liabilities</b>		<b>609,228,822</b>	<b>316,019,379</b>
<b>Long term liabilities</b>			
Long term liabilities		11,696,882	8,767,800
- <i>Lease liabilities</i>	17	10,640,710	8,767,800
- <i>Bank Loans</i>	17	1,056,172	-
Long-term provisions		46,572,148	15,093,264
- <i>Provisions for employee benefits</i>	23	46,572,148	15,093,264
<b>Total Long-term liabilities</b>		<b>58,269,030</b>	<b>23,861,064</b>
<b>Equity</b>			
Share capital	27	115,000,000	115,000,000
Other comprehensive income / expense not to be reclassified to profit or loss			
- <i>Gains / (losses) on remeasurements of defined benefit plans</i>			
<i>Gains / (losses) on remeasurements of defined benefit plans, net</i>		(31,324,656)	(9,211,682)
Other comprehensive income / expense to be reclassified to profit or loss			
- <i>Foreign currency conversion difference</i>		(3,021,647)	3,884,377
Treasury shared (-)	27	(7,535,226)	(7,535,226)
Stock issue premium	27	197,350,010	197,350,010
Restricted Reserves	27	151,711,426	15,941,232
Retained earnings		143,626,854	116,114,388
Net profit for the period		506,862,509	213,287,232
<b>Equity holders of the parent</b>		<b>1,072,669,270</b>	<b>644,830,331</b>
<b>Non-controlling interests</b>		<b>56,989,093</b>	<b>(572,930)</b>
<b>Total equity</b>		<b>1,129,658,363</b>	<b>644,257,401</b>
<b>Total liabilities and equity</b>		<b>1,797,156,215</b>	<b>984,137,844</b>

The accompanying notes form an integral part of these consolidated financial statements.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Statement of consolidated profit or loss and other comprehensive income for the period ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2022	December 31, 2021
Revenue	28	2,143,274,370	809,990,145
Cost of sales (-)	28	(1,357,033,082)	(502,927,297)
<b>Gross profit</b>		<b>786,241,288</b>	<b>307,062,848</b>
Marketing, sales and distribution expenses (-)	29	(246,470,739)	(114,064,766)
General administrative expenses (-)	29	(113,812,238)	(52,541,342)
Research and development expenses (-)	29	(4,275,029)	(3,061,051)
Other operating income	31	180,125,250	120,644,586
Other operating expenses (-)	31	(177,268,625)	(131,447,281)
<b>Operating profit</b>		<b>424,539,907</b>	<b>126,592,994</b>
Income from investing activities	32	59,224,780	23,059,408
Expenses from investing activities (-)	32	(129,193)	(53,343)
Profit/ (loss) from equity accounted investees	4	(3,670,826)	(146,864)
<b>Operating profit before financial income</b>		<b>479,964,668</b>	<b>149,452,195</b>
Financial income	33	64,015,560	115,169,930
Financial expenses	33	(35,952,126)	(22,604,838)
<b>Profit before tax</b>		<b>508,028,102</b>	<b>242,017,287</b>
- Current tax expense (-)	26	(68,479,901)	(22,484,769)
- Deferred tax income / (expense) (-)	26	85,105,211	(6,287,813)
<b>Net profit from continuing operations</b>		<b>524,653,411</b>	<b>213,244,705</b>
<b>Net profit for the period</b>		<b>524,653,411</b>	<b>213,244,705</b>
<b>Attribution of Profit / (Loss) for the period:</b>			
Non-controlling interests		17,790,903	(42,527)
Equity holders of the parent		506,862,509	213,287,232
<b>Other comprehensive income/(expense)</b>			
<b>Not to be reclassified to profit or loss</b>			
Gains / (losses) on remeasurements of defined benefit plans	23	(26,967,041)	(3,460,258)
Gains / (losses) on remeasurements of defined benefit plans, tax effect		4,854,067	795,859
<b>To be reclassified to profit or loss</b>			
Foreign currency conversion difference		(6,906,025)	2,856,616
<b>Other comprehensive expense</b>		<b>(29,018,999)</b>	<b>192,217</b>
<b>Total comprehensive income</b>		<b>495,634,413</b>	<b>213,436,922</b>
<b>Attribution of Comprehensive Income for the period:</b>			
Non-controlling interests		17,790,902	(42,527)
Equity holders of the parent		477,843,511	213,479,449
<b>Earnings per shares</b>		<b>0,0456</b>	<b>0,0185</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

## Consolidated statements of changes in equity

### for the period ended December 31, 2022

(All amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Capital	Foreign currency conversion difference	Hedge of investments in foreign business	Defined benefit plans re-measurement losses	Other comprehensive income / expense not to be reclassified to profit or loss	Treasury Shares	Subsidiy	Revaluation of financial investments	Restricted Reserves	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total equity
<b>Balances as of January 1, 2021</b>	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
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling shareholders (noted 2.5)	-	-	-	-	-	-	-	-	4,874,336	79,045,830	(83,920,166)	-	(69,465)	(69,465)
Capital increase	15,000,000	-	-	-	-	-	-	-	-	-	-	15,000,000	-	15,000,000
Dividend paid	-	-	-	-	-	-	-	-	-	(12,500,000)	-	(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
Net profit for the period	-	-	-	-	-	-	-	-	-	-	213,287,232	213,287,232	(42,527)	213,244,705
Other comprehensive income/(loss)	-	2,856,616	-	(2,664,399)	-	-	-	-	-	-	-	194,217	-	192,217
<b>Total comprehensive income/(loss)</b>	-	2,856,616	-	(2,664,399)	-	-	-	-	-	-	213,287,232	213,479,449	(42,527)	213,436,922
<b>Balances as of December 31, 2021</b>	115,000,000	3,884,377	-	(9,211,682)	(7,535,226)	197,350,010	-	-	15,941,232	116,114,388	213,287,232	644,830,331	(572,930)	644,257,401
<b>Balances as of January 1, 2022</b>	115,000,000	3,884,377	-	(9,211,682)	(7,535,226)	197,350,010	-	-	15,941,232	116,114,388	213,287,232	644,830,331	(572,930)	644,257,401
Transfers	-	-	-	-	-	-	-	-	135,774,766	77,512,466	(213,287,232)	-	842,779	842,779
Subsidiary acquisition	-	-	-	-	-	-	-	-	(4,572)	-	-	(4,572)	38,928,342	38,923,770
Dividend paid	-	-	-	-	-	-	-	-	-	(50,000,000)	-	(50,000,000)	-	(50,000,000)
Net profit for the period	-	-	-	-	-	-	-	-	-	506,862,509	506,862,509	506,862,509	17,790,903	524,653,411
Other comprehensive income/(loss)	-	(6,906,025)	-	(22,112,974)	-	-	-	-	-	-	-	(29,018,998)	-	(29,018,998)
<b>Total comprehensive income/(loss)</b>	-	(6,906,025)	-	(22,112,974)	-	-	-	-	-	506,862,509	506,862,509	477,843,511	17,790,903	495,634,413
<b>Balances as of December 31, 2022</b>	115,000,000	(3,021,648)	-	(31,324,656)	(7,535,226)	197,350,010	-	-	151,711,426	143,626,854	506,862,509	1,072,669,270	56,989,093	1,129,658,363

The accompanying notes form an integral part of these consolidated financial statements.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Statement of consolidated cash flows for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		<i>Current period</i>	<i>Prior period</i>
		<i>Audited</i>	<i>Audited</i>
	<b>Notes</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Operating activities:</b>			
<b>Profit for the period from continuing Operations before tax</b>		<b>524,653,411</b>	<b>242,017,286</b>
<b>Adjustments:</b>			
Adjustments for depreciation and amortisation expense	13, 15, 16, 30	29,940,289	21,463,265
Adjustments for provision for employee termination benefit	23	6,819,915	-
Adjustments for provision for unused leave	23	2,504,353	-
Adjustments for other provisions for personnel	23	19,778,647	-
Adjustments for other provisions, net	23, 24	258,255	15,484,415
Adjustments for fair value losses (gains) of financial investments		(28,286,846)	-
Adjustments for interest expense	33	30,190,391	8,403,327
Adjustments for interest income	33	(33,080,381)	(23,085,950)
Adjustments for inventory impairment	9	1,690,574	-
Adjustments for doubtful trade receivable provision expense	7, 31	11,821,640	4,635,418
Adjustments for (gain) losses sales of fixed asset, net	32	(220,209)	31,733
Adjustments for tax income (expense)		(16,625,310)	28,772,582
Adjustments for (gain)/loss related of investment property	14, 32	(30,588,532)	(23,035,173)
Adjustments for undistributed profits of investments accounted for by equity method		9,118,386	146,864
Other adjustments to reconcile profit (loss)	4	74,779,115	-
Adjustments for deferred financial assets/(expense), net		(22,397,979)	1,427,245
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>		<b>580,355,719</b>	<b>247,488,430</b>
<b>Changes in assets and liabilities:</b>			
Adjustments for decrease (increase) in trade receivables		(341,643,870)	(86,272,312)
Adjustments for decrease (increase) in inventories		(141,801,171)	(40,269,653)
Adjustments for decrease (increase) in other assets		(7,111,405)	(18,153,168)
Adjustments for (decrease) increase in trade payables		210,178,222	89,807,827
Adjustments for decrease (increase) in financial investments		(20,568,692)	-
Adjustments for (decrease) increase in other liabilities		53,366,957	30,122,383
Collection from doubtful trade receivables	7, 31	(1,608,631)	338,041
Employee termination benefit paid	23	(2,308,072)	-
(Decrease) increase in employee benefits		(12,696,254)	(9,036,474)
Income taxes paid	26	(63,545,753)	(13,084,890)
<b>Cash from operating activities</b>		<b>252,617,050</b>	<b>200,940,184</b>
<b>Investing activities:</b>			
Cash outflows from purchases of tangible and intangible assets	15, 16	(87,569,916)	(51,706,257)
Cash inflows from the sales of tangible and intangible assets		536,697	520,436
Right of use assets	13	(7,810,115)	(1,937,680)
Cash outflows due to acquisition of subsidiaries	6	(139,135,012)	-
Cash outflows from advance given		(1,326,579)	-
<b>Cash from investing activities</b>		<b>(235,304,925)</b>	<b>(53,123,501)</b>
<b>Financing activities:</b>			
Proceeds from borrowings	17	158,036,529	-
Repayments of borrowings	17	(91,185,678)	(20,000,000)
Payments of lease liabilities		(11,506,983)	(6,503,537)
Interest paid		(9,165,791)	(6,301,557)
Interest received		33,080,381	22,109,462
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 inflow s/outflows for derivatives		-	127,162
Dividend paid		(50,000,000)	(12,500,000)
<b>Cash from financing activities</b>		<b>29,258,458</b>	<b>181,746,314</b>
Foreign currency conversion difference		-	(2,590,944)
<b>Net increase in cash and cash equivalents</b>		<b>46,570,580</b>	<b>326,972,053</b>
<b>Cash and cash equivalents at the beginning of the year</b>	5	<b>450,879,510</b>	<b>123,907,457</b>
<b>Cash and cash equivalents at the end of the year</b>	5	<b>497,450,090</b>	<b>450,879,510</b>

