

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS AT
1 JANUARY-31 DECEMBER 2024 AND
INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Kaleseramik Çanakkale Kalebodur Seramik Sanayi 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 2024, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2024, 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 adopted within the framework of the regulations of the Capital Markets Board and 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”) the ethical requirements regarding independent audit in regulations issued by the POA; the regulations of the Capital Markets Board; and other relevant legislation are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



3. Key audit matters

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

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Revenue recognition</p> <p>The Group achieved a revenue of TRY 9.948.731.835 for the financial period ending on December 31, 2024. As stated in Note 2.3 and Note 21 of the consolidated financial statements, revenue is recognized when it can be measured reliably and when it is probable that the economic benefits associated with the transactions will flow to the Group.</p> <p>Revenue is the most critical measurement criterion for the Group in evaluating the results of the strategies implemented during the year and for performance monitoring. Additionally, recognizing revenue consistently in accordance with the accrual principle poses a significant risk due to the Group's various performance obligations to its customers related to product deliveries. For these reasons, the recognition of revenue has been identified as a key audit matter.</p>	<p>The following procedures have been applied to the audit of revenue:</p> <ul style="list-style-type: none"> - The processes identified as key by the independent auditor, including billing for significant revenue streams, approval of price changes, and sub-processes related to receivables monitoring, have been reviewed end-to-end. - With the assistance of our Information Technology (IT) specialists, the designs of internal controls related to program access, program changes, and the general IT environment have been evaluated, and the relevant processes have been reviewed end-to-end. - Tests have been conducted using a sampling method to verify the accuracy of customer invoices, and these invoices have been tested against collections from customers, contracts, or sales orders. - Detailed tests have been performed to ensure that transactions recognized as revenue, occurring before and after the financial periods, are recorded in the correct period in accordance with the accrual principle. - The reliable measurement of performance obligations arising from the Group's customer contracts and their accounting in accordance with TFRS 15 'Revenue from Contracts with Customers' have been assessed. - The adequacy of the disclosures in Note 2.3 and Note 21 has been evaluated.



4. 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.

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

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

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

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

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



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 2024 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 11 March 2025.

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

Orhan Öztürk, SMMM
Independent Auditor

Istanbul, 11 March 2025

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KALESERAMİK ÇANAKKALE KALEBODUR CERAMIC INDUSTRY INC.**CONSOLIDATED FINANCIAL STATEMENT DATED DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on purchasing power as of December 31, 2024.)

	Footnote References	Audited Current period 31.12.2024	Audited Past period 31.12.2023
Assets			
Current Assets		7,154,259,051	10,214,049,698
Cash and cash equivalents	5	1,458,210,162	3,294,106,690
Trade receivables		1,938,591,709	2,480,020,281
- Trade receivables from related parties	6	12,616,793	34,093,339
- Trade receivables from third parties	7	1,925,974,916	2,445,926,942
Other receivables		93,931,632	190,234,536
- Other receivables from third parties	8	93,931,632	190,234,536
Inventories	9	3,319,171,261	3,954,159,372
Prepaid expenses	10	255,592,359	208,048,611
Tax assets for the current period	28	65,034,406	31,127,692
Other current Assets	18	23,727,522	56,352,516
Non-current assets		8,321,202,172	7,834,114,106
Financial investments	3	63,897,342	75,274,015
Investments Accounted for Using Equity Method	3	21,740,140	19,300,512
Investment properties	11	317,749,022	353,842,153
Property, plant and equipment	12	6,564,696,656	5,927,733,356
Intangible Assets		525,051,944	402,539,542
- Other Intangible Assets	13	525,051,944	402,539,542
Right-of-use assets	14	96,362,510	64,509,756
Prepaid expenses	10	61,742,665	-
Deferred Tax Asset	28	669,501,893	990,250,633
Other Non Current Assets		460,000	664,139
Total assets		15,475,461,223	18,048,163,804

The accompanying footnotes form an integral part of the consolidated financial statements

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL TABLE AS OF DECEMBER 31, 2024

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TRY") as of December 31, 2024.)

	Footnote reference	Audited Current period 31.12.2024	Audited Past period 31.12.2023
Liabilities			
Current Liabilities		6,834,930,823	5,260,578,727
Short-term borrowings	15	4,283,318,022	2,087,898,500
Current portion of long-term borrowings		288,698,894	499,651,612
- Short-term portions of long-term borrowings	15	258,505,998	477,731,997
- Borrowings from lease transactions	15	30,192,896	21,919,615
Derivative financial liabilities	19	-	8,840,835
Trade payables		1,836,393,690	1,959,412,342
- Trade payables to related parties	6	158,629,911	138,210,157
- Trade payables to third parties	7	1,677,763,779	1,821,202,185
Payables Related to Employee Benefits	17	154,527,458	175,585,612
Other Payables		19,238,080	3,969,710
- Other payables to third parties	8	19,238,080	3,969,710
Deferred Income	10	189,753,722	470,856,139
Short-term provisions		41,988,062	38,064,580
- Short-term provisions for employee benefits	17	19,745,259	12,272,196
- Other short-term provisions	16	22,242,803	25,792,384
Other short-term liabilities	18	21,012,895	16,299,397
Non-Current Liabilities		1,350,937,542	1,566,659,980
Long-term borrowings		831,645,670	850,043,702
- Long-term borrowings	15	765,101,372	823,745,935
- Borrowings from lease transactions	15	66,544,298	26,297,767
Trade Payables		138,383,802	335,131,227
- Trade payables to third parties	7	138,383,802	335,131,227
Long-term provisions		380,908,070	381,485,051
- Long-term provisions for employee benefits	17	380,908,070	381,485,051
Equity		7,289,592,858	11,220,925,097
Parent Company's Shares		7,220,572,063	11,220,925,097
Paid-in capital	20	514,778,661	514,778,661
Capital adjustment differences	20	8,285,125,328	8,285,125,328
Share capital	20	4,898,051,248	4,898,051,248
Items That Will Not Be Reclassified to Profit or Loss		(751,024,761)	(593,815,402)
- Remeasurement of defined benefit plans			
gains (losses)		(745,661,036)	(597,121,658)
- Investments in equity instruments			
gains (losses) arising from		(5,313,564)	3,446,474
- Share of other comprehensive income of investments			
accounted through equity method that will not be			
reclassified to profit or loss		(50,161)	(140,218)
Items That Are or May Be Reclassified to Profit Or Loss		(222,184,181)	(176,140,054)
-Foreign Currency Translation Differences		(222,184,181)	(176,140,054)
Restricted Profit Reserves	20	256,283,858	247,688,230
Previous Years Profit(Loss)		(2,079,107,327)	(2,381,061,897)
Net Profit/(Loss) for the Period		(3,681,350,763)	426,298,983
Non-controlling interests	20	69,020,795	-
Total Equity		15,475,461,223	18,048,163,804

The accompanying footnotes form an integral part of the consolidated financial statements

KALESERAMİK ÇANAKKALE KALEBODUR CERAMIC INDUSTRY INC.**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

	Footnote References	Audited Current period 31.12.2024 Audited	Audited Past period 31.12.2023 Audited
PROFIT OR LOSS			
Revenue	21	9,948,731,835	14,024,533,498
Cost Of Sales (-)	21	(9,934,489,446)	(11,818,947,191)
Gross Profit		14,242,389	2,205,586,307
General Administrative Expenses (-)	22	(736,223,385)	(832,324,751)
Marketing Expenses(-)	22	(1,567,069,402)	(1,605,695,364)
Research and Development Expense (-)	22	(163,052,316)	(101,608,769)
Other Operating Income	24	509,586,446	1,896,899,682
Other Operating Expense (-)	24	(711,260,425)	(1,016,020,434)
OPERATING PROFIT/(LOSS) BEFORE INVESTMENT ACTIVITIES		(2,653,776,693)	546,836,671
Income from Investment Activities	25	18,685,228	169,736,652
Expenses for Investment Activities(-)	25	(68,055,484)	(49,000,349)
Share of Investments' Profit Accounted for Using The Equity Method	3	2,349,571	2,188,937
Impairment gains (losses) and reversals of impairment losses determined in accordance with TFRS 9	7	(34,393,792)	(84,501,485)
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/EXPENSES		(2,735,191,170)	585,260,426
Financial Income	26	1,145,072,741	657,947,208
Financial Expenses (-)	26	(2,351,178,530)	(1,965,243,317)
Net monetary position gains	27	570,393,093	1,268,586,470
PROFIT/(LOSS) BEFORE TAX		(3,370,903,866)	546,550,787
Tax Expense			
- Current Tax Expense	28	-	(105,548,092)
- Deferred Tax Expense	28	(367,734,280)	(14,703,712)
NET PROFIT/(LOSS) FOR THE PERIOD		(3,738,638,146)	426,298,983
Distribution of profit (loss) for the period			
-Non-controlling interests		(57,287,383)	-
-Parent Company Shares		(3,681,350,763)	426,298,983
Earning Per Share	29	(2.237)	0.268

The accompanying footnotes form an integral part of the consolidated financial statements

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.**CONSOLIDATED OTHER COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

	Audited Current period 31.12.2024	Audited Past period 31.12.2023
Footnote References		
OTHER COMPREHENSIVE INCOME		
Items That Will Not be Reclassified Subsequent to Profit or Loss	(157,209,359)	(253,984,437)
- Remeasurement gains/(losses) on defined benefit plans from investments valued using the equity method, net of tax	90,057	493,430
- Remeasurement losses on defined benefit plans, net of tax	(148,539,378)	(239,742,017)
- Gains (losses) from investments in equity-based financial instruments, net of tax	(8,760,038)	(14,735,850)
Items That May Be Reclassified Subsequent to Profit or Loss	(68,684,740)	(102,704,879)
- Currency Translation Adjustment	(68,684,740)	(102,704,879)
Other Comprehensive Expense	(225,894,099)	(356,689,316)
Total comprehensive income/(expense)	(3,964,532,245)	69,609,667
Total Comprehensive Income(Loss)		
-Non-controlling interests	(79,927,996)	-
-Parent company shares	(3,884,604,249)	69,609,667

The accompanying footnotes form an integral part of the consolidated financial statements

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

CONSOLIDATED EQUITY CHANGE TABLE FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power basis as of December 31, 2024.)