The accompanying notes form an integral part of these consolidated financial statements.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Kalekim Kimyevi Maddeler Sanayi ve 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 January 1, - December 31, 2022 were approved by the Board of Directors on March 1, 2023 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 December 31, 2022, and 2021, the subsidiaries of the Company are as follows:

	Scope of Activity	Company's voting rights and effective shareholding ratios	
		December 31, 2022	December 31, 2021
<b>Subsidiaries</b>			
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%
Kalekim Lyksor Kimya San.A.Ş. ("Kalekim-Lyksor") (Baes in Türkiye) (*)	Manufacture and trade of chemicals and all kinds of auxiliary chemicals and products, semi-finished products, raw materials used in production	75,00%	-
Kalekim Romania (Baes in Romania) (**)	Sales and marketing in the fields of activity of the Group, especially in construction chemicals, paint and plaster	50,00%	-

(\*) The Group was established on April 04, 2022, when Kalekim A.Ş. purchased 75% of Lyksor Kimya A.Ş.

(\*\*) The establishment of the company titled "Kalekim Romania S,A" in Romania, of which we have 50% of the shares, has been registered by the relevant authorities.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

As of December 31, 2022, and 2021, the business partnerships of the Company are as follows:

Scope of Activity	Company's voting rights and effective shareholding ratios		
	December 31, 2022	December 31, 2021	
<b>Joint Ventures</b>			
Sarl Ha Building Industry (settled in Algeria)	Production of ceramic adhesives and grouts	50%	50%

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 December 31, 2022 is 482 people (December 31, 2021: 399 people).

### 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, I, "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, 2020 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 ("TRY") 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, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does Not apply to the TFRS financial statements as of December 31, 2022, 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, 2022 are not adjusted for inflation in accordance with TAS 29.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.1 Basis of presentation (Continued)

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2024.

#### Functional and reporting currency

The consolidated financial statements are presented in TRY, 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 TRY, 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.

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 TRY 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 TRY 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, 2022 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, 2022 and thereafter, The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 The new standards, amendments, and interpretations (Continued)

#### i) Standards, amendments, and interpretations applicable as of December 31, 2022:

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/IFRS and IFRIC interpretations effective as of January 1, 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after January 1, 2022.
  - **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

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

#### a) Standards, amendments, and interpretations that are issued but not effective as of December 31, 2022:

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

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 The new standards, amendments, and interpretations (Continued)

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after January 1, 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after January 1, 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after January 1, 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after January 1, 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

### 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 were necessary, to conform to changes in presentation in the current period consolidated financial statements,

### 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

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 December 31, 2022 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.

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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

#### Business combinations and goodwill

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations have been accounted for by using the purchase method in the scope of TFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination.

If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted. Contingent considerations arising from business combinations are measured at their fair value in the consolidated financial statements.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 15). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

#### 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

#### 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.

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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

#### 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 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 January 1, 2006, based on the adjusted acquisition costs expressed in purchasing power at December 31, 2005, for the items acquired after January 1, 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
Leasehold improvements	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 January 1, 2006, based on the adjusted acquisition costs expressed in purchasing power at December 31, 2005, for the items acquired after January 1, 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

#### 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.

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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

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 December 31, 2022, and 2021, 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.

##### *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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

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.

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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 Summary of significant accounting policies (Continued)

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 TRY 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 TRY 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 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).

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 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.

#### c) Provision for doubtful receivables:

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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6 Significant accounting estimates and assumptions (Continued)

#### d) 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.

#### e) 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.

#### f) 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.

#### g) 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 3. SEGMENT REPORTING (Continued)

January 1, - December 31, 2021							
	Ceramic Applications	Waterproofing	Paint-Plaster	Concrete, Cement Chemicals and Raw Materials	Elimination	Other (*)	Total
Sales	1,322,331,834	131,850,164	211,598,352	439,028,153	(51,695,216)	90,161,083	2,143,274,370
Cost of sales	(827,191,286)	(75,640,177)	(137,439,340)	(311,507,898)	64,335,533	(69,589,913)	(1,357,250,032)
<b>Gross Profit</b>	<b>495,140,548</b>	<b>56,209,987</b>	<b>74,159,012</b>	<b>127,520,255</b>	<b>12,640,318</b>	<b>20,571,170</b>	<b>786,241,289</b>
Marketing expenses (-)	(147,507,487)	(13,707,773)	(36,100,502)	(25,467,361)	(9,854,155)	(13,833,461)	(246,470,740)
General administrative expenses (-)	(73,548,060)	(7,463,331)	(18,327,204)	(6,539,723)	-	(7,933,920)	(113,812,238)
Research and development expenses (-)	(2,985,453)	(302,951)	(743,935)	-	-	(242,690)	(4,275,029)
Other operating income	110,380,765	11,200,951	27,505,427	24,851,310	(2,786,162)	8,972,960	180,125,250
Other operating expenses (-)	(117,519,860)	(11,925,394)	(29,284,395)	(8,985,672)	-	(9,553,304)	(177,268,625)
<b>Operating profit / loss</b>	<b>263,960,453</b>	<b>34,011,488</b>	<b>17,208,402</b>	<b>111,378,809</b>	<b>-</b>	<b>(2,019,245)</b>	<b>424,539,907</b>

January 1, - December 31, 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)
<b>Gross Profit</b>	<b>228,345,085</b>	<b>24,028,669</b>	<b>35,592,411</b>	<b>5,866,005</b>	<b>13,230,678</b>	<b>307,062,848</b>
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)
<b>Operating profit / loss</b>	<b>114,961,191</b>	<b>9,122,809</b>	<b>371,850</b>	<b>-</b>	<b>2,137,144</b>	<b>126,592,994</b>

(\*) It consists of thermal insulation and other miscellaneous sales.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

#### 4. EQUITY ACCOUNTED INVESTEEES

##### Sarl Ha Building Industry

Joint venture agreement signed between Sarl HA Building Industry on October 10, 2020 and it was established as a business partnership in Algeria with 50% equal capital ownership within the scope of the contract amended on December 20, 2021 in order to production of ceramic adhesives and grouts.

	2022	2021
<b>January 1,</b>	<b>9.118.386</b>	<b>1,880,010</b>
Addition of Equity accounted investees (*)	-	1,937,680
Share of profit / (loss) Accounted investees	(69.682)	(146,864)
Equity accounted investees impairment (*)	(10.976.719)	-
Foreign currency conversion difference	(1.928.015)	5,447,560
<b>December 31,</b>	<b>-</b>	<b>9,118,386</b>

(\*) Due to the changes in the investment conditions in the Algerian market, it was foreseen that the expected economic benefit would not be created and a decrease in value was created.