	Comprehensive Income(Expense) That Will Not Be Reclassified SubsequentYy To Profit or Loss						Comprehensive Income(Expense) That Will Be Reclassified SubsequentYy To Profit or Loss						
	Revaluation and measurement gains/losses												
	Share capital	Adjustment to share capital	Share premium	Remeasurement of defined benefit plans gains(losses)	Gains/(losses) arising from investments in equity based financial instruments	Share of other comprehensive income of investments accounted through equity method that will not be reclassified to profit or loss	Foreign Currency Translation Differences	Restricted Profit Reserves	Previous Years Profit(Loss)	Net Profit/(Loss) For The Period(loss)	Equity Belongs To Parent Company	Non-controlling Interests	Total Equity
Balances as of January 1, 2023	405,388,196	8,196,102,243	687,081,897	(357,379,641)	18,182,324	(633,648)	(73,435,175)	206,257,389	(5,398,291,685)	3,143,948,333	6,827,220,233	-	6,827,220,233
Transfers	-	-	-	-	-	-	-	41,430,841	3,102,517,492	(3,143,948,333)	-	-	-
Total Comprehensive Income(loss)	-	-	-	(239,742,017)	(14,735,850)	493,430	(102,704,879)	-	-	426,298,983	69,609,667	-	69,609,667
Cash Capital Increase (Note 20)	109,390,465	89,023,085	-	-	-	-	-	-	-	-	198,413,550	-	198,413,550
Increase due to share-based transactions (Note 20)	-	-	4,210,969,351	-	-	-	-	-	-	-	4,210,969,351	-	4,210,969,351
Other payments to shareholders excluding dividends	-	-	-	-	-	-	-	-	(85,287,704)	-	(85,287,704)	-	(85,287,704)
Balances as of December 31, 2023	514,778,661	8,285,125,328	4,898,051,248	(597,121,658)	3,446,474	(140,218)	(176,140,054)	247,688,230	(2,381,061,897)	426,298,983	11,220,925,097	-	11,220,925,097
Balances as of January 1, 2024	514,778,661	8,285,125,328	4,898,051,248	(597,121,658)	3,446,474	(140,218)	(176,140,054)	247,688,230	(2,381,061,897)	426,298,983	11,220,925,097	-	11,220,925,097
Transfers	-	-	-	-	-	-	-	8,595,628	417,703,355	(426,298,983)	-	-	-
Total Comprehensive Income(loss)	-	-	-	(148,539,378)	(8,760,038)	90,057	(46,044,127)	-	-	(3,681,350,763)	(3,884,604,249)	(79,927,996)	(3,964,532,245)
Acquisition of a subsidiary (Note 20)	-	-	-	-	-	-	-	-	-	-	-	(5,678,955)	(5,678,955)
Dividends (Note 20)	-	-	-	-	-	-	-	-	(115,748,785)	-	(115,748,785)	-	(115,748,785)
Increase due to changes in ownership interest in subsidiaries that do not result in the loss of control (Note 20)	-	-	-	-	-	-	-	-	-	-	-	154,627,746	154,627,746
Balances as of December 31, 2024	514,778,661	8,285,125,328	4,898,051,248	(745,661,036)	(5,313,564)	(50,161)	(222,184,181)	256,283,858	(2,079,107,327)	(3,681,350,763)	7,220,572,063	69,020,795	7,289,592,858

The accompanying footnotes form an integral part of the consolidated financial statements

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1 -
DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

	Footnote References	Audited Current Period January 1 – December 31 2024	Audited Past Period January 1 – December 31 2023
CASH FLOWS FROM OPERATING ACTIVITIES		(1,929,644,445)	208,394,311
Profit/(Loss) for the period		(3,738,638,146)	426,298,983
Adjustments to reconcile net profit/loss for the period		1,401,339,033	706,868,691
Adjustment related to depreciation and amortization expense	23	827,574,474	713,017,410
Adjustments related to impairment of receivables	7	34,393,792	84,501,485
Adjustment related to provision for inventory impairment	9	(30,255,398)	(124,885,799)
Adjustments related to provisions/cancellation for employee benefits.	17	67,079,982	111,438,891
Adjustment related to provision for litigations (net)	16	4,454,523	(23,929,922)
Other provisions	16	895,897	(16,853,984)
Adjustment related to interest income	26	(1,145,072,741)	(657,947,208)
Adjustment related to interest expense	26	1,728,448,668	1,202,754,873
Adjustment related to fair value decrease/(increase) of derivative financial instruments		(8,840,835)	(26,863,521)
Adjustments related to fair value gains on financial assets	25	-	(80,380,880)
Adjustments related to tax income/expenses	28	367,734,279	120,251,804
Adjustments related to fair value losses/gains on investment properties	25	8,788,398	(61,745,493)
Adjustments for retained Earnings of investments valued by equity method	3	(2,349,571)	(2,188,937)
Adjustments related to unrealised foreign exchange differences		190,322,920	377,146,554
Adjustment related to gain(loss) sale of property, plant and equipment	25	44,407,489	28,837,787
Monetary (gains)/losses		(686,242,844)	(936,284,369)
Changes in working capital		642,815,089	(279,399,426)
Change in trade receivables from related parties.	6	21,476,546	(32,292,975)
Change in trade receivables from third parties.	7	538,194,190	138,321,377
Change in other receivables related to activities from third parties.	8	96,302,904	251,541,076
Adjustments related to change in inventories.	9	665,243,509	171,136,543
Changes in prepaid expenses	10	(109,286,413)	18,280,509
Changes in other assets related to operations.	18	32,829,133	164,249,971
Changes in trade payables to related parties.	6	20,419,754	(91,591,790)
Changes in trade payables to third parties.	7	(340,185,831)	(361,434,685)
Changes in deferred income	10	(281,102,417)	(587,467,969)
Change in payables related to employee benefits	17	(21,058,154)	51,616,201
Adjustments related to change in other liabilities related to operations	8	15,268,370	(1,740,412)
Change in other liabilities related to operations	18	4,713,498	(17,272)
Cash flow from operations		(1,694,484,024)	853,768,248
Taxes paid/tax returns	28	(33,906,714)	(105,548,092)
Payments made within the scope of provisions for employee benefits	17	(201,253,707)	(539,825,845)
CASH FLOWS FROM INVESTING ACTIVITIES		(1,576,494,900)	(1,424,662,807)
Cash outflow related to sales of tangible and intangible assets	11,12,25	16,971,814	(24,474,427)
Cash outflow related to purchases of tangible and intangible assets	11, 12	(1,593,466,714)	(1,711,808,349)
Other cash inflows (outflows)		-	311,619,969
CASH FLOWS FROM FINANCING ACTIVITIES		2,649,462,002	5,013,972,885
Cash inflows from borrowing	15	6,347,953,933	7,110,830,904
Interest received		1,119,623,539	645,214,118
Cash inflows from changes in ownership interests in subsidiaries that do not result in the loss of control		154,627,746	-
Dividends paid	20	(115,748,785)	-
Interests paid		(1,765,836,757)	(1,215,453,701)
Cash outflows related to debt repayments	15	(3,091,157,674)	(5,850,713,633)
Cash inflows from the issuance of shares and other equity-based instruments	20	-	4,210,969,351
Cash capital increase	20	-	198,413,550
Other cash outflows		-	(85,287,704)
Change in cash and cash equivalents before foreign exchange differences and monetary effects		(856,677,343)	3,797,704,389
Effect of foreign exchange differences on cash and cash equivalents		7,865,564	68,846,942
Monetary loss		(1,012,533,951)	(1,138,348,739)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(1,861,345,730)	2,728,202,592
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	3,281,222,662	553,020,070
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	1,419,876,932	3,281,222,662

The accompanying footnotes form an integral part of the consolidated financial statements

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

1. ORGANISATION AND NATURE OF OPERATIONS

Çanakkale Seramik Fabrikaları A.Ş., the first ceramic tile producer in Turkey, was established in 1957, while Kalebodur Seramik Sanayi A.Ş., the first floor tile producer, was founded in 1972. Çanakkale Seramik Fabrikaları A.Ş. and Kalebodur Seramik Sanayi A.Ş. merged under the name of Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. ("Kaleseramik" or the "Company") in the year 2000. Kaleseramik, along with its subsidiaries and affiliates (collectively referred to as the "Group"), is primarily engaged in the production, sale, and distribution of wall tiles, floor tiles, granite ceramics, insulators, frit, and bathroom and kitchen furniture and accessories. The ultimate controlling shareholder of the Company is H. İbrahim Bodur Holding A.Ş., which is ultimately controlled by the Bodur family.

The Company is registered in Turkey and has a registered address.
Büyükdere Caddesi Kaleseramik Binası 34330 Levent, İstanbul.

Subsidiaries

As of December 31, 2024 and 2023, the consolidated subsidiaries are as follows:

December 31 2024	Country	Principal Activities	Ordinary Shares Held by the company percentage(%)	Ordinary Shares Held by the company percentage(%)
Kale Italia(***)	Italia	Production	100.00	100.00
OOO Kaleseramik Rusya Ltd.(***)	Russia	Production	100.00	100.00
Al-Sadaf Porselen ve Seramik Kaşı Üretimi Limited Şirketi (*)	Iraq	Production	49.00	49.00
Kaleseramik Seramik Ticareti ve Üretimi Limited Şirketi (**)	Iraq	Marketing	100.00	100.00

December 31 2023	Country	Principal Activities	Ordinary Shares Held by the company percentage(%)	Ordinary Shares Held by the company percentage(%)
Kale Italia	Italia	Production	100.00	100.00
OOO Kaleseramik Rusya Ltd.	Russia	Production	100.00	100.00

(*) Upon evaluation of the discussions and negotiations held within the framework of the board of directors' decisions dated 14 September 2023, 20 September 2023 and 28 November 2023 of the Group Board of Directors, in order to contribute to the growth of the Group in the ceramic tile sector in the Iraqi market, 49% of the shares representing the capital of the Company tiTRYed "Al-Sadaf Porcelain and Ceramic Kasi Üretimi Ltd. Şti." with a net asset capital of 1,000,000,000 Iraqi Dinars, established in Baghdad/Iraq, has been acquired by the Group for a consideration of TRY 15,090,997. The Group has accounted for the Company with the full consolidation method within the scope of TFRS 10. Accordingly, the non-controlling interests of TRY (5,678,955) have been accounted for under equity as the "subsidiary acquisition" effect. The Group, with the decision of the board of directors dated February 14, 2024, increased the capital of Al-Sadaf Porcelain and Ceramics Kasi Üretimi Ltd. Şti. to 12,465,554,122 Iraqi Dinars (TRY 260,908,223). The company participated in the capital increase in proportion to its shares and made a cash payment of TRY 153,487,022 equivalent to 5,618,121,520 Iraqi Dinars. Accordingly, non-controlling interests also participated in the capital increase in proportion to their shares and the relevant TRY 154,627,746 amount was recognized in the equity movement statement as the effect of "increase due to changes in share ratio that do not result in loss of control in subsidiaries".

(**) The company was established in Erbil, Iraq, on February 5, 2024, with the aim of contributing to the Group's growth in the ceramic coating materials sector in the Iraqi market. The company has a capital of TRY 28,889.

(***) The companies do not have any activities.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company's financial statements have been prepared in accordance with the provisions of the "Communiqué on Principles Regarding Financial Reporting in Capital Markets" ("Communiqué") numbered II-14.1 published in the Official Gazette dated June 13, 2013 and numbered 28676 by the Capital Markets Board ("CMB") and according to Article 5 of the Communiqué, the Turkish Financial Reporting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority ("KGK") and the annexes and interpretations thereof have been taken as basis.

The Company and its affiliates registered in Turkey comply with the principles and conditions issued by the CMB, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts conditions issued by the Ministry of Finance in keeping accounting records and preparing their statutory financial statements. Subsidiaries 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 in accordance with the historical cost principle, except for financial investments, derivative instruments, investment properties and assets and liabilities included in the business combination application, which are shown at fair value, and have been arranged by reflecting the necessary corrections and classifications in order to provide accurate presentation in accordance with TFRS in legal records. Consolidated financial statements have been presented in accordance with the formats determined in the "Announcement on TMS Taxonomy" published by the POA on July 3, 2024 and the Financial Statement Samples and User Guide published by the CMB.

The Group's consolidated financial statements have been approved by the Board of Directors and authorized for publication on March 11, 2025. Although there is no such intention, the Group Management and some regulatory bodies have the authority to change the financial statements prepared in accordance with the legal legislation after they are published.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group and the entities controlled by the Group's subsidiaries. Control is achieved when the Group meets the following conditions:

- Has power over the investee company/asset;
- Is exposed to or has the right to variable returns from the investee company/asset; and
- Is able to use its power in a way that may have an impact on returns.

If a situation or event occurs that may cause a change in at least one of the criteria listed above, the Group reassesses whether it has control over its investment.

In cases where the Group does not have a majority vote over the investee company/asset, it has control over the investee company/asset if it has sufficient voting rights to be able to direct/manage the activities of the relevant investment on its own. The Company considers all relevant events and circumstances in assessing whether the majority vote in the relevant investment is sufficient to provide control, including the following elements:

- Comparison of the voting rights held by the Group with the voting rights held by other shareholders;
- Potential voting rights held by the Group and other shareholders;
- Rights arising from other contractual arrangements; and
- Other events and circumstances that may indicate whether the Group has the current power to direct the relevant activities in matters requiring decision-making (including votes cast at previous general meetings).

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.1 Basis of Presentation (Continued)

The inclusion of a subsidiary in the consolidation scope begins when the Group gains control over the subsidiary and ends when control is lost. During the year, the income and expenses of subsidiaries acquired or disposed of are included in the consolidated income statement and other comprehensive income from the acquisition date until the disposal date.

Each line item of profit or loss and other comprehensive income belongs to the parent company shareholders and non-controlling interests. Even if non-controlling interests result in a negative balance, the total comprehensive income of subsidiaries is allocated to both parent company shareholders and non-controlling interests.

If necessary, adjustments related to accounting policies are made in the financial statements of subsidiaries to align with the Group's accounting policies.

All intra-group assets and liabilities, equity, income and expenses, and cash flows related to transactions between Group companies are eliminated in consolidation.

Subsidiaries

Investments in associates are accounted for using the equity method. These are entities in which the Group generally holds between 20% and 50% of the voting rights or in which the Group has significant influence, although not control over the company's operations.

Unrealized profits arising from transactions between the Group and the affiliate are adjusted to the extent of the Group's share in the affiliate, and unrealized losses are adjusted if the transaction does not indicate that the transferred asset is impaired. As long as the Group has not entered into an obligation or made a commitment in this regard with respect to the affiliate, the equity method is not continued in the event that the recorded value of the investment in the affiliate is zero or the Group's significant influence has ended. The recorded value of the investment on the date when the significant influence has ended is shown at its fair value when its fair value can be measured reliably after that date, otherwise, at its cost value.

Functional and reporting currency

Each line item in the financial statements of companies within the Group has been accounted for using the functional currency, which is the currency of the primary economic environment in which the companies operate. The consolidated financial statements are presented in Turkish Lira, which is the Group's presentation currency.

When the functional currency of subsidiaries operating in foreign countries differs from the reporting currency, it is translated into the reporting currency as follows (none of these currencies are from a hyperinflationary economy):

- All assets in the balance sheet are translated using the buying exchange rate at the balance sheet date, and liabilities are translated using the selling exchange rate at the balance sheet date;
- Income and expenses in the profit or loss statement are translated using the average exchange rate; and
- Any resulting exchange rate differences are shown as a separate item in equity (foreign exchange rate differences) and included in other comprehensive income.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****2.2 New and amended standards and interpretations****Adjustment of Financial Statements in High Inflation Periods**

According to the Capital Market Board (CMB) decision dated December 28, 2023, and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply the provisions of TAS 29 "Financial Reporting in High Inflationary Economies" for annual financial reports ending on December 31, 2024, and subsequent periods.

In accordance with the announcement made by the Public Oversight Board, (POB) on November 23, 2023, and the published "Application Guide on Financial Reporting in High Inflationary Economies," the Group prepared its consolidated financial statements for the year ending December 31, 2024, using TAS 29. Under this standard, consolidated financial statements prepared based on the functional currency of a high inflationary economy are expressed in the measurement unit of the reporting period at the balance sheet date for comparison purposes with prior periods. Therefore, the Group also restated its consolidated financial statements for December 31, 2023, as of December 31, 2024, using the purchasing power basis.

The restatements made under TAS 29 were based on the correction coefficient obtained from the Consumer Price Index ("CPI") published by the Turkish Statistical Institute ("TSI"). As of December 31, 2024, the indices and correction coefficients used for restating the consolidated financial statements, considering that the Turkish Lira is no longer defined as the currency of a high inflationary economy since January 1, 2005, are as follows:

Date	Index	Adjustment coefficient	Three years compound inflation rate
December 31 2024	2,684.55	1.00000	%291
December 31 2023	1,859.38	1.44379	%268
December 31 2022	1,128.45	2.37897	%156

The key elements of the Group's restatement process for financial reporting in high inflationary economies are as follows:

- The consolidated financial statements for the current period, prepared in Turkish Lira (TRY), are expressed in terms of purchasing power at the balance sheet date. Amounts for prior reporting periods are also restated based on the purchasing power at the end of the reporting period.
- Monetary assets and liabilities (such as cash and cash equivalents, trade receivables and payables, financial sector receivables and payables, borrowings, etc.) are not restated since they are already expressed in terms of the current purchasing power at the balance sheet date. Non-monetary items (such as inventories, tangible and intangible fixed assets, investment properties, and equity items) are restated based on their inflation-adjusted values, considering recoverable amounts or net realizable values. If these values exceed the carrying amount, the provisions of TAS 36 "Impairment of Assets" and TAS 2 "Inventories" are applied sequentially.
- Non-monetary assets and liabilities, as well as equity items not expressed in terms of the current purchasing power at the balance sheet date, are restated using the relevant adjustment coefficients.
- Except for the impact of non-monetary items in the consolidated income statement, all line items in the consolidated income statement are indexed using coefficients calculated based on the periods when income and expense accounts were initially reflected in the consolidated financial statements.
- The effect of inflation on the Group's net monetary asset position for the current period is recorded in the consolidated income statement as a net monetary position gain.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.2 New and amended standards and interpretations (Continued)

a) As of December 31, 2024 the new standards amendments to existing standards, and interpretations in effect are as follows:

- **TAS 1, Changes related to long-term liabilities with contractual terms;** These changes apply to annual reporting periods beginning on or after January 1, 2024. The changes clarify how the conditions that the entity must comply with within twelve months after the reporting period affect the classification of a liability. The changes also aim to improve the information provided by the entity regarding liabilities subject to these conditions.
- **TFRS 16, Sale and leaseback transactions;** It is effective for annual reporting periods beginning on or after January 1, 2024. These changes include the sale and leaseback provisions that explain how an entity accounts for a sale and leaseback transaction under IFRS 16 after the transaction date. The impact of sale and leaseback transactions, which involve variable lease payments that are not linked to an index or rate, is likely to be affected.
- **Changes related to supplier financing agreements in TAS 7 and TFRS 7** It is effective for annual reporting periods beginning on or after January 1, 2024. These changes require disclosures to increase transparency regarding the impact of supplier financing agreements on companies' liabilities, cash flows, and liquidity risks. The disclosure requirements are in response to concerns raised by the TASB (Turkish Accounting Standards Board) regarding investors' concerns that supplier financing agreements of certain companies are not sufficient clear, hindering investors' analysis.
- **TFRS 1, "General Provisions on the Disclosure of Financial Information Related to Sustainability"** It is effective for annual reporting periods beginning on or after January 1, 2024. This standard provides a fundamental framework for the disclosure of significant risks and opportunities related to sustainability that a company faces within its value chain.
- **TFRS 2, "Climate Related Disclosures";** It is effective for annual reporting periods beginning on or after January 1, 2024. This standard is the first topic-specific standard that sets out disclosure requirements for companies regarding climate-related risks and opportunities.

b. As of December 31, 2024 the new standards amendments to existing standards, and interpretations but have not yet come into effect are as follows:

The standards newly issued by the International Accounting Standards Board but not yet incorporated into legislation by the Public Oversight Accounting and Auditing Standards Authority maintain the IFRS codification

- **TAS 21 Lack of Convertibility;** It is effective for annual reporting periods beginning on or after January 1, 2025. A business is affected by these changes when it has a transaction or activity in a foreign currency that cannot be converted into another currency at a specific measurement date for a particular purpose. A currency is considered convertible when the possibility exists to acquire another currency (within a normal administrative delay) and occurs through a market or exchange mechanism that creates rights and obligations subject to the transaction.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.2 New and amended standards and interpretations (Continued)

- **Changes related to the classification and measurement of financial instruments in TFRS 9 and TFRS 7;** It is effective for annual reporting periods beginning on or after January 1, 2026 (early adoption is permitted).

These changes:

- Clarifying the timing requirements for recognizing and derecognizing certain financial assets and liabilities, including a new exception for certain financial liabilities paid through electronic cash transfer systems;
- Providing further guidance and clarification on assessing whether a financial asset meets the criteria of payments of only principal and interest;
- Adding new disclosures for certain instruments with contractual terms that may alter cash flows (such as certain instruments with features linked to the achievement of environmental, social and governance (ESG) objectives); and
- Updating the disclosures for equity instruments at fair value through other comprehensive income.
- **Annual Improvements to TFRS – 11. Amendment;** Annual improvements are limited to changes that clarify the language in an Accounting Standard or correct relatively small unexpected outcomes, overlooked points, or inconsistencies between the provisions of Accounting Standards. The 2024 amendments have been made to the following standards:
 - TFRS 1 First-time Adoption of International Financial Reporting Standards;
 - TFRS 7 Financial Instruments: Disclosures and Guidance on the Application of TFRS 7;
 - TFRS 9 Financial Instruments;
 - TFRS 10 Consolidated Financial Statements; and
 - TAS 7 Statement of Cash Flows.
- **TFRS 18 Presentation and Disclosure in Financial Statements;** It is effective for annual reporting periods beginning on or after January 1, 2027. This is a new standard focusing on updates in the profit or loss statement, relating to the presentation and disclosure of financial statements. The key new concepts introduced in IFRS 18 relate to the following:
 - The structure of the profit or loss statement
 - Required disclosures in the financial statements for certain profit or loss performance metrics reported outside of the entity's financial statements (i.e., performance metrics defined by management)
 - Improved principles for aggregation and disaggregation generally applicable to the core financial statements and notes.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.2 New and amended standards and interpretations (Continued)

- TFRS 19 Non-Publicly Accountable Subsidiaries: Disclosures; effective for annual reporting periods beginning on or after January 1, 2027. Early application is permitted. This new standard is applied in conjunction with other IFRSs. A qualifying subsidiary shall apply the provisions of other IFRS Accounting Standards, except for the disclosure requirements, and instead apply the reduced disclosure requirements in TFRS 19. The reduced disclosure requirements of TFRS 19 balance the information needs of users of the financial statements of qualifying subsidiaries with cost savings for financial statement preparers. TFRS 19 is a standard that can be applied voluntarily for qualifying subsidiaries. A subsidiary shall meet the relevant requirements in the following cases:
 - Lack of public accountability
 - Having a parent or intermediate parent company that produces consolidated financial statements for public use in accordance with IFRS Accounting Standards.