Movements of equity accounted investees during the period are as follows:

The summary information about the financial statements of the subsidiaries is as follows:

	December 31, 2022		
	Total assets	Total liabilities	Active share and Voting rights (%)
Sarl Ha Building Industry	31,692,263	9,738,823	50
<b>Total</b>	<b>31,692,263</b>	<b>9,738,823</b>	

	Equity accounted investees	Profit or loss shares	Other comprehensive income/(loss) shares
	January 1, - December 31, 2022		
Sarl Ha Building Industry	(10,976,719)	(69,682)	1,928,015
<b>Total</b>	<b>(10,976,719)</b>	<b>(69,682)</b>	<b>1,928,015</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

#### 4. EQUITY ACCOUNTED INVESTEEES (Continued)

	December 31, 2022		
	Total assets	Total liabilities	Active share and Voting rights (%)
Sarl Ha Building Industry	27,680,718	9,443,945	50
<b>Total</b>	<b>27,680,718</b>	<b>9,443,945</b>	

January 1, - December 31, 2021	Revenue	Profit or loss shares	Other comprehensive Profit or loss shares
Sarl Ha Building Industry	-	(146,864)	5,447,561
<b>Total</b>	<b>-</b>	<b>(146,864)</b>	<b>5,447,561</b>

#### 5. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash	19,390	1,262
Banks	411,453,264	415,769,024
- Demand deposits	23,561,211	2,007,146
- Time deposits	387,892,053	413,761,878
Other (*)	87,333,494	36,506,567
<b>Total</b>	<b>498,806,148</b>	<b>452,276,853</b>
Interest accruals	(1,356,058)	(1,397,343)
Cash and cash equivalents presented in the cash flow statement	<b>497,450,090</b>	<b>450,879,510</b>

(\*) As of December 31, 2022, and 2021, other cash and cash equivalents consist of credit card receivables with a maturity of less than 30 days.

December 31, 2022	Interest Rate (%)	Maturity	Amount
TRY	13-14-18,5-22	2023	319,352,025
USD	2,50	2023	27,673,484
EUR	1,25	2023	40,866,545
<b>Total</b>			<b>387,892,054</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 5. CASH AND CASH EQUIVALENTS (Continued)

December 31, 2022	Interest Rate (%)	Maturity	Amount
TRY	15,75-16,25-17-27	2023	252,930,166
USD	0,9	2023	116,363,880
EUR	0,35	2023	44,467,832
<b>Total</b>			<b>413,761,878</b>

Time deposits have a maturity of less than three months, As of December 31, 2022, there are no blocked deposits (December 31, 2021: None.)

Exchange rate, interest rate risks and sensitivity analysis for the Group's financial assets and liabilities are disclosed in Note 34.

### 6. RELATED PARTY TRANSACTIONS AND BALANCES

#### i) Related party transactions:

##### a) Trade receivables from related parties:

	December 31, 2022	December 31, 2021
Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. ("Kaleseramik") (1) (*)	2,486,356	1,427,490
Kalemaden Endüstriyel Hammaddeler A.Ş. ("Kalemaden") (1)	-	1,210
<b>Total</b>	<b>2,486,356</b>	<b>1,428,700</b>

##### b) Trade payables to related parties:

	December 31, 2022	December 31, 2021
Kale Holding A.Ş. (1) (*)	7,655,976	1,750,735
Kalenakliyat Seyahat and Turizm A.Ş. ("Kalenakliyat") (1) (**)	3,168,902	1,409,652
Kaleseramik (1)	137,521	156,481
Bodur Gayrimenkul Geliştirme A.Ş. (1)	11,328	-
<b>Total</b>	<b>10,973,727</b>	<b>3,316,868</b>

(\*) 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

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### c) Trade payables to Other parties:

	December 31, 2022	December 31, 2021
Kale Holding A.Ş. (1)	182,496	43,985
<b>Total</b>	<b>182,496</b>	<b>43,985</b>

(1) Subsidiary of the parent of the group

#### ii) Other related party transactions

##### a) Merchandise sales:

	2022	2021
Kaleseramik (1)	5,422,755	2,851,522
Kale Araştırma Geliştirme A.Ş. (1)	-	16,500
Kalenakliyat (1)	-	375
Bodur Gayrimenkul Geliştirme A.Ş. (1)	-	903
<b>Total</b>	<b>5,422,755</b>	<b>2,869,300</b>

##### b) Service sales:

	2022	2021
Kaleseramik (1)	714,084	354,079
Kale Pratt Whitney Uçak Motor San,A.Ş. (1)	31,146	-
Kalenakliyat (1)	1,249	103,487
Kale Holding A.Ş. (1)	193,392	-
Kalemaden (1)	-	1,025
<b>Total</b>	<b>939,871</b>	<b>458,591</b>

##### c) Service procurement:

	2022	2021
Kale Holding A.Ş. (1)	31,933,698	15,200,016
Kalenakliyat (1)	10,323,994	4,799,871
Kaleseramik (1)	562,302	476,728
Bodur Gayrimenkul Geliştirme A.Ş. (1)	115,746	96,455
KSV İktisadi İşletme (1)	-	10,509
Kale Pratt Whitney Uçak Motor San,A.Ş. (1)	97,933	-
<b>Total</b>	<b>43,033,673</b>	<b>20,583,579</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### d) Goods purchases:

	2022	2021
Kaleseramik (1)	-	10,023
<b>Total</b>	<b>-</b>	<b>10,023</b>

#### e) Rent expense:

	2022	2021
Kaleseramik (1)	132,746	137,151
Kalenakliyat (1)	-	2,272
Kale Pratt Whitney Uçak Motor San,A.Ş. (1)	55,917	-
<b>Total</b>	<b>188,663</b>	<b>139,423</b>

#### f) Security purchases

	2022	2021
H. İbrahim Bodur Holding A.Ş. (2)	-	5,651,420
Kaleseramik (1)	-	1,883,806
<b>Total</b>	<b>-</b>	<b>7,535,226</b>

(\*) It is the founder's share certificate's amortization amount (Note 27)

(1) Subsidiary of the parent of the group

(2) Main partner

#### g) Purchase of intangible fixed assets

	2022	2021
Kale Holding A.Ş. (1)	1,441,088	978,641
Kaleseramik (1)	129,037	-
<b>Total</b>	<b>1,570,125</b>	<b>978,641</b>

(1) Subsidiary of the group parent

(2) Main partner

#### h) 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,

	2022	2021
Compensations provided to key management	18,488,642	9,927,004
<b>Total</b>	<b>18,488,642</b>	<b>9,927,004</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 7. TRADE RECEIVABLES FROM THIRD PARTIES

	December 31, 2022	December 31, 2021
Trade receivables	354,987,277	150,611,554
Notes receivables	187,934,070	73,179,547
	<b>542,921,347</b>	<b>223,791,101</b>
Less: Unrealized financial income from future sales	(12,502,687)	(6,074,669)
Less: Provision for doubtful trade receivables	(31,540,605)	(21,327,598)
<b>Total</b>	<b>498,878,055</b>	<b>196,388,834</b>

Average turnover day for trade receivables is 59 (December 31, 2021: 59 days). Trade receivables are discounted using an annual average of 16,35% (December 31, 2021: 21%) for TRY and 9,32% (December 31, 2021: 0,5%) for USD as of December 31, 2022.

Aging of doubtful Trade Receivable provisions is as follows:

	December 31, 2022	December 31, 2021
0-12 month	6,600,097	4,693,807
More than 12 months passed due	24,940,508	16,633,790
<b>Total</b>	<b>31,540,605</b>	<b>21,327,597</b>

The aging of overdue but not impaired receivables as of December 31, 2022 and 2021 is as follows:

Maturity	December 31, 2022	December 31, 2021
0-1 months	14,212,611	5,512,277
1-3 months	8,894,010	461,072
3 months and more	564,026	29,414
<b>Total</b>	<b>23,670,647</b>	<b>6,002,763</b>

The movement of provision for doubtful trade receivables as of December 31, 2022 is as follows:

	2022	2021
<b>January 1,</b>	<b>21,327,597</b>	<b>16,971,831</b>
Provision for doubtful receivables (Note 31)	10,078,145	4,693,807
Acquisition of subsidiary (*)	1,743,494	-
Collections (Note 32)	(1,608,631)	(338,041)
<b>December 31,</b>	<b>31,540,605</b>	<b>21,327,597</b>

(\*) Note 35

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 8. OTHER RECEIVABLES FROM THIRD PARTIES

	December 31, 2022	December 31, 2021
<b>Short term Other receivables:</b>		
Deposits and guarantees given	250,629	121,488
<b>Long terms Other receivables:</b>		
Deposits and guarantees given	1,291,902	634,662
<b>Total</b>	<b>1,542,531</b>	<b>756,150</b>

### 9. INVENTORIES

	December 31, 2022	December 31, 2021
Raw materials and supplies	108,188,489	39,711,539
Work-in process	8,313,863	2,645,070
Finished goods	32,976,720	20,971,723
Merchandises	29,204,048	11,300,511
Goods in transit	41,209,350	3,462,456
Less: provision for impairment	(4,135,444)	(2,444,870)
<b>Total</b>	<b>215,757,026</b>	<b>75,646,429</b>

As of December 31, 2022, inventory turnover day is 39 (December 31, 2021: 30 days).

The movement of the provision for inventory impairment is as follows

	2022	2021
<b>January 1,</b>	<b>2,444,870</b>	<b>2,503,259</b>
Provisions booked during the period, net	1,690,574	52,278
Provisions no longer required	-	(110,667)
<b>December 31,</b>	<b>4,135,444</b>	<b>2,444,870</b>

Inventory impairment provision is recognized at cost of sales.