The Group is currently evaluating the impact of the changes mentioned above on its operations and will apply them from the effective date. It is expected that the above comments will not have a significant impact on the Group's consolidated financial statements and notes in future periods, in relation to the relevant standards and interpretations.

2.3 Accounting Policies

Segment Reporting

Segment reporting is organized in a manner that ensures consistency with the reporting made to the Group's decision-making authority regarding operations. The Board of Directors is the decision-making authority of the Group, responsible for making decisions about the resources to be allocated to the segments and evaluating the performance of the segments.

For an operating segment to be identified as a reportable segment, it must constitute 10% or more of the total revenue of all operating segments within and outside the business, including sales to external customers and inter-segment sales or transfers. It must also constitute 10% or more of the reported profit or loss, or its assets must constitute 10% or more of the total assets of all operating segments.

If management believes that information about the segment would be useful to users of the financial statements, operating segments that do not meet any of the above numerical thresholds can also be considered reportable segments, and information about them can be disclosed separately.

Fixed Assets

Fixed assets are presented at their net values, which are found by deducting accumulated depreciation and permanent impairment losses from the acquisition cost expressed in the purchasing power as of the balance sheet date. Assets in the construction phase or to be used for production of goods and services are shown by deducting any impairment loss from their cost values. Legal fees are also included in the cost.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.3 Accounting Policies (Continued)

Except for land and investments under construction, the cost amounts of tangible fixed assets are subject to depreciation using the straight-line method based on their expected useful lives. No depreciation is allocated for land and plots due to their indefinite lives. The expected useful life, residual value, and depreciation method are reviewed annually for potential effects of changes in estimates and are accounted for prospectively if there is a change in estimates.

The estimated economic lives of tangible fixed assets are as follows:

	<u>Years</u>
Land and land improvements	4-50
Buildings	4-50
Machinery and equipment	4-50
Motor vehicles	4-10
Furniture and fixtures	3-50
Special Costs	5

Fixed assets are examined for the detection of a possible impairment. If the carrying amount of the fixed asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount by setting aside provisions. The recoverable amount is considered to be the higher of the net cash flows from the current use of the relevant fixed asset and the fair value less cost to sell.

Normal maintenance and repair expenses made to a tangible fixed asset are accounted for as an expense. Investment expenditures that increase the capacity of the tangible fixed asset and increase the benefit to be obtained from it in the future are added to the cost of the tangible fixed asset and are subject to amortization over the remaining estimated useful life of the relevant tangible fixed asset.

The profit or loss arising from the disposal of fixed assets or the retirement of a fixed asset from service is determined as the difference between the sales revenue and the net book value of the asset and is reflected in the income and expense accounts of the related investment activities in the current

Intangible assets

Purchased intangible assets are presented at their amount after deducting accumulated amortization and any accumulated impairment losses from the acquisition costs expressed in the purchasing power as of the balance sheet date. These assets are amortized using the straight-line method based on their expected useful lives. The expected useful life and amortization method are reviewed annually to identify the potential effects of changes in estimates, and changes in estimates are accounted for prospectively. The average amortization period of intangible fixed assets is 5 years.

When an intangible asset is disposed of or when it is not expected to generate economic benefits from its use or sale in the future, it is excluded from the financial position table. The profit or loss arising from the exclusion of an intangible asset from the financial position table, if any, is calculated as the difference between the net collections obtained from the disposal of assets and their carrying values. This difference is accounted for in profit or loss when the relevant asset is excluded from the financial position table.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.3 Accounting Policies (Continued)

Development costs

Project costs related to the development of new products or the testing and design of developed products are considered as intangible fixed assets if the project can be successfully implemented in commercial and technological terms and the costs can be reliably determined. Other development expenses and research expenses are recorded as expenses when incurred. Development expenses that were recorded as expenses in a previous period cannot be capitalized in a subsequent period.

Brand

Brands acquired as part of business combinations are reflected in the financial statements at their fair value on the acquisition date, while separately acquired brands are reflected at their cost value. Brands are amortized over 9 years using the straight-line amortization method.

Right of Use Assets

The Group recognizes right-of-use assets at the commencement date of the finance lease contract (for example, as of the date when the related asset is ready for use). Right-of-use assets are calculated by deducting accumulated depreciation and impairment losses from the acquisition cost expressed in the purchasing power as of the balance sheet date. This amount is also adjusted in the event of revaluation of lease liabilities.

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

- (a) The initial measurement amount of the lease liability,
- (b) The amount obtained by deducting all lease incentives received from all lease payments made on or before the actual commencement date of the lease,
- (c) All initial direct costs incurred by the Group.

Unless it is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group amortizes the right-of-use asset from the actual commencement date of the lease to the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

Lease Liabilities

The group measures the lease liability at the present value of lease payments that are unpaid at the commencement date. The lease payments included in the measurement of the lease liability at the commencement date consist of the following payments for the right to use the underlying asset during the lease term that are unpaid at the commencement date:

- (a) Fixed payments,
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date
- (c) Amounts expected to be payable by the Group under residual value guarantees
- (d) The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- (e) Payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.3 Accounting Policies (Continued)

Variable lease payments that are not based on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

For the remaining lease term, the Group determines the revised discount rate as the implicit interest rate in the lease if this rate can be readily determined; if not, the Group uses its incremental borrowing rate at the date of reassessment.

After the commencement date, the Group measures the lease liability as follows:

- (a) Increases the carrying amount to reflect interest on the lease liability, and
- (b) Reduces the carrying amount to reflect the lease payments made.

Additionally, the value of finance lease liabilities is remeasured if there is a change in the lease term, a change in the substance of fixed lease payments, or a reassessment of the purchase option for the underlying asset.

The Group applies the short-term lease recognition exemption to short-term leases of machinery and equipment (i.e., those with a lease term of 12 months or less from the commencement date and without a purchase option). It also applies the low-value asset recognition exemption to office equipment leases considered to be of low value. Short-term lease agreements and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term."

Financial Assets

Reclassification

The Group classifies its financial assets into three categories: 'measured at amortized cost,' 'fair value through other comprehensive income,' and 'fair value through profit or loss.' The classification is based on the business model used by the entity for managing the financial assets and the characteristics of the contractual cash flows of the financial asset. The Group classifies its financial assets at the date of acquisition.

Except for changes in the business model for managing financial assets, financial assets are not reclassified after their initial recognition. In the event of a change in the business model, financial assets are reclassified on the first day of the reporting period following the change.

Derecognition

The Group derecognizes a financial asset when the rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any rights created or retained by the Group in the transferred financial assets are recognized as a separate asset or liability. As of the balance sheet date, the Company does not have any financial assets held for sale.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.3 Accounting Policies (Continued)

Impairment

Financial assets and contract assets are measured for impairment using the 'Expected Credit Loss' (ECL) model. The impairment model applies to financial assets measured at amortized cost and contract assets.

Loss allowances are measured on the following bases;

- 12 month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The measurement of lifetime ECLs is applied if the credit risk on a financial asset has increased significantly since initial recognition at the reporting date. In all other cases, 12-month ECLs are applied. The Company may determine that the credit risk on a financial asset has not increased significantly if the financial asset has low credit risk at the reporting date. However, the measurement of lifetime ECLs (simplified approach) always applies to trade receivables and contract assets without a significant financing component.

Recognition and Measurement

Financial assets that are bought and sold in the ordinary course of business are recognized on the trade date, which is the date the Group commits to purchase or sell the asset. Financial investments, other than those measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets are subsequently measured at fair value. Loans and receivables are measured at amortized cost using the effective interest method.

Trade Receivables

Trade receivables arising as a result of providing products or services to the buyer are shown as netted from unaccrued financing income. Trade receivables after unaccrued financing income are calculated by discounting the amounts to be obtained in subsequent periods of receivables recorded at the original invoice value using the effective interest method. Short-term receivables without a specified interest rate are shown at their cost values, provided that the effect of the original effective interest rate is not very significant.

If there is an objective finding that there is no possibility of collection, an impairment provision is set aside for the relevant trade receivables. The amount of the provision in question is the difference between the recorded value of the receivable and the amount that can be collected. The amount that can be collected is the discounted value of all cash flows, including amounts that can be collected from guarantees and collateral, based on the original effective interest rate of the trade receivable.

If all or part of the receivable amount that has been impaired is collected following the allocation of an impairment provision, the collected amount is deducted from the impairment provision and recorded in the other income account from main activities.

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

2.3 Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Financial Liabilities

Financial liabilities are initially recognized at the fair value of the consideration received, net of transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets. Qualifying assets are those that take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Inventories

Inventories are valued at the lower of net realizable value or cost expressed in purchasing power at the balance sheet date. Cost is calculated using the weighted average cost method. The cost of inventories includes direct materials, direct labor, and general production expenses. Borrowing costs are not included in the cost of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The allowance for inventory impairment is recorded in the cost of sales account.

Investment Properties

Properties held for rental income or capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business, are classified as investment properties. Investment properties are reflected in the financial statements at their fair values.

The fair value of investment properties is determined annually by independent valuation firms licensed by the CMB and possessing the necessary professional expertise.

Subsequent changes in the fair value of investment properties are recognized in profit or loss in the period in which they arise.

Trade Payables

Trade payables represent amounts payable for goods and services received from suppliers in the ordinary course of business. Trade payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

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

2.3 Accounting Policies (Continued)

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Subsequently, borrowings are measured at amortized cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings as finance costs.

Derivative Instruments

Derivative financial instruments, including forward foreign exchange contracts, are recognized in the financial statements at their fair values and subsequently measured at fair value. The accounting for gains or losses on derivative financial instruments depends on their classification. Although derivatives are used for risk management purposes, they do not qualify for hedge accounting and are initially recognized at fair value, including transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in the fair value of these instruments are recognized in profit or loss, classified according to the nature of the transaction.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets until the assets are ready for use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Current Tax Expense and Deferred Tax

Current tax expense comprises current period tax expense and deferred tax expense. Tax is included in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity, respectively.