### 10. PREPAID EXPENSES

	December 31, 2022	December 31, 2021
<b>Short term prepaid expenses:</b>		
Prepaid expenses	10,812,979	7,375,631
Advance given to fixed assets	-	1,326,579
<b>Total</b>	<b>10,812,979</b>	<b>8,702,210</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 11. OTHER CURRENT ASSETS

	December 31, 2022	December 31, 2021
VAT to be transferred	12,325,261	9,178,708
Other VAT	11,297,719	9,354,674
Accrued Income	36,323	69,259
Advances given to personnel	2,700	21,971
Other	232,632	58,932
<b>Total</b>	<b>23,894,635</b>	<b>18,683,544</b>

### 12. DUE TO RELATED PARTIES

	December 31, 2022	December 31, 2021
<b>Other short term liabilities:</b>		
Deposits and guarantees received	52,400	52,400
<b>Total</b>	<b>52,400</b>	<b>52,400</b>

### 13. 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
January 1, 2022	2,877,801	10,071,576	66,524	13,015,901
Additions	8,530,206	532,957	985,267	10,048,430
Depreciation	(4,310,489)	(1,658,784)	(390,226)	(6,359,498)
<b>December 31, 2022</b>	<b>7,097,518</b>	<b>8,945,749</b>	<b>661,565</b>	<b>16,704,833</b>
	Vehicles	Buildings	Forklifts	Total
January 1, 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)
<b>December 31, 2021</b>	<b>2,877,801</b>	<b>10,071,576</b>	<b>66,524</b>	<b>13,015,901</b>

As of December 2022, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended December 31, 2022 is TRY4,214,419, TRY1,059,762 and TRY1,085,317, respectively (December 31, 2021: respectively, TRY2,636,458, TRY870,646 and TRY683,640).

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 14. INVESTMENT PROPERTIES

	January 1, 2022	Transfers	Change in Fair Value	December 31, 2022
Kalekim-Russia	51,147,668	-	30,588,532	81,736,200
	<b>51,147,668</b>	<b>-</b>	<b>30,588,532</b>	<b>81,736,200</b>
	January 1, 2021	Transfers	Change in Fair Value	December 31, 2021
Kalekim-Russia	28,112,495	-	23,035,173	51,147,668
	<b>28,112,495</b>	<b>-</b>	<b>23,035,173</b>	<b>51,147,668</b>

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 December 31, 2022, 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	28,919,752
Russia	Building	Full	6,471,6	Cost approach	Level 2	52,816,448
						<b>81,736,200</b>

As of December 31, 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
						<b>51,147,668</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 15. PROPERTY, PLANT AND EQUIPMENT

	January 1, 2022	Acquisition of subsidiary (* )	Additions	Disposals	Transfers (** )	December 31, 2021
<b>Cost:</b>						
Land	4,954,618	-	-	-	-	4,954,618
Land Improvements	2,705,760	4,000	869,745	-	-	3,579,505
Buildings	56,256,971	38,379,542	8,139,907	(36,348)	-	102,740,072
Machinery	73,176,822	7,437,324	9,255,012	(388,922)	-	89,480,236
Vehicles	2,086,153	2,117,955	3,597,966	(145,781)	-	7,656,293
Furniture & fixture	43,123,133	916,576	11,323,673	(28,329)	-	55,335,053
Leasehold improvements	4,770,977	-	284,440	-	-	5,055,417
Construction in progress	36,704,539	-	44,783,159	-	(4,371,371)	77,116,327
	<b>223,778,973</b>	<b>48,855,397</b>	<b>78,253,902</b>	<b>(599,380)</b>	<b>(4,371,371)</b>	<b>345,917,521</b>
<b>Accumulated amortization:</b>						
Land Improvements	1,897,932	-	136,227	-	-	2,034,159
Buildings	13,728,268	1,037,395	1,245,952	(25,154)	-	15,986,461
Machinery	45,295,866	257,505	5,785,318	(137,280)	-	51,201,409
Vehicles	563,319	2,397,439	878,092	(108,023)	-	3,730,826
Furniture & fixture	20,092,315	483,715	7,492,532	(12,434)	-	28,056,128
Leasehold improvements	1,903,591	402,116	493,967	-	-	2,799,674
	<b>83,481,291</b>	<b>4,578,171</b>	<b>16,032,087</b>	<b>(282,891)</b>	<b>-</b>	<b>103,808,658</b>
<b>Net Book Value</b>	<b>140,297,682</b>					<b>242,108,864</b>

(\*) Note 35

(\*\*) Classified to intangible assets (Note 16).

As of December 2022, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended December 31, 2022 is TRY4,824,328 , TRY2,235,559 , TRY523,654 and TRY8,165,655 (December 31, 2021: respectively TRY3,735,632, TRY1,013,391 , TRY460,609 and TRY6,695,292).

As of December 31, 2022, there is no collateral, pledge, or mortgage on tangible assets (December 31, 2021: None).

As of December 31, 2022, there are no capitalized borrowing costs in tangible assets (December 31, 2021: None).

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2021	Additions	Disposals	Transfers (* )	December 31, 2021
<b>Cost:</b>					
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
Leasehold improvements	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
	<b>201,960,922</b>	<b>47,806,865</b>	<b>(23,867,668)</b>	<b>(2,121,146)</b>	<b>223,778,973</b>
<b>Accumulated amortization:</b>					
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
Leasehold improvements	4,645,117	506,438	(3,247,964)	-	1,903,591
	<b>94,823,840</b>	<b>11,904,924</b>	<b>(23,247,473)</b>	<b>-</b>	<b>83,481,291</b>
<b>Net book value</b>	<b>107,137,082</b>				<b>140,297,682</b>

(\*) Classified to intangible assets (Note 16).

As of December 31, 2022, and 2021, the costs of tangible fixed assets that have been amortized and continue to be used are as follows.

	December 31, 2022	December 31, 2021
Land Improvements	910,006	910,006
Buildings	6,445,913	4,522,342
Vehicles	222,290	-
Leasehold improvements	877,446	-
Machinery	30,687,384	28,309,157
Furniture & fixture	10,420,600	8,187,111
	<b>49,563,639</b>	<b>41,928,616</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 16. INTANGIBLE ASSETS

	January 1, 2022	Acquisitions of subsidiary (*)	Additions	Transfers (**)	December 31, 2022
<b>Cost:</b>					
Rights	11,219,031	31,493,459	5,031,377	-	47,743,867
Development expenses	14,590,261	-	4,284,637	4,371,371	23,246,269
Goodwill (*)	-	20,394,861	-	-	20,394,861
	<b>25,809,292</b>	<b>51,888,320</b>	<b>9,316,014</b>	<b>4,371,371</b>	<b>91,384,997</b>
<b>Accumulated depreciation:</b>					
Rights	5,673,728	1,660,286	2,370,748	-	9,704,762
Development expenses	5,454,739	-	3,517,671	-	8,972,410
	<b>11,128,467</b>	<b>1,660,286</b>	<b>5,888,419</b>	<b>-</b>	<b>18,677,172</b>
<b>Net book value</b>	<b>14,680,825</b>				<b>72,707,825</b>

(\*) Note 35

	January 1, 2021	Additions	Disposals	Transfers (*)	December 31, 2021
<b>Cost:</b>					
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
	<b>21,779,074</b>	<b>3,899,392</b>	<b>(1,990,320)</b>	<b>2,121,146</b>	<b>25,809,292</b>
<b>Accumulated depreciation:</b>					
Rights	4,870,217	2,861,857	(2,058,346)	-	5,673,728
Development expenses	2,949,000	2,505,739	-	-	5,454,739
	<b>7,819,217</b>	<b>5,367,596</b>	<b>(2,058,346)</b>	<b>-</b>	<b>11,128,467</b>
<b>Net book value</b>	<b>13,959,857</b>				<b>14,680,825</b>

(\*) Note 35

(\*\*) Classified from tangible assets (Note 15).

As of December 2022, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended December 31, 2022 is TRY103,706 , TRY2,118,524, TRY3,556,823 and TRY109,366, (December 31, 2021: TRY76,831, TRY2,714,547, TRY2,540,565 and TRY35,653),

As of December 31, 2022, and 2021, the costs of intangible assets that have been amortized and continue to be used are as follows.