Current tax expense is calculated based on the tax laws that are enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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

2.3 Accounting Policies (Continued)

Gains arising from the sale of equity interests held for more than two years, as well as the sale of founding bonds, usufruct certificates, and subscription rights held for the same period, are exempt from taxation, with 75% of such gains, along with 50% of the gains from the sale of real estate held for the same period, subject to the condition that they are either added to the capital or kept in a special reserve account in the liabilities for a period of 5 years, as stipulated in the Corporate Tax Law.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority on the same taxable entity.

Employee Benefits

The provision for severance pay represents the present value of the estimated total future obligations of the Group arising from the retirement of employees, in accordance with the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate.

Remeasurement gains and losses arising from differences between actuarial assumptions and actual outcomes, as well as changes in actuarial assumptions, are recognized under other comprehensive income. Past service costs are recognized in profit or loss in the period in which they arise. As of December 31, 2024, the calculation of the severance pay liability is performed by an independent actuarial firm in accordance with TAS 19.

The provision for paid leave represents the present value of the estimated total obligations of the Group for unused annual leave entitlements of employees, in accordance with the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate.

Provisions, Contingent Assets, and Liabilities

a) Provisions

A provision is recognized in the financial statements when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate is pre-tax and does not reflect risks for which future cash flow estimates have been adjusted.

When it is expected that some or all of the economic benefits required to settle a provision will be reimbursed by a third party, the reimbursement is recognized as a separate asset if the reimbursement is virtually certain and can be reliably measured.

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

2.3 Accounting Policies (Continued)

b) Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

Revenue Recognition

The Company recognizes revenue in the consolidated financial statements when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company recognizes revenue in the financial statements based on the following five core principles

- Identification of customer contracts,
- Identification of performance obligations in the contracts,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contracts,
- Recognition of revenue when each performance obligation is satisfied.

The Company recognizes a contract with a customer as revenue if all of the following conditions are met

The parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to performing their respective obligations

- The Company can identify each party's rights regarding the goods or services to be transferred,
- The Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When assessing whether it is probable that the Company will collect the consideration, the Company considers only the customer's ability and intention to pay that amount when it is due. At the inception of the contract, the Company evaluates the goods or services promised in the contract and identifies each promise to transfer to the customer as a performance obligation.

At the beginning of the contract, the Company evaluates the goods or services promised in the contract and identifies each promise to transfer to the customer as a performance obligation as follows:

- a) A distinct good or service (or a bundle of goods or services), or
- b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

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

2.3 Accounting Policies (Continued)

A series of distinct goods or services is subject to the same pattern of transfer if both of the following conditions are met:

- a) Each distinct good or service in the series that the Company promises to transfer to the customer meets the criteria to be a performance obligation satisfied over time, and
- b) The same method is used to measure the Company's progress toward complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer, in accordance with the relevant paragraphs of the standard.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend Income

Dividend income from investments is recognized in the consolidated financial statements when the shareholder's right to receive payment has been established.

Related Parties

- a) A person or a member of that person's immediate family is related to the Company if

The person in question,

- (i) When it has control or joint control over the Company,
 - (ii) When it has significant influence over the Company,
 - (iii) When it is a member of the key management personnel of the Company or of a parent of the Company.
- b) An entity is related to the Company if any of the following conditions exist:
 - (i) When the entity and the Company are members of the same group.
 - (ii) When 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) When both entities are joint ventures of the same third party.
 - (iv) When one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) When the entity has a post-employment benefit plan for the employees of the Company or an entity related to the Company. If the Company itself has such a plan, the sponsoring employers are also related to the Company.
 - (vi) If the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, associates and joint ventures are considered and referred to as related parties. In the ordinary course of business, the Company may enter into certain business relationships with related parties.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Accounting Policies (Continued)

Dividend Liabilities

Dividend liabilities are recognized as a liability in the consolidated financial statements in the period in which they are declared as part of profit distribution.

Government Grants and Assistance

Government grants are recognized at their fair value when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attached to them. Government grants related to costs are recognized as income over the periods necessary to match them with the costs they are intended to compensate. Government grants related to intangible assets are classified as deferred income and are credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

Earnings Per Share

Earnings per share disclosed in the consolidated statement of profit or loss are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period. In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. These "bonus share" distributions are treated as issued shares in the earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations is adjusted retrospectively for the effects of these share distributions.

Cash Flow Statement

The Group prepares a cash flow statement as an integral part of its other financial statements to provide information to financial statement users about changes in net assets, financial structure, and the ability to affect the amounts and timing of cash flows in response to changing conditions. Cash flows for the period are classified as operating, investing, and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's operations. Cash flows related to investing activities show the cash flows used in and generated from the Group's investing activities (capital expenditures and financial investments). Cash flows related to financing activities show the sources of financing used by the Group and the repayments of these sources.

Events After the Reporting Period

Events after the balance sheet date include all events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after the announcement of profit or other selected financial information. The Group adjusts the amounts recognized in its consolidated financial statements to reflect adjusting events after the balance sheet date. Non-adjusting events after the balance sheet date are disclosed in the notes to the consolidated financial statements if they are material and could affect the economic decisions of users of the financial statements.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expenses during the reporting period. Accounting judgments, estimates, and assumptions are continuously evaluated based on historical experience, other factors, and reasonable expectations of future events under current conditions. Although these estimates and assumptions are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The estimates and assumptions that could result in significant adjustments to the carrying amounts of assets and liabilities in the next financial reporting period are as follows:

a) Provision for Doubtful Receivables

Provisions for doubtful receivables reflect the amounts that the Group's management believes will cover future losses on receivables that are at risk of not being collected under current economic conditions as of the reporting dates. When assessing whether receivables are impaired, the past performance of debtors, their creditworthiness in the market, and their performance from the balance sheet date to the date of approval of the financial statements, as well as renegotiated terms, are considered. According to TFRS 9, the Group records impairment provisions for receivables as 12-month expected credit losses or lifetime expected credit losses. The Group applies the simplified approach and recognizes lifetime expected losses on trade receivables.

b) Provision for Inventory Impairment

Regarding inventory impairment, inventories are physically inspected and assessed for their age, and their usability is determined based on the opinions of technical personnel. Provisions are made for items estimated to be unusable. In determining the net realizable value of inventories, list sales prices and the average discount rate given during the year are used, and estimates are made for the costs to be incurred for sales.

c) Useful Lives of Assets

The residual values and useful economic lives of the Company's assets are determined by the Company's management at the acquisition date and are regularly reviewed for appropriateness. The Company determines the useful life of an asset based on its expected utility. This assessment is based on the Company's experience with similar assets. When determining the useful life of an asset, the Company also considers the possibility that changes or developments in the market may render the assets technically and/or commercially obsolete.

d) Deferred Tax Assets

Deferred tax assets are recognized when it is probable that taxable income will be generated in future years. Deferred tax assets are calculated by taking into account all temporary differences and tax benefits arising from investment incentive certificates, in cases where it is probable that taxable income will be realized. As of December 31, 2024, and December 31, 2023, deferred tax assets have been recorded to the extent that the assumptions used indicate the likelihood of taxable profit in future periods (Note 28).

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

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

2.5 Comparative Information and Restatement of Prior Period Financial Statements

To identify financial position and performance trends, the Group's consolidated financial statements are prepared on a comparative basis with the previous period.

2.6 Going Concern

The Group has prepared its consolidated financial statements based on the going concern principle. As of December 31, 2024, the Group has an unused cash credit limit of TRY 13,162,054,323, which is available to meet liquidity and operational cash flow needs if required. The Group's management has made an assessment regarding the going concern of the entity and has concluded that there are no matters that would create significant uncertainty about the ability to continue operations.

3. SHARES IN OTHER ENTITIES

a) Financial Investments

Financial Assets at Fair Value Through Other Comprehensive Income

	December 31 2024	December 31 2023
Traded on a stock exchange	63,086,439	74,463,112
Not actively traded	810,903	810,903
Total	63,897,342	75,274,015

The details of financial assets traded on a stock exchange are as follows:

	December 31 2024	December 31 2023
Şişe Cam A.Ş.	22,562,401	35,948,966
Sumaş Suni Tahta ve Mobilya Sanayi A.Ş.	31,600,800	26,960,137
Akçansa Çimento Sanayi Ticaret A.Ş.	7,591,763	8,665,195
Bagfaş Bandırma Gübre Sanayi A.Ş.	1,331,475	2,888,814
Total	63,086,439	74,463,112

The movements of financial investments during the period are as follows:

	2024	2023
January 1	75,274,015	94,411,483
Change in fair value Entries	(11,376,673)	(19,137,468)
December 31	63,897,342	75,274,015

It is anticipated that the carrying amounts of financial assets measured at fair value through other comprehensive income, which do not have an active market, are approximately equal to their fair values.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

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3. SHARES IN OTHER ENTITIES (Continued)

b) Investments measured using the equity method

The movements of investments accounted for using the equity method during the period are as follows:

	2024	2023
January 1	19,300,512	16,618,145
Shares of profits/(losses) of investments measured using the equity method	2,349,571	2,188,937
Shares of other comprehensive income/(expenses) of Investments measured using the equity method	90,057	493,430
December 31	21,740,140	19,300,512

Summary information regarding the financial statements of the associates is as follows:

December 31 2024			
	Total Assets	Total Liabilities	Effective shareholding voting rights%
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	156,225,037	99,188,899	38
Kale İda Sağlık ve Turizm HizmeTRYeri A.Ş.	482,984	150,946	20
Total	156,708,021	99,339,845	

January 1-December 31 2024	Revenue	Profit/Loss Shares	Other Comprehensive Income Shares
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Tic.	404,775,241	6,227,773	236,991
Kale İda Sağlık ve Turizm HizmeTRYeri A.Ş.	-	(84,915)	-
Total	404,775,241	6,142,858	236,991

December 31 2023			
	Total assets	Total liabilities	Effective Shareholdings Voting Rights%
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	155,878,776	105,404,318	38
Kale İda Sağlık ve Turizm HizmeTRYeri A.Ş.	633,892	32,801	20
Total	156,512,668	105,437,119	

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

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3. SHARES IN OTHER ENTITIES (Continued)

January 1-December 31 2023	Revenue	Profit/Loss Shares	Other Comprehensive Income Shares
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Tic. Kale İda Sağlık ve Turizm HizmeTRYeri A.Ş.	418,136,184 -	5,804,403 (83,682)	1,298,499 -
Total	418,136,184	5,720,721	1,298,499

b) Subsidiaries

As of December 31, 2024, and December 31, 2023, the consolidated subsidiaries are as follows:

December 31 2024	Country	Business Activity	Ordinary Shares held by the company percentage(%)	Ordinary Shares held by the group percentage(%)
Kale Italia	Italy	Production	100.00	100.00
OOO Kaleseramik Rusya Ltd.	Russia	Production	100.00	100.00
Al-Sadaf Porselen ve Seramik Kaşı Üretimi Limited Şirketi	Iraq	Production	49.00	49.00
Kaleseramik Seramik Ticareti ve Üretimi Limited Şirketi	Iraq	Marketing	100.00	100.00

December 31 2023	Ülke	Faaliyet konusu	Ordinary Shares held by the company percentage(%)	Ordinary Shares held by the group percentage(%)
Kale Italia	Italy	Production	100.00	100.00
OOO Kaleseramik Rusya Ltd.	Russia	Production	100.00	100.00

4. SEGMENT REPORTING

The Executive Committee is the authority responsible for decision-making within the Group. Management has determined the operating segments based on the reports reviewed by the Executive Committee, which are used to make decisions about resource allocation to the segments and to assess their performance.

The Executive Committee evaluates the Group geographically. Management monitors performance geographically in Turkey and Italy. The Executive Committee assesses the performance of the geographical segments based on profit before tax.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

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4. SEGMENT REPORTING (Continued)

Although the Italy geographical segment does not meet the criteria for a reportable segment as defined in TFRS 8, it is closely monitored by the Executive Committee due to its growth potential and the expectation that it will significantly contribute to the Group's revenues in the future. Therefore, management has decided to report it as a separate segment.

a) Revenue

January 1 – December 31 2024			
	Total segment revenue	Inter-segment revenue	Revenue from non-group customers
Turkiye	9,897,746,360	-	9,897,746,360
Iraq	50,985,475	-	50,985,475
Italy	-	-	-
Total	9,948,731,835	-	9,948,731,835

January 1 – December 31 2023			
	Total segment revenue	Inter-segment revenue	Revenue from non-group customers
Turkiye	14,024,533,498	-	14,024,533,498
Italy	-	-	-
Total	14,024,533,498	-	14,024,533,498

b) Other income and expense explanations

January 1 – December 31 2024	Turkey	Italy	Iraq	Total
Depreciation and amortization expense	(807,443,248)	-	(20,131,226)	(827,574,474)
Net Interest Income/(Expense)	(583,375,927)	-	-	(583,375,927)
Tax Income/(Expense)	(367,734,280)	-	-	(367,734,280)
Shares of profits/(losses) of investments accounted for using the equity method	2,349,571	-	-	2,349,571
January 1 – December 31 2023	Turkey	Italy	Iraq	Total
Depreciation and amortization expense	(713,017,410)	-	-	(713,017,410)
Net Interest Income/(Expense)	(544,807,665)	-	-	(544,807,665)
Tax Income/(Expense)	(120,214,274)	(37,530)	-	(120,251,804)
Shares of profits/(losses) of investments accounted for using the equity method	2,188,937	-	-	2,188,937

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

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4. SEGMENT REPORTING (Continued)**c) Assets**

	December 31 2024		
	Total Assets	Investments accounted for using the equity method	Purchases of fixed assets
Turkey	15,462,568,067	21,740,140	1,246,075,942
Italy	1,964,192	-	-
Iraq	584,222,867	-	347,390,772
Russia	16,055,568	-	-
Total	16,064,810,694	21,740,140	1,593,466,714
Less: inter-segment adjustments	(589,349,471)	-	-
Total Assets	15,475,461,223	21,740,140	1,593,466,714

	December 31 2023		
	Total Assets	Investments accounted for using the equity method	Purchases of fixed assets
Turkey	18,064,353,436	19,300,512	1,711,808,349
Italy	1,938,310	-	-
Russia	22,031,978	-	-
Total	18,088,323,724	19,300,512	1,711,808,349
Less: inter-segment adjustments	(40,159,920)	-	-
Total Assets	18,048,163,804	19,300,512	1,711,808,349

d) Liabilities

	December 31 2024	December 31 2023
Turkey	8,083,881,042	6,828,777,086
Iraq	448,887,977	-
Italy	230,672,541	294,704,133
Russia	15,750,522	17,413,814
Total	8,779,192,082	7,140,895,033
Less: inter-segment adjustments	(593,323,717)	(313,656,326)
Total Liabilities	8,185,868,365	6,827,238,707

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

5. CASH AND CASH EQUIVALENTS

	December 31 2024	December 31 2023
Cash	2,592,464	2,868,001
Banks	1,443,410,256	3,286,579,499
- Demand deposit	39,135,753	186,455,755
- Time deposit	1,404,274,503	3,100,123,744
Other (*)	12,207,442	4,659,190
Total	1,458,210,162	3,294,106,690

Interest Accrual	(38,333,230)	(12,884,028)
------------------	--------------	--------------

Cash and cash equivalents in the statement of cash flows

	1,419,876,932	3,281,222,662
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(*) As of December 31, 2024 and 2023, other cash and cash equivalents consist of credit card receivables with maturities less than three months.

The Company's cash and cash equivalents as the basis for the cash flow statement as of December 31, 2022 are TRY 553,020,070.

The Group has no blocked deposits as of December 31, 2024 and 2023.

Maturity	Interest Rate (%)	Currency	Currency Balance	TRY Balance	Accrued interest in original currency	Interest Accrual (TRY)	December 31 2024
2 January 2025	1.50	USD	200,000	7,044,660	8	289	7,044,949
2 January 2025	1.00	EUR	20,000	734,858	1	20	734,878
2 January 2025	48.75	TRY	39,200,000	39,200,000	52,285	52,285	39,252,285
2 January 2025	49.00	TRY	308,207	308,207	412	412	308,619
2 January 2025	48.50	TRY	118,653,548	118,653,548	158,688	158,688	118,812,236
15 January 2025	50.50	TRY	1,200,000,000	1,200,000,000	38,121,535	38,121,536	1,238,121,536
				1,365,941,273		38,333,230	1,404,274,503

Maturity	Interest Rate (%)	Currency	Currency Balance	TRY Balance	Accrued interest in original currency	Interest Accrual (TRY)	December 31 2023
2 January 2024	2.50	USD	57,752	1,700,102	12	354	1,700,456
2 January 2024	0.02	EUR	21,657	705,449	-	-	705,449
2 January 2024	41.00	TRY	48,150,320	48,150,320	162,143	162,143	48,312,463
2 January 2024	40.00	TRY	2,990,793,341	2,990,793,341	9,826,029	9,826,029	3,000,619,370
14 February 2024	47.00	TRY	45,890,504	45,890,504	2,895,502	2,895,502	48,786,006
				3,087,239,716		12,884,028	3,100,123,744

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

6. RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

	December 31 2024	December 31 2023
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	12,374,567	-
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	-	33,820,926
Other	242,226	272,413
Total	12,616,793	34,093,339

b) Trade payables from related parties

	December 31 2024	December 31 2023
Kalenakliyat Seyahat ve Turizm Sanayi ve Ticaret A.Ş.	95,044,715	53,914,891
Kale Holding A.Ş.	25,642,940	65,278,603
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	24,402,254	-
Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	8,096,224	7,392,514
Kaleseramik Özel Organize Sanayi Bölgesi	4,850,654	4,956,880
Bodur Gayrimenkul Geliştirme A.Ş.	-	2,654,570
Seramik Araştırma Merkezi A.Ş.	84,780	19,481
Other	508,344	3,993,218
Total	158,629,911	138,210,157

c) Sales of goods and services to related parties

	January 1 - December 31 2024	January 1 - December 31 2023
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.(*)	348,268,682	393,935,051
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	20,797,021	125,506,580
Kalenakliyat Seyahat ve Turizm A.Ş.	7,328,544	8,696,778
Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	2,359,811	5,217,270
Kale Holding A.Ş.	1,689,975	4,791,647
Bodur Gayrimenkul Geliştirme A.Ş.	464,552	78,151
Other	2,681,719	4,381,054
Total	383,590,304	542,606,531

(*) It consists of the amount from the sale of frit.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

6. RELATED PARTY DISCLOSURES (Continued)

d) Purchase of goods and services to related parties

	January 1 - December 31 2024	January 1 - December 31 2023
Kalenakliyat Seyahat ve Turizm A.Ş.(*)	795,401,611	734,762,995
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.(**)	615,661,184	1,522,644,787
Kale Holding A.Ş.(***)	306,199,646	358,497,414
Kale Seramik Özel Organize Sanayi Bölgesi	38,046,413	82,623,943
Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	20,194,683	24,288,571
Kalebodur Gayrimenkul Tic. A.Ş.	15,400,443	-
Bodur Gayrimenkul Geliştirme A.Ş.	1,738,106	25,857,756
Other	5,270,575	3,450,924
Total	1,797,912,661	2,752,126,390

(*) Provides transportation services.

(**) Raw materials are purchased.

(***) Information Technology support, management consultancy etc. are provided.

e) Purchase of financial investments

	January 1 - December 31 2024	January 1 - December 31 2023
H. İbrahim Bodur Holding A.Ş. (*)	-	85,287,704
Total	-	85,287,704

(*) In accordance with the Board of Directors' decision dated January 9, 2023, and numbered 1,786, the Group has decided to cancel and acquire 300 usufruct certificates owned by H. İbrahim Holding A.Ş. A usufruct certificate, as defined in Article 503 of the Turkish Commercial Code, is a type of security that does not grant the holder ownership rights but provides the right to participate in profits.

f) Benefits provided to senior management

Senior management consists of the Board of Directors, the General Manager, and the Deputy General Managers. The fees and similar benefits (seniority) paid to senior management by the Group are as follows:

	January 1 - December 31 2024	January 1 - December 31 2023
Short-term benefits provided to employees	54,187,535	64,043,029
Long-term benefits provided to employees	4,803,665	1,319,193
Total	58,991,200	65,362,222

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

7. TRADE RECEIVABLES AND BORROWINGS**a) Trade receivables from third parties**

	31 December 2024	31 December 2023
Trade receivable	841,708,960	822,947,315
Notes receivable	795,407,765	1,109,290,352
Bank-guaranteed receivables	429,184,637	672,257,885
Provision for doubtful debts	(140,326,446)	(158,568,610)
Total	1,925,974,916	2,445,926,942

Expected credit loss as follows:

	2024	2023
January 1	158,568,610	145,504,054
Provision expense for doubtful debts	58,850,215	108,534,136
Written-off receivables	(24,456,423)	(24,032,651)
Foreign exchange differences	693,778	7,239,408
Monetary gain loss	(53,329,734)	(78,676,337)
December 31	140,326,446	158,568,610

December 31 2024	Not overdue	1 - 30 days past due	1 - 3 months past due	More than 3 months past due	Total
Gross balance at the end of the period	1,670,221,185	165,341,492	29,222,198	201,516,487	2,066,301,362
Expected credit loss	-	-	-	(140,326,446)	(140,326,446)
					1,925,974,916

December 31 2023	Not overdue	1 - 30 days past due	1 - 3 months past due	More than 3 months past due	Total
Gross balance at the end of the period	2,098,459,840	203,285,623	66,023,888	236,726,201	2,604,495,552
Expected credit loss	-	-	-	(158,568,610)	(158,568,610)
					2,445,926,942

b) Trade payables to third parties

	December 31 2024	December 31 2023
Short-term trade payables		
Trade Payable	1,734,242,774	1,856,809,138
Expense accruals	3,596,531	24,363,562
Unincurred finance expense	(60,075,526)	(59,970,515)
Total	1,677,763,779	1,821,202,185

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

7. TRADE RECEIVABLES AND BORROWINGS (Continued)

	December 31 2024	December 31 2023
Long-term trade payables		
Trade payable	151,742,053	388,450,442
Unincurred finance expense	(13,358,251)	(53,319,215)
Total	138,383,802	335,131,227

8. OTHER RECEIVABLES AND PAYABLES

	December 31 2024	December 31 2023
Other short-term receivables from third parties:		
Receivables from the tax office	91,432,917	109,477,646
Other	2,498,715	80,756,890
Total	93,931,632	190,234,536

	December 31 2024	December 31 2023
Other short-term payables to third parties:		
Deposits and guarantees received	4,246,006	3,968,681
Other(*)	14,992,074	1,029
Total	19,238,080	3,969,710

(*) It consists of debts located in Iraq.