	December 31, 2022	December 31, 2021
Rights	4,897,906	778,491
Development expenses	680,107	25,841
	<b>5,578,013</b>	<b>804,332</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 17. FINANCIAL PAYABLES

	December 31, 2022	December 31, 2021
<b>Short term financial payables</b>		
Short term payables from operating leases	5,864,771	5,486,915
Short term bank credits	62,673,715	-
Short-term portion of long-term bank borrowings and interest accruals	3,363,763	-
Other financial liabilities	-	12,452
	<b>71,902,249</b>	<b>5,499,367</b>
<b>Long term financial payables</b>		
Long term payables from operating leases	10,640,710	8,767,800
Bank credits	1,056,172	-
	<b>11,696,882</b>	<b>8,767,800</b>
<b>Total financial payables</b>	<b>83,599,131</b>	<b>14,267,167</b>

The Group has started to apply TFRS 16 standard as of January 1, 2021 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 December 31, 2022 and 2021 are as follows:

	2022	2021
Operating lease assets as of the beginning of the period	14,254,715	17,405,249
Additions during period	9,824,333	828,940
Interest Expense	3,634,521	2,513,920
Acquisition of subsidiary (*)	244,646	-
Foreign Exchange expense	46,937	10,143
Payments	(11,506,983)	(6,503,537)
	<b>16,498,169</b>	<b>14,254,715</b>

(\*) Note 35

The movements of bank loans as of December 31, 2022 and 2021 accounting period are as follows:

	2022	2021
<b>January 1,</b>	-	20,412,150
Bank loans	109,934,744	-
Principal paid	(91,185,678)	(20,000,000)
Interest payment	(9,165,791)	(412,150)
Acquisition of subsidiary (*)	48,101,785	-
Accrual	9,408,590	-
<b>December 31,</b>	<b>67,093,650</b>	<b>-</b>

(\*) Note 35

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 17. FINANCIAL PAYABLES (Continued)

As of December 31, 2022, and 2021, the financial payables are as follows:

	Maturity	Annual weighted average effective interest rate	Original Currency Amount	TRY	Maturity	Annual weighted average effective interest rate	Original Currency Amount	TRY
	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
<b>Short term loans:</b>								
- TRY loans	2023	17,10%	62,365,082	62,365,082	-	-	-	-
Loan interest accruals	-	-	308,633	308,633	-	-	-	-
<b>Total</b>			<b>62,673,715</b>	<b>62,673,715</b>	-	-	-	-
<b>Short term portion of long-term loans:</b>								
- TRY loans	2023	14,23%	3,303,877	3,303,877	-	-	-	-
Loan interest accruals	-	-	59,886	59,886	-	-	-	-
<b>Total</b>			<b>3,363,763</b>	<b>3,363,763</b>	-	-	-	-
<b>Long term loans:</b>								
- TRY loans	2023	14,23%	1,056,172	1,056,172	-	-	-	-
<b>Total</b>			<b>1,056,172</b>	<b>1,056,172</b>	-	-	-	-

## 18. FINANCIAL INVESTMENTS

As of 1 December 2022, and 2021, financial investments of the Group are as follows:

Financial Investments	December 31, 2022	December 31, 2021
Currency Protected Deposit (*)	48,760,539	-
Other	94,999	-
<b>Total</b>	<b>48,855,538</b>	-

Financial Investments	December 31, 2022			
	Nominal Value	Interest Accruals	Currency Differences	Fair Value
Currency Protected Deposit	46,795,892	937,930	1,026,717	48,760,539

(\*) The maturity of Currency Protected Deposit ("CPD") is February 2023 and the interest rate is 13.5%.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 19. TRADE PAYABLES TO THIRD PARTIES

	December 31, 2022	December 31, 2021
Short term trade payables	389,231,461	235,926,066
Less: Unrealized financing expense from forward purchases	(3,988,032)	(2,922,037)
<b>Total</b>	<b>385,243,429</b>	<b>233,004,029</b>

The average maturity of trade payables is 84 days (December 31, 2021: 130 days), Discounted using annual average rates of 16,35% (December 31, 2021: 21%) (TRY) and 9,32% (December 31, 2021: 0,5%) (USD) on December 31, 2022.

### 20. DEFERRED INCOME

	December 31, 2022	December 31, 2021
Advances taken (*)	79,901,910	46,649,645
<b>Total</b>	<b>79,901,910</b>	<b>46,649,645</b>

(\*) It consists of advances received by the Group from customers regarding ceramic applications and paint sales.

### 21. OTHER LIABILITIES

#### Other Short-term liabilities

	December 31, 2022	December 31, 2021
Taxes and funds payable	7,802,257	2,825,113
Other liabilities	8,191,235	4,549,463
<b>Total</b>	<b>15,993,492</b>	<b>7,374,576</b>

### 22. COMMITMENTS AND CONTINGENT LIABILITIES

The details of the commitments given by the Group as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Letter of guarantees given	37,534,795	33,343,419
<b>Total</b>	<b>37,534,795</b>	<b>33,343,419</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 22. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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:

	December 31, 2022	December 31, 2021
Guarantee cheques received (*)	214,631,675	138,805,757
Mortgages	62,244,662	37,718,002
Guarantee letters received	46,219,000	34,394,816
<b>Total</b>	<b>323,095,337</b>	<b>210,918,575</b>

(\*) In order to reduce the risk of receivables, the Group received personal guarantees amounting to TRY 201,153,675 from its dealers and Other customers in 2022 (December 31, 2021: TRY 124,580,537).

As of December 31, 2022, and 2021, the table regarding the Group's collateral, pledge, and mortgage ("CPM") position is as follows:

	Original Currency				
	TRY equivalent	TRY	USD	Euro	Other
<b>December 31, 2022</b>					
A, Total amount of CPMB's given in the name of its own legal personality	37,534,795	37,534,795	-	-	-
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	-	-	-	-	-
<b>Total</b>	<b>37,534,795</b>	<b>37,534,795</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2021</b>					
Original Currency					
	TRY equivalent	TRY	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	-	-	-	-	-
<b>Total</b>	<b>33,343,419</b>	<b>33,343,419</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 23. PROVISIONS FOR EMPLOYEE BENEFITS

#### a) Short term payables for employee benefits

	December 31, 2022	December 31, 2021
Social security deductions payable	6,070,361	1,578,413
Payables to personnel	6,955,330	90,013
<b>Total</b>	<b>13,025,691</b>	<b>1,668,426</b>

#### b) Short term provisions for employee benefits

	December 31, 2022	December 31, 2021
Provision for personnel premium	19,778,647	12,696,254
Provision for unused vacation pay	4,691,365	2,187,012
<b>Total</b>	<b>24,470,012</b>	<b>14,883,266</b>

Movements in personal premium provisions during the period are as follows:

	2022	2021
January 1,	12,696,254	7,617,955
Provision paid during period	(12,696,254)	(7,617,955)
Current year provision	19,778,647	12,696,254
<b>December 31,</b>	<b>19,778,647</b>	<b>12,696,254</b>

Movements of unused vacation provisions during the period are as follows:

	2022	2021
January 1,	2,187,012	1,394,788
Period provision expense / (cancellation), net	2,238,373	792,224
Acquisition of subsidiary	265,980	-
<b>December 31,</b>	<b>4,691,365</b>	<b>2,187,012</b>

#### c) Long term provisions for employee benefits

	December 31, 2022	December 31, 2021
Provision for employee termination benefits	46,572,148	15,093,264
<b>Total</b>	<b>46,572,148</b>	<b>15,093,264</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 23. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

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 TRY19,982,83 (December 31, 2021: TRY10,849) as of December 31, 2022. 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:

	December 31, 2022	December 31, 2021
Discount rate	19,00%	19,00%
Turnover rate related the probability of retirement (rate of employees to remain to retirement)	96,57%	95,66%

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:

	2022	2021
<b>January 1,</b>	<b>15,093,264</b>	<b>10,082,113</b>
Service Cost	3,127,342	1,267,010
Interest Cost	3,605,642	1,410,771
Actuarial loss / (gain)	26,967,041	3,460,258
Employee termination paid	(2,308,072)	(1,126,888)
Acquisition of subsidiary	86,931	-
<b>December 31,</b>	<b>46,572,148</b>	<b>15,093,264</b>

### 24. OTHER SHORT-TERM PROVISIONS

	December 31, 2022	December 31, 2021
Litigation provision	-	-
Loyalty program provision	840,066	581,811
<b>Total</b>	<b>840,066</b>	<b>581,811</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 24. OTHER SHORT-TERM PROVISIONS (Continued)

Movements of litigation provisions during the period are as follows:

	2022	2021
January 1,	-	802,730
Payments for current period	-	(291,631)
Provisions no longer required	-	(511,099)
<b>December 31,</b>	<b>-</b>	<b>-</b>

Movements of loyalty program provisions during the period are as follows:

	2022	2021
January 1,	581,812	752,556
Provisions for current period	699,070	301,927
Provisions used (Note 31)	(440,816)	(472,672)
<b>December 31,</b>	<b>840,066</b>	<b>581,811</b>

### 25. 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 Mardin factory expansion/modernization investment, which it started to invest in in 2022, 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 2022 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.

For the Balıkesir factory expansion/modernization investment, which it started to invest in in 2021, 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 2022 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.

In addition, the Group applied the 70% tax reduction rate it had due to its investments in Balıkesir in 2022 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 December 31, 2022, the deferred tax asset related to this document has not been recorded, since the entire amount of the investment contribution earned has been used, (December 31, 2021: None).

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 25. GOVERNMENT GRANTS (Continued)

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 20% corporate tax rate due to the Mardin factor complete investments, Yozgat factory expansion investment; As of December 31, 2022, deferred tax asset amounting to TRY 1,852,221 has been recorded, Mardin factory complete; As of December 31, 2022, 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 TRY 1,033,436 as of December 31, 2022 was accounted for in incentive income under income from main activities (December 31, 2021 – TRY 1,259,069).

### 26. 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.

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 December 31, 2022, and 2021, 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 January 1, 2019, 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 2019, 2020 and 2021 in the deferred tax calculation, Due to the completion of the temporary tax rate change as of 2021, 20% tax rate has been used in the financial statements dated December 31, 2021 for the temporary differences that are expected to be realized / closed in 2022 and later.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 26. TAX (Continued)

With the change in the Corporate Tax Law, which was published in the Official Gazette dated April 22, 2022 and numbered 31462, the corporate tax rate in Turkey is 20%, effective from March 31, 2022, 20% for corporate earnings for 2022, and 23% for corporate earnings for 2023, will be applied at a rate of 23%. The application has started to be valid as of January 1, 2022 in the deferred tax calculation, 21% tax rate is used for the temporary differences expected to be realized/closed in the financial statements dated December 31, 2022.