9. INVENTORY

	December 31 2024	December 31 2023
Raw materials and supplies	422,308,863	363,730,043
Semi-finished goods	206,241,716	257,376,483
Finished goods	2,123,801,174	2,774,621,699
Trade goods	256,548,398	247,910,995
Goods in transit	437,132,780	467,637,220
Provision for inventory impairment	(126,861,670)	(157,117,068)
Total	3,319,171,261	3,954,159,372

The movements of the inventory impairment provision during the period are as follows:

	2024	2023
January 1	157,117,068	282,002,867
Inventory impairment provision expense/(reversed provision)	(30,255,398)	(124,885,799)
December 31	126,861,670	157,117,068

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

10. PREPAID EXPENSES AND DEFERRED REVENUES

a) Prepaid Expenses

	31 December 2024	31 December 2023
Short-term Prepaid Expenses:		
Advances Given (*)	218,283,409	174,792,557
Expenses for Future Months	37,308,950	33,256,054
Total	255,592,359	208,048,611

(*) The related amount mainly consists of advances given for inventory purchases.

	31 December 2024	31 December 2023
Long-term Prepaid Expenses:		
Advances Given (*)	56,702,665	-
Expenses for Future Months	5,040,000	-
Total	61,742,665	-

(*) The related amount mainly consists of advances given for inventory purchases.

b) Deferred Revenue

	31 December 2024	31 December 2023
Advances received (*)	189,753,722	470,856,139
Total	189,753,722	470,856,139

(*) Advances received mainly consist of amounts received by the Group from its dealers.

11. INVESTMENT PROPERTIES

	2024	2023
January 1	353,842,153	297,387,007
Fair Value Change (Note 25)	(8,788,398)	61,745,493
Foreign exchange differences	(27,304,733)	(5,290,347)
December 31	317,749,022	353,842,153

The Group has used the comparable sales method to determine the fair values of its 14 plots of land, which include 4 buildings in Istanbul, 9 in Russia, 3 in Tekirdağ, 1 in Istanbul, and 1 in Çanakkale. These measurements are classified as Level 2. There is no rental income or direct expensed cost from investment properties for the year ended December 31, 2024 (December 31, 2023: None).

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

12. PROPERTY, PLANT AND EQUIPMENT

	January 1 2024	Additions	Disposals	Transfers	December 31 2024
Cost Value:					
Land and plots	397,823,711	2,033,674	-	-	399,857,385
Underground and above ground layouts	1,319,238,586	-	(188,918,054)	104,310,061	1,234,630,593
Buildings	3,506,308,935	-	(198,723,642)	64,477,766	3,372,063,059
Plant, machinery and equipment	15,863,636,878	1,277,212	(2,213,487,602)	832,800,461	14,484,226,949
Vehicles	30,734,593	-	(2,104,627)	6,645,298	35,275,264
Fixed assets	482,031,014	8,631,384	(78,996,813)	39,518,762	451,184,347
Special costs	127,978,517	38,903	(39,486)	70,070,084	198,048,018
Construction in progress	752,026,556	1,423,460,799	-	(1,179,379,631)	996,107,724
Total	22,479,778,790	1,435,441,972	(2,682,270,224)	(61,557,199)	21,171,393,339
Accumulated depreciation:					
Underground and above ground layouts	(1,017,227,813)	(34,753,524)	187,807,877	-	(864,173,460)
Buildings	(2,087,828,540)	(81,239,018)	158,750,297	-	(2,010,317,261)
Plant, machinery and equipment	(12,888,725,944)	(510,020,159)	2,193,269,961	-	(11,205,476,142)
Vehicles	(29,023,257)	(1,763,858)	2,104,627	-	(28,682,488)
Fixed assets	(403,619,258)	(32,268,531)	78,920,986	-	(356,966,803)
Special costs	(125,620,622)	(15,499,393)	39,486	-	(141,080,529)
Total	(16,552,045,434)	(675,544,483)	2,620,893,234	-	(14,606,696,683)
Net book value	5,927,733,356				6,564,696,656

As of December 31, 2024, there are no pledges, mortgages, or liens on tangible fixed assets (December 31, 2023: None).

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

12. PROPERTY, PLANT AND EQUIPMENT(Continued)

	1 January 2023	Additions	Disposals	Transfers	31 December 2023
Maliyet:					
Land and plots	397,823,711	-	-	-	397,823,711
Underground and above ground layouts	1,209,008,257	-	-	110,230,329	1,319,238,586
Buildings	3,391,829,011	122,000	(37,310,934)	151,668,858	3,506,308,935
Plant, machinery and equipment	14,299,644,794	-	(89,867,528)	1,653,859,612	15,863,636,878
Vehicles	30,144,768	399,508	-	190,317	30,734,593
Fixed assets	444,184,564	18,133,696	(383,720)	20,096,474	482,031,014
Special costs	127,978,517	-	-	-	127,978,517
Construction in progress	1,153,273,723	1,534,798,423	-	(1,936,045,590)	752,026,556
Total	21,053,887,345	1,553,453,627	(127,562,182)	-	22,479,778,790
Accumulated depreciation:					
Underground and above ground layouts	(988,845,646)	(28,382,167)	-	-	(1,017,227,813)
Buildings	(2,041,589,231)	(79,634,977)	33,395,668	-	(2,087,828,540)
Plant, machinery and equipment	(12,571,910,196)	(406,420,007)	89,604,259	-	(12,888,725,944)
Vehicles	(27,942,178)	(1,081,079)	-	-	(29,023,257)
Fixed assets	(374,661,550)	(29,156,603)	198,895	-	(403,619,258)
Special costs	(119,683,187)	(5,937,435)	-	-	(125,620,622)
Total	(16,124,631,988)	(550,612,268)	123,198,822	-	(16,552,045,434)
Net book value	4,929,255,357				5,927,733,356

The details of period depreciation for tangible fixed assets are as follows;

	31 December 2024	31 December 2023
Cost of sales	627,212,799	519,706,776
Marketing expenses	7,860,379	12,376,186
General and administrative expenses	30,731,525	11,618,057
Research and development expenses	9,739,780	6,911,249
Total	675,544,483	550,612,268

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

13. INTANGIBLE ASSETS

	1 January 2024	Additions	Disposals	Transfers	31 December 2024
Cost:					
Computer software	204,253,542	-	(26,642,617)	18,305,786	195,916,711
Development costs	907,421,585	158,024,742	(20,379,819)	43,251,413	1,088,317,921
Total	1,111,675,127	158,024,742	(47,022,436)	61,557,199	1,284,234,632
Accumulated amortization:					
Computer software	(100,083,624)	(14,582,728)	26,640,304	-	(88,026,048)
Development costs	(609,051,961)	(82,484,498)	20,379,819	-	(671,156,640)
Total	(709,135,585)	(97,067,226)	47,020,123	-	(759,182,688)
Net book value	402,539,542				525,051,944

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

13. INTANGIBLE ASSETS (Continued)

	1 January 2023	Additions	Disposals	Transfers	31 December 2023
Cost:					
Computer software	204,253,542	-	-	-	204,253,542
Development costs	749,066,863	158,354,722	-	-	907,421,585
Total	953,320,405	158,354,722	-	-	1,111,675,127
Accumulated amortization:					
Computer software	(81,726,336)	(18,357,288)	-	-	(100,083,624)
Development costs	(551,885,407)	(57,166,554)	-	-	(609,051,961)
Total	(633,611,743)	(75,523,842)	-	-	(709,135,585)
Net book value	319,708,662				402,539,542

The details of period amortization regarding intangible assets are as follows;

	31 December 2024	31 December 2023
Cost of sales	848,592	2,760,948
Marketing expenses	608,463	1,037,670
General and administrative expenses	6,776,366	10,194,327
Research and development expenses	88,833,805	61,530,897
Total	97,067,226	75,523,842

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 -
DECEMBER 31, 2024**

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

14. RIGHT OF USE

	31 December 2024		
	Buildings	Vehicles	Total
Cost value			
Opening balance as of January 1, 2024	227,263,829	192,945,655	420,209,484
Additions	68,272,372	18,543,147	86,815,519
31 December 2024	295,536,201	211,488,802	507,025,003
Accumulated depreciation:			
Opening balance as of January 1, 2024	(224,609,989)	(131,089,739)	(355,699,728)
Period expense	(16,165,242)	(38,797,523)	(54,962,765)
31 December 2024	(240,775,231)	(169,887,262)	(410,662,493)
Net book value	54,760,970	41,601,540	96,362,510

	31 December 2023		
	Buildings	Vehicles	Total
Cost value			
Opening balance as of January 1, 2023	212,926,087	147,129,082	360,055,169
Additions	14,337,742	45,816,573	60,154,315
31 December 2023	227,263,829	192,945,655	420,209,484
Accumulated depreciation:			
Opening balance as of January 1, 2023	(173,850,861)	(94,967,567)	(268,818,428)
Period expense	(50,759,128)	(36,122,172)	(86,881,300)
31 December 2023	(224,609,989)	(131,089,739)	(355,699,728)
Net book value	2,653,840	61,855,916	64,509,756

The details of period depreciation for right-of-use assets are as follows;

	31 December 2024	31 December 2023
Cost of sales	6,636,619	13,940,780
Marketing expenses	28,413,072	56,025,713
General and administrative expenses	18,687,888	15,371,316
Research and development expenses	1,225,186	1,543,491
Total	54,962,765	86,881,300