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 2022 is 21. 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, 2022 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.

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 23% on their quarterly financial profits and declare it until the 17th 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 26. TAX (Continued)

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 December 31, 2022, 2021 and 2019, the tax amounts to be paid are netted for each Subsidiary and are classified separately in the consolidated financial statements.

	December 31, 2022	December 31, 2021
Corporate and income tax payable	(68,479,901)	(22,484,769)
Prepaid taxes	63,545,753	19,539,763
<b>Current tax related assets / (liabilities)</b>	<b>(4,934,148)</b>	<b>(2,945,006)</b>

Tax expenses included in the income statements for the periods ending as of December 31, 2022 and 2021 are summarized below:

	2022	2021
Current year tax	(68,479,901)	(22,484,769)
Deferred tax income / (expense)	85,105,211	(6,287,813)
<b>Total tax income / (expense)</b>	<b>16,625,310</b>	<b>(28,772,582)</b>

### 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 December 31, 2022 and 2021, using the applicable tax rates, is as follows:

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

Notes to the consolidated financial statements  
for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 26. TAX (Continued)

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Income from investment incentives	(14,755,779)	(3,842,226)	2,656,040	883,712
Employee termination pay liability	(46,572,148)	(15,096,599)	8,382,987	3,472,218
Unaccrued finance income	(12,502,687)	(5,967,850)	2,250,484	1,372,605
Tangible and intangible fixed assets (*)	(439,213,663)	-	79,058,459	-
Actuarial loss / (gain) Tax effect	(31,324,656)	-	5,638,438	-
Accrued expense and provisions	(8,095,001)	(4,502,826)	1,457,100	1,035,650
Unused leave provisions	(4,691,365)	(2,120,388)	844,446	487,689
Adjustments to operating leases	-	(434,003)	-	99,821
Other	(13,757,623)	(4,431,262)	2,476,372	1,148,950
<b>Deferred tax assets</b>			<b>102,764,326</b>	<b>8,500,645</b>
Revaluation effect on investment property	50,652,936	20,064,404	(9,117,528)	(4,614,813)
Tangible and intangible fixed assets	-	5,407,262	-	(1,243,670)
Unaccrued finance expense	3,988,032	2,815,218	(717,846)	(647,500)
Adjustments to operating leases	560,890	-	(100,960)	-
Acquisition of subsidiary	57,347,619	-	(12,043,000)	-
<b>Deferred tax liabilities</b>			<b>(21,979,334)</b>	<b>(6,505,983)</b>
<b>Deferred tax assets, net</b>			<b>80,784,991</b>	<b>1,994,662</b>

(\*) Temporary Article 32 of Law No. 213 added via Article 52 of Law No. 7338 on Amending the Tax Procedure Law and Certain Laws dated 14 October 2021, and paragraph (Ç) added to duplicated Article 298 of Law No. 213 via Law No. 7338 enable taxpayers to revalue the properties listed on their balance sheets (in the scope of temporary article 32) and other depreciable financial assets (in the scope of temporary article 32 and article 298 ç) as of the end of the previous accounting period. The assets included in scope will be depreciated using their revaluation amount, and a 2% tax will be paid on the increased value that arises in the scope of temporary Article 32. In the scope of the relevant law adjustment, a deferred tax asset was generated in the financial position statement as per revaluation records of fixed assets in the legal books, and the deferred tax of the relevant asset was recorded on the consolidated income statement. Within the scope of Temporary Article 32, the fixed asset values of May 2021 were adjusted to the values in December 2021 and within the scope of paragraph (Ç) added to duplicated Article 298 of Law No. 213, the fixed asset values of January 2022 were adjusted to the values in December 2022.

Movement of net deferred tax asset is as follows:

	2022	2021
<b>January 1,</b>	<b>1,994,662</b>	<b>7,486,615</b>
Acquisition of subsidiary	(11,168,949)	-
Recognized in P&L	85,105,211	(6,287,812)
Recognized in equity	4,854,067	795,859
<b>December 31,</b>	<b>80,784,991</b>	<b>1,994,662</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 26. TAX (Continued)

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 December 31, 2022 and 2021 is as follows:

	2022	2021
Profit before tax	508,028,102	242,017,287
Effective tax rate	21%	23%
Tax calculated using effective tax rate	(106,685,901)	(55,663,976)
Exceptions and discounts	10,642,026	50,320,350
Effect of non-deductible expenses	(2,621,206)	(53,134,458)
Fixed asset indexation and revaluation	83,350,550	-
Investment incentives used without deferred tax	17,765,899	27,689,376
Tax effect of foreign losses	(866,116)	(128,681)
Tax rate change effect	13,330,423	-
Other	1,709,635	2,144,807
<b>Tax Expense</b>	<b>16,625,310</b>	<b>(28,772,582)</b>

### 27. CAPITAL, RESERVES AND OTHER EQUITY

#### a) Paid-in Capital and capital adjustment differences

As of December 31, 2021, the capital of the Parent Company is TRY 100,000,000. 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 TRY 0,01 each and 1,995,6 million Group (B) bearer shares with a nominal value of TRY 0,05 each.

As of December 31, 2022, the registered capital ceiling of the Parent Company is TRY 300,000,000, and it is divided into 30,000,000,000 registered shares each with a nominal value of 1 penny.

As of December 31, 2022, the capital of the Parent Company is TRY 115,000,000. 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 TRY 0,01 each and 11,478,000,000 group (B) bearer shares with a nominal value of TRY 0,01 each.

The shareholders and share ratios of the Parent Company as of December 31, 2022 and 2021 are shown below:

Shareholders	December 31, 2022		December 31, 2021	
	Share %	TRY	Share %	TRY
H. İbrahim Bodur Holding A.Ş.	68.6723	78,973,158	68.6723	78,973,158
Dr. İbrahim Bodur KaleSeramik Eğitim, Sağlık ve Sosyal Yardım Vakfı	3.8223	4,395,688	3.8223	4,395,688
Bodur Menkul İş Geliştirme San. ve Tic. A.Ş.	1.1392	1,310,093	1.1392	1,310,093
Kalemaden Endüstriyel Hammaddeler Ticaret A.Ş.	0.0409	47,087	0.0409	47,087
Kale Holding A.Ş.	0.0002	174	0.0002	174
Other (*)	26.325	30,273,800	26.325	30,273,800
<b>Total paid-in capital</b>	<b>100</b>	<b>115,000,000</b>	<b>100</b>	<b>115,000,000</b>

(\*) As of December 31, 2022. TRY 29,920,000 consists of shares offered to the public. The remaining TRY 353,800 is composed of Other partners.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 27. CAPITAL, RESERVES AND OTHER EQUITY (Continued)

#### 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 December 31, 2022 and 2021, the legal reserve amounts in Kalekim's legal records are as follows:

	December 31, 2022	December 31, 2021
Legal Reserves	151,711,426	15,941,232
	<b>151,711,426</b>	<b>15,941,232</b>

#### c) Treasury Shares

It is the founder's share certificate's amortization amount. Founder's share amounted TRY7,535,226 according to the valuation report dated January 14, 2022, 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.

#### d) Stock issue premium

With the decision of the Board of Directors dated April 21, 2022 and numbered 2021/23; The issued capital of TRY 100,000,000 is increased by 15% to TRY 115,000,000 as TRY 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, TRY 14.75, a resource of TRY 221,250,000 was created, of which TRY 15,000,000 is a cash capital increase and the remaining TRY 206,250,000 is the issue premium amount provided after the public offering. The share issuance premium was accounted for under shareholders' equity as TRY 197,350,010 considering the expenses of TRY 8,899,990 incurred within the scope of the public offering.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 28. SALES AND COST OF SALES

	January 1,- December 31, 2022	January 1,- December 31, 2021
Domestic sales	1,476,434,287	568,680,397
Foreign sales	791,601,631	289,977,509
Other sales	2,193,750	1,955,881
<b>Gross sales</b>	<b>2,270,229,668</b>	<b>860,613,787</b>
Less: returns and discounts	(126,955,298)	(50,623,642)
<b>Net sales</b>	<b>2,143,274,370</b>	<b>809,990,145</b>
<b>Cost of sales</b>	<b>(1,357,033,082)</b>	<b>(502,927,297)</b>
<b>Gross Profit</b>	<b>786,241,288</b>	<b>307,062,848</b>

Cost of sales is detailed below based on cost attributes:

	January 1,- December 31, 2022	January 1,- December 31, 2021
Direct material	1,199,142,333	425,291,969
Personnel wages	50,616,094	27,111,904
Energy	19,404,938	5,728,379
Amortization	9,309,485	7,414,585
Repair and maintenance	7,383,662	4,156,564
Personnel expenses	6,065,033	2,867,744
Subcontractor	4,351,610	2,804,288
Other	23,037,894	9,876,233
<b>Total cost of goods sold</b>	<b>1,319,311,049</b>	<b>485,251,666</b>
Cost of merchandise sold	37,722,033	17,675,631
<b>Total cost of sales</b>	<b>1,357,033,082</b>	<b>502,927,297</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 29. MARKETING, SALES AND DISTRIBUTION EXPENSE, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSE

### Marketing, sales and distribution expense:

	January 1,- December 31, 2022	January 1,- December 31, 2021
Transportation expenses	71,192,832	24,076,118
Personnel wages	60,611,517	31,988,041
Advertising and promotion	39,958,579	16,975,238
Marketing and communication	20,414,909	11,502,360
Storage expenses	16,034,716	9,077,115
Amortization	9,142,453	6,448,921
Travel expenses	7,240,492	1,943,319
Subcontractor	5,150,397	3,858,632
Personnel expenses	2,727,238	1,014,019
Repair and maintenance expense	715,753	915,028
Consultancy expenses	540,262	203,650
Other	12,741,589	6,062,325
<b>Total</b>	<b>246,470,739</b>	<b>114,064,766</b>

### General administrative:

	January 1,- December 31, 2022	January 1,- December 31, 2021
Personnel wages	40,961,033	21,057,669
Holding expenses	28,786,494	13,874,319
IT expenses	12,664,649	6,300,814
Amortization	7,121,219	4,598,584
Consultancy expenses	6,866,170	1,858,726
Travel expenses	2,496,841	664,021
Personnel expenses	1,887,410	550,307
Subcontractor expenses	1,374,747	780,133
Learning	1,211,553	404,012
Energy	829,366	391,723
Repair and maintenance	362,057	74,316
Other	9,250,699	1,986,718
<b>Total</b>	<b>113,812,238</b>	<b>52,541,342</b>

### Research and development expenses:

	January 1,- December 31, 2022	January 1,- December 31, 2021
Amortization	4,080,477	3,001,174
Personnel wages	194,552	59,877
<b>Total</b>	<b>4,275,029</b>	<b>3,061,051</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 30. EXPENSES BY NATURE

	January 1,- December 31, 2022	January 1,- December 31, 2021
Direct material	1,199,142,333	425,291,969
Personnel wages	152,383,197	80,217,491
Transportation expenses	71,192,832	24,076,118
Advertising and promotion	39,958,579	16,975,238
Cost of goods sold	37,722,033	17,675,631
Amortization	29,653,634	21,463,264
Holding expenses	28,786,494	13,874,319
Marketing and communication expenses	20,414,909	11,502,360
Energy	20,234,304	6,120,102
Storage expenses	16,034,716	9,077,115
IT Expense	12,664,649	6,300,814
Subcontractor expense	10,876,755	7,443,053
Personnel expenses	10,679,681	4,432,069
Travel expenses	9,737,334	2,607,340
Repair and maintenance expense	8,461,472	5,145,907
Consultancy expense	7,406,432	2,062,377
Learning	1,211,553	404,012
Other	45,030,182	17,925,277
	<b>1,721,591,088</b>	<b>672,594,456</b>

### 31. OTHER OPERATING INCOME AND EXPENSES

	January 1,- December 31, 2022	January 1,- December 31, 2021
Foreign exchange gain	117,249,624	89,426,149
Gain from maturity difference	50,281,964	24,845,444
Doubtful receivable provision released (Note 7)	1,608,631	338,041
Incentives gains	1,033,436	1,283,281
Provisions released (Note 24)	440,816	983,771
Other	9,510,779	3,767,900
<b>Total other operating income</b>	<b>180,125,251</b>	<b>120,644,586</b>
Foreign exchange loss	(119,299,132)	(104,637,545)
Loss from maturity differences	(27,883,985)	(13,680,369)
Provision for doubtful receivables (Note 7)	(10,078,145)	(4,693,807)
Reflection expense	(4,628,298)	(2,447,069)
Donation and aid expense	(2,228,430)	(1,497,102)
Other	(13,150,634)	(4,491,389)
<b>Total other operating expenses</b>	<b>(177,268,625)</b>	<b>(131,447,281)</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 32. INCOME / (EXPENSE) FROM INVESTING ACTIVITIES

	January 1,- December 31, 2022	January 1,- December 31, 2021
Fair value increase on investment property (Note 14)	30,588,532	23,035,173
Currency protected foreign exchange difference income	15,817,782	-
Currency protected deposit interest income	12,469,064	-
Gain on fixed asset sales	349,402	21,610
Other	-	2,625
<b>Total</b>	<b>59,224,780</b>	<b>23,059,408</b>

	January 1,- December 31, 2022	January 1,- December 31, 2021
Sales loss of fixed asset	(129,193)	(53,343)
<b>Total</b>	<b>(129,193)</b>	<b>(53,343)</b>

### 33. FINANCIAL INCOME/(EXPENSES)

	January 1,- December 31, 2022	January 1,- December 31, 2021
<b>Financial income</b>		
Foreign Exchange income	30,935,179	92,083,980
Interest income	33,080,381	23,085,950
<b>Total</b>	<b>64,015,560</b>	<b>115,169,930</b>
<b>Financial expenses</b>		
Interest expense	(30,190,391)	(8,815,477)
Foreign Exchange expense	(5,761,735)	(13,789,361)
<b>Total financial expenses</b>	<b>(35,952,126)</b>	<b>(22,604,838)</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 34. 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 December 31, 2022 and 2021, the values of foreign currency assets and liabilities in TRY held by the Group are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Assets	173,726,297	193,175,317
Liabilities	(141,215,844)	(100,681,274)
<b>Net foreign currency position</b>	<b>32,510,453</b>	<b>92,494,043</b>

#### 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:

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### Market risk (Continued)

December 31, 2022		Total TRY Equivalent	USD TRY Equivalent	Euro TRY Equivalent	Other
1.	Trade Receivables	102,285,178	33,912,444	54,560,716	13,812,018
2.a	Monetary financial assets	71,049,719	28,730,369	41,715,599	603,751
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	391,400	-	-	391,400
<b>4.</b>	<b>Current Assets</b>	<b>173,726,297</b>	<b>62,642,813</b>	<b>96,276,315</b>	<b>14,807,169</b>
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total assets</b>	<b>173,726,297</b>	<b>62,642,813</b>	<b>96,276,315</b>	<b>14,807,169</b>
10.	Trade payables	141,105,685	36,567,109	104,538,576	-
11.	Financial liabilities	-	-	-	-
12.a	Monetary Other liabilities	110,159	37,397	72,762	-
12.b	Non-monetary Other liabilities	-	-	-	-
<b>13.</b>	<b>Short term liabilities</b>	<b>141,215,844</b>	<b>36,604,506</b>	<b>104,611,338</b>	<b>-</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Monetary Other liabilities	-	-	-	-
16.b	Non-monetary Other liabilities	-	-	-	-
<b>17.</b>	<b>Long term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities</b>	<b>141,215,844</b>	<b>36,604,506</b>	<b>104,611,338</b>	<b>-</b>
	Off-balance sheet derivative instruments net	-	-	-	-
19.	position (19a-19b)	-	-	-	-
19.a	Derivative assets	-	-	-	-
19.b	Derivative liabilities	-	-	-	-
<b>20.</b>	<b>Net foreign currency position (9-18+19)</b>	<b>32,510,453</b>	<b>26,038,307</b>	<b>(8,335,023)</b>	<b>14,807,169</b>
<b>21.</b>	<b>Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
22.	Total fair value of financial instruments used for currency hedge	<b>32,119,053</b>	<b>26,038,307</b>	<b>(8,335,023)</b>	<b>14,415,769</b>
23.	Hedged amount of foreign currency assets	-	-	-	-
	Hedged amount of foreign currency liabilities	-	-	-	-
24.					
25.	Export	732,916,882	634,353,430	67,669,373	30,894,079
26.	Import	610,177,801	279,436,189	327,580,043	3,161,569

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### Market risk (Continued)

December 31, 2021		Total TRY Equivalent	USD TRY Equivalent	Euro TRY 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	-	-	-	-
<b>4.</b>	<b>Current Assets</b>	<b>193,175,317</b>	<b>134,237,654</b>	<b>54,466,008</b>	<b>4,471,655</b>
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
<b>8.</b>	<b>Current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total assets</b>	<b>193,175,317</b>	<b>134,237,654</b>	<b>54,466,008</b>	<b>4,471,655</b>
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	-	-	-	-
<b>13.</b>	<b>Short term liabilities</b>	<b>100,681,274</b>	<b>25,623,793</b>	<b>75,028,546</b>	<b>28,935</b>
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Monetary Other liabilities	-	-	-	-
16.b	Non-monetary Other liabilities	-	-	-	-
<b>17.</b>	<b>Long term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18.</b>	<b>Total liabilities</b>	<b>100,681,274</b>	<b>25,623,793</b>	<b>75,028,546</b>	<b>28,935</b>
19.	Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-
19.a	Derivative assets	-	-	-	-
19.b	Derivative liabilities	-	-	-	-
<b>20.</b>	<b>Net foreign currency position (9-18+19)</b>	<b>92,494,043</b>	<b>108,613,861</b>	<b>(20,562,538)</b>	<b>4,442,720</b>
<b>21.</b>	<b>Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>92,494,043</b>	<b>108,613,861</b>	<b>(20,562,538)</b>	<b>4,442,720</b>
22.	Total fair value of financial instruments used for currency hedge	-	-	-	-
23.	Hedged amount of foreign currency assets Hedged amount of foreign currency liabilities	-	-	-	-
24.	Export	274,392,221	230,693,229	43,350,809	348,183
26.	Import	189,824,302	11,339,299	178,485,003	-

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

## 34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### Market risk (Continued)

#### Sensitivity analysis

	December 31, 2022			
	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 TRY				
USD net asset/liability	2,603,831	(2,603,831)	2,603,831	(2,603,831)
USD hedged portion	-	-	-	-
<b>USD net effect</b>	<b>2,603,831</b>	<b>(2,603,831)</b>	<b>2,603,831</b>	<b>(2,603,831)</b>
The impact of 10% increase/decrease of Euro against TRY				
Euro net asset/liability	(833,503)	833,503	(833,503)	833,503
Euro hedged portion	-	-	-	-
<b>Euro net effect</b>	<b>(833,503)</b>	<b>833,503</b>	<b>(833,503)</b>	<b>833,503</b>
<b>Total</b>	<b>1,770,328</b>	<b>(1,770,328)</b>	<b>1,770,328</b>	<b>(1,770,328)</b>
	December 31, 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 TRY				
USD net asset/liability	10,861,386	(10,861,386)	10,861,386	(10,861,386)
USD hedged portion	-	-	-	-
<b>USD net effect</b>	<b>10,861,386</b>	<b>(10,861,386)</b>	<b>10,861,386</b>	<b>(10,861,386)</b>
The impact of 10% increase/decrease of Euro against TRY				
Euro net asset/liability	(2,056,254)	2,056,254	(2,056,254)	2,056,254
Euro hedged portion	-	-	-	-
<b>Euro net effect</b>	<b>(2,056,254)</b>	<b>2,056,254</b>	<b>(2,056,254)</b>	<b>2,056,254</b>
<b>Total</b>	<b>8,805,132</b>	<b>(8,805,132)</b>	<b>8,805,132</b>	<b>(8,805,132)</b>

#### 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### Market risk (Continued)

The table showing the Group's interest rate sensitive financial instruments is as follows:

	December 31, 2022	December 31, 2021
<b>Financial instruments with fixed rates</b>		
Time deposits	387,892,054	413,761,878
Financial payables	83,599,131	14,267,167

As of December 31, 2022 and 2021, there are no variable interest.

#### 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 December 31, 2022 and 2021, the credit risk analysis by financial instrument types is given below:

December 31, 2022	Trade Receivables		Other Receivables		Deposits in banks
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum credit risk exposure as of the reporting date</b>	<b>2,486,356</b>	<b>498,878,055</b>	-	<b>1,542,531</b>	<b>411,453,264</b>
<i>Portion of the maximum risk that is guaranteed with a collateral, etc</i>	<b>2,486,356</b>	<b>64,731,018</b>	-	-	-
Net book value of financial assets that are not overdue or not impaired	2,486,356	475,207,408	-	1,542,531	411,453,264
Net book value of assets that are overdue but not impaired	-	23,670,647	-	-	-
The part of net value under guarantee with collateral, etc	-	-	-	-	-
Net book values of impaired assets	-	2,203,374	-	-	-
Overdue (gross book value)	-	33,743,980	-	-	-
Impairment (-)	-	(31,540,606)	-	-	-
The part of net value under guarantee with collateral, etc	-	2,203,374	-	-	-

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### Credit Risk (Continued)

December 31, 2021	Trade Receivables		Other Receivables		Deposits in banks
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum credit risk exposure as of the reporting date</b>	<b>1,428,700</b>	<b>196,388,834</b>	-	<b>885,910</b>	<b>415,769,024</b>
<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	-	-	-

#### 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:

December 31, 2022	Carrying value	Contractual cash-outflows	Less than 3 months	3-12 months	1-5 years
<b>Non- derivative financial liabilities:</b>					
Financial payables	83,599,132	83,367,355	6,344,147	65,442,022	11,581,186
Trade payables					
- Related parties	10,973,726	10,973,726	10,973,726	-	-
- Other	385,243,429	385,243,429	385,243,429	-	-
<b>Total</b>	<b>479,816,287</b>	<b>479,584,510</b>	<b>402,561,302</b>	<b>65,442,022</b>	<b>11,581,186</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### Credit Risk (Continued)

December 31, 2021	Carrying value	Contractual cash-outflows	Less than 3 months	3-12 months	1-5 years
<b>Non- derivative financial liabilities:</b>					
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	-	-
<b>Total</b>	<b>250,588,064</b>	<b>257,330,860</b>	<b>239,242,935</b>	<b>6,408,531</b>	<b>11,679,394</b>

#### 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 December 31, 2022 and 2021, the net debt/(equity + net debt) ratio is as follows:

	December 31, 2022	December 31, 2021
Total financial payables	83,599,132	14,267,167
Less: cash and cash equivalent	(411,472,654)	(415,770,286)
Net liability	-	-
Equity	1,129,658,363	646,604,218
<b>Total net financial liabilities and invested capital ratio</b>	<b>0%</b>	<b>0%</b>

#### 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.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 34. 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.

### 35. BUSINESS COMBINATIONS

The Group purchased 75% of Lyksor Kimya San A.Ş. shares on April 4, 2022 and later changed its title to "Kalekim Lyksor Kimya San. A.S." ("Kalekim Lyksor").

Kalekim Lyksor 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, macrosynthetic micro and steel fibers to be used in concrete.

Regarding the purchase of 75% of the shares representing the capital of Lyksor Kimya San A.Ş., whose share transfer transactions and registration have been completed, the sale price has been finalized as TRY 139,135,012 and paid in cash to the shareholders who transferred their shares with the share transfer agreement, in proportion to their shares.

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 35. BUSINESS COMBINATIONS (Continued)

The purchase price, the book values of the acquired assets and liabilities used within the scope of TFRS 3 are summarized in the table below:

Purchase price-cash	139,135,012
<b>Total purchase price</b>	<b>139,135,012</b>
Cash and cash equivalents	3,639,419
Trade Receivables	96,044,662
Inventories	49,798,458
Other currents assets	25,224,097
Property. plant. and equipment	11,657,873
Intangible assets	11,825
Deferred tax assets	874,051
Other non currents assets	392,122
Trade. financial and other liabilities	(73,017,394)
Other liabilities	(9,479,437)
	<b>105,145,676</b>
Property. plant. and equipment	33,823,652
Rights	31,393,990
Deferred tax liabilities	(12,043,117)
<b>Value of total identifiable net assets (100%)</b>	<b>158,320,201</b>
<b>Corresponding to 75% of the purchased</b>	<b>118,740,151</b>
Goodwill	20,394,861
<b>Total purchase price</b>	<b>139,135,012</b>

In the consolidated statement of profit or loss, Kalekim Lyksor's share in the sales revenues after the purchase date was TRY 439,028,154 . and its contribution to the net profit for the period was TRY 76,736,386.

If Kalekim Lyksor had been included in the consolidation as of January 1, 2022, the effects on the Group's consolidated profit or loss statement on revenue and net profit for the period would have been higherby TRY 530,659,819 and TRY 96,423,531, respectively.

The details of the cash outflow arising from the acquisition are as follows:

Total purchase price - cash	139,135,012
Cash and cash equivalents - acquired	(3,639,419)
<b>Cash outflow from the purchase (net)</b>	<b>135,495,593</b>

## Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

# Notes to the consolidated financial statements for the year ended December 31, 2022

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

### 36. 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, 2022, and the preparation principles of which are based on the KGK letter dated August 19, 2022 are as follows:

	January 1, - December 31, 2022	January 1, - December 31, 2021
Independent audit fee	560,000	256,500
Independent audit fee for limited reviews	-	132,400
Special independent audit (public offering, debt instrument insurance etc.) services	-	167,312
<b>Total</b>	<b>560,000</b>	<b>556,212</b>

### 37. SUBSEQUENT EVENTS

There was no damage to the Group's facilities in the earthquake that occurred on 6 February 2023 in our country and affected an area close to the Group's production facilities in Mersin, Mardin and Diyarbakir. In the post-earthquake period, it is not expected that a negative situation will occur in the Group's activities.

The Group has decided to make a SES investment at Yerköy Kale Seramik Private OIZ and Balıkesir factory addresses on 19 January 2023. Moreover, the EIA compliance application has been completed for the Branch located at Yerköy Kale Seramik Private OIZ address.



## Contact

<b>Accounting Period for the Report:</b>	01.01.2022 - 31.12.2022
<b>Commercial Title:</b>	Kalekim Kimyevi Mad. San. ve Tic. A.Ş.
<b>Address of the General Directorate of the Company:</b>	Firuzköy Mahallesi, Firuzköy Bulvarı, No: 188/1 Avcılar-Istanbul/Türkiye
<b>Trade Registry No:</b>	Istanbul Trade Registry Office: 124652
<b>Tax Office:</b>	Istanbul Large Taxpayers Tax Office
<b>Tax Identification Number:</b>	4910024958
<b>Central Registration System Number:</b>	0491002495800013
<b>Website:</b>	<a href="http://www.kalekim.com.tr">www.kalekim.com.tr</a>
<b>Phone:</b>	+90 212 423 00 18
<b>Fax:</b>	+90 212 423 31 88
<b>Call Center:</b>	0850 222 87 82
<b>Investor Relations Contact Information:</b>	<a href="mailto:yatirimci@kalekim.com.tr">yatirimci@kalekim.com.tr</a>