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

15. BORROWINGS

	31 December 2024		
	Interest Range (%)	Original Amount	TRY Equivalent
Short-term borrowings:			
TRY credits	26.93 -55.00	2,172,259,765	2,172,259,765
TRY bond issuances	45.88	655,208,290	655,208,290
US dollar bank loans	6.50-7.70	41,332,015	1,455,849,967
Total short-term borrowings			4,283,318,022
Short-term portions of total long-term borrowings:			
TRY credits	8.5-58.05	59,164,635	59,164,635
US dollar bank loans	7.13-11.27	3,898,664	137,323,794
Euro bank loans	6.72-6.74	1,687,879	62,017,569
TRY liabilities from leasing	35.12-41.89	30,192,896	30,192,896
Short-term portions of total long-term borrowings:			288,698,894
Long-term borrowings:			
TRY credits	8.5-58.05	14,907,954	14,907,954
TRY bond issuances	51.95	400,000,000	400,000,000
US dollar bank loans	7.13-11.27	7,051,504	248,377,243
Euro bank loans	6.72-6.74	2,771,044	101,816,175
TRY liabilities from leasing	14.30-39.40	66,544,298	66,544,298
Total long-term borrowings			831,645,670
Total Borrowings			5,403,662,586
	31 December 2023		
	Interest range (%)	Original Amount	TRY Equivalent
Short-term borrowings:			
TRY credits	26.93 -52.01	1,817,233,579	1,817,233,579
US dollar bank loans	9.50-9.75	2,714,145	115,357,979
Other Short-term Borrowings			
Credit cards	19	155,306,942	155,306,942
Total short-term borrowings			2,087,898,500
Short-term portions of total long-term borrowings			
TRY credits	8.5-46.34	181,023,916	181,023,916
US dollar bank loans	8.28 -11.27	5,213,170	221,572,822
Euro bank loans	7.05-7.07	1,597,610	75,135,259
TRY liabilities from leasing	35.10	21,919,615	21,919,615
Short-term portions of total long-term borrowings			499,651,612
Long-term borrowings:			
TRY credits	8.5-39.95	171,142,452	171,142,452
US dollar bank loans	8.28 -11.27	10,756,562	457,180,899
Euro bank loans	7.05-7.07	4,155,293	195,422,584
TRY liabilities from leasing	35.10	26,297,767	26,297,767
Total long-term borrowings			850,043,702
Total Borrowings			3,437,593,814

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15. BORROWINGS (Continued)

s of December 31, 2024 and 2023, the loan borrowings table is as follows:

	Credits	Lease Liabilities	Total
1 January 2024	3,389,376,432	48,217,382	3,437,593,814
Cash inflows during the period	6,347,953,933	-	6,347,953,933
Cash outflows during the period	(3,017,560,770)	(73,596,904)	(3,091,157,674)
Additions to lease liabilities	-	86,815,519	86,815,519
Exchange rate difference	244,553,667	-	244,553,667
Interest accrual	(175,302,867)	49,920,957	(125,381,910)
Monetary loss/gain	(1,482,095,003)	(14,619,760)	(1,496,714,763)
31 December 2024	5,306,925,392	96,737,194	5,403,662,586
Cash and cash equivalents			1,458,210,162
Net debt			3,945,452,424
	Credits	Lease Liabilities	Total
1 January 2023	3,359,665,973	67,341,812	3,427,007,785
Cash inflows during the period	7,110,830,904	-	7,110,830,904
Cash outflows during the period	(5,782,417,318)	(68,296,315)	(5,850,713,633)
Additions to lease liabilities	-	60,154,315	60,154,315
Exchange rate difference	520,911,562	-	520,911,562
Interest accrual	(84,369,543)	19,208,261	(65,161,282)
Monetary loss/gain	(1,735,245,146)	(30,190,691)	(1,765,435,837)
31 December 2023	3,389,376,432	48,217,382	3,437,593,814
Cash and cash equivalents			3,294,106,690
Net debt			143,487,124

The repayment schedule of long-term financial debts as of December 31, 2024, and 2023 is as follows:

	31 December 2024	31 December 2023
2025	-	456,373,532
2026	618,122,246	193,668,290
2027	142,205,060	122,989,716
2028	50,035,235	54,029,867
2029	21,283,129	22,982,297
Total	831,645,670	850,043,702

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16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Other short-term provisions**

	31 December 2024	31 December 2023
Provision for litigation	21,346,906	25,792,384
Cost expense provision	895,897	-
Total	22,242,803	25,792,384

Movements in litigation provisions during the period are as follows:

	2024	2023
1 January	25,792,384	76,094,118
(Unrelated)/provision expense (Note 24)	4,454,523	(23,929,922)
Monetary loss gain	(8,900,001)	(26,371,812)
31 December	21,346,906	25,792,384

The movements of cost expense provisions during the period are as follows:

	2024	2023
1 January	-	21,248,095
Provision expense	895,897	(16,853,984)
Monetary loss gain	-	(4,394,111)
31 December	895,897	-

b) Contingent assets and liabilities

The Group's received collateral/pledge/mortgage ("CPM") position is as follows:

	Original currency	31 December 2024		31 December 2023	
		Original amount	TRY equivalent	Original currency	TRY equivalent
CPM received	TRY	2,926,668,331	2,926,668,331	3,489,930,261	3,489,930,261
Total			2,926,668,331		3,489,930,261

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16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Group's received collateral/pledge/mortgage ("CPM") position is as follows:

	31 December 2024		
	Original Currency	Original Amount	TRY Equivalent
A. Total amount of CPM's given on behalf of its own legal entity	TRY	2,600,228,660	2,600,228,660
	USD	6,779,467	238,795,200
	Euro	7,506,940	275,826,745
B. Total amount of CPM's given in favor of partnerships included in the scope of full consolidation		-	-
C. The total amount of CPM's given by other third parties to secure their debts for the purpose of carrying out their ordinary commercial activities		-	-
D. Total amount of other CPM's given			
i. Total amount of CPM's given in favor of the parent company		-	-
ii. Total amount of CPM's given in favor of other group companies not included in the scope of Articles B and C		-	-
iii. Total amount of CPM's given in favor of third parties not included in Article C		-	-
Total			3,114,850,605

	31 December 2023		
	Original Currency	Original Amount	TRY Equivalent
A. Total amount of CPM's given on behalf of its own legal entity	TRY	1,000,967,038	1,000,967,038
	USD	6,733,467	286,189,258
	Euro	9,646,940	453,693,626
B. Total amount of CPM's given in favor of partnerships included in the scope of full consolidation		-	-
C. The total amount of CPM's given by other third parties to secure their debts for the purpose of carrying out their ordinary commercial activities		-	-
D. Total amount of other CPM's given			
i. Total amount of CPM's given in favor of the parent company		-	-
ii. Total amount of CPM's given in favor of other group companies not included in the scope of Articles B and C		-	-
iii. Total amount of CPM's given in favor of third parties not included in Article C		-	-
Total			1,740,849,922

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17. BENEFITS PROVIDED TO EMPLOYEES

a) Debts within the scope of employee benefits

	31 December 2024	31 December 2023
Social security deductions payable	86,277,299	130,628,015
Accumulated leave liability	64,871,203	43,770,537
Debts to personnel	3,378,956	1,187,060
Total	154,527,458	175,585,612

b) Short-term provisions for employee benefits

	31 December 2024	31 December 2023
Personnel bonus provision	19,745,259	12,272,196
Total	19,745,259	12,272,196

Movement of personnel bonus provisions is as follows:

	31 December 2024	31 December 2023
1 January	12,272,196	93,840,292
Provision expense	19,745,259	16,039,495
Payments made	(8,500,000)	(74,434,100)
Monetary loss gain	(3,772,196)	(23,173,491)
31 December	19,745,259	12,272,196

c) Long term provisions for employee benefits

	31 December 2024	31 December 2023
Provision for severance pay	380,908,070	381,485,051

The severance pay provision is calculated within the framework of the explanations below.

In accordance with the provisions of the Labor Law in force, there is an obligation to pay the legal severance pay to employees whose employment contracts have ended in a way that entitles them to severance pay. In addition, according to Article 60 of the Social Security Law No. 506, which is currently in force and amended by Laws No. 2422 dated March 6, 1981 and No. 4447 dated August 25, 1999, there is also an obligation to pay legal severance pay to those who have earned the right to leave work by receiving severance pay. The compensation to be paid is one month's salary for each year of service and this amount is limited to TRY 46,655.43 (December 31, 2023: 35,058.58) as of December 31, 2024.

The severance pay obligation is not subject to any legal funding.

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17. BENEFITS PROVIDED TO EMPLOYEES (Continued)

The obligation for severance pay is calculated based on the present value of the potential liability arising from the retirement of Group employees. According to TAS 19, "Employee Benefits," the Group develops its obligations using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in calculating total liabilities are specified below:

	31 December 2024	31 December 2023
Discount rate	27.50%	25.00%
Turnover rate ratio for estimating retirement probability	95.40%	93.68%

The movements of the severance pay provision during the period are as follows:

	2024	2023
1 January	381,485,051	609,053,963
Service cost	47,334,723	95,399,396
Interest cost	87,993,821	52,462,454
Payments made	(192,753,707)	(465,391,745)
Remeasurement losses	192,908,283	311,353,269
Monetary loss gain	(136,060,101)	(221,392,286)
31 December	380,908,070	381,485,051

As of December 31, 2024 and 2023, a sensitivity analysis was performed on the following important assumptions in the calculation of the severance pay provision:

31 December 2024 Sensitivity Level	Interest Rate		Inflation rate	
	%1 Increase	%1 Decrease	%1 Increase	%1 Decrease
Change	(99)%	11%	11%	(10)%
Net Effect on Severance Pay Obligation	(35,524,002)	41,026,690	41,910,023	(36,730,672)
31 December 2023 Sensitivity Level	Interest Rate		Inflation rate	
	%1 Increase	%1 Decrease	%1 Increase	%1 Decrease
Change	(10)%	11%	11%	(10)%
Net Effect on Severance Pay Obligation	(36,258,369)	42,182,881	42,923,807	(37,367,289)

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18. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2024	31 December 2023
Excess Value Added Tax ("VAT")	21,540,532	54,880,478
Other	2,186,990	1,472,038
Total	23,727,522	56,352,516

b) Other short-term liabilities

	31 December 2024	31 December 2023
Taxes and funds payable	21,012,895	16,299,397
Total	21,012,895	16,299,397

19. DERIVATIVE ASSETS AND LIABILITIES

	31 December 2024		31 December 2023	
	Fair Values		Fair Values	
	Assets	Liability	Assets	Liability
Foreign currency forward transactions	-	-	-	8,840,835
Total	-	-	-	8,840,835

20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid-in capital and capital adjustment differences

As of 31 December 2024, the Group's capital consists of 1,645,924,817 issued shares, each with a nominal value of TRY 0.3127595 (31 December 2023: TRY 0.3127595; 1,645,924,817 shares). The Group's shareholders and their shares in the capital are as follows with historical values:

	31 December 2024	Partnership Share (%)	31 December 2023	Partnership Share (%)
H. İbrahim Bodur Holding A.Ş.	315,205,881	61.23	315,205,881	61.23
Halka açık kısım	109,390,465	21.25	109,390,465	21.25
Victory International AG	74,000,000	14.38	74,000,000	14.38
Dr.(H.c.) Hatice Zeynep Bodur Okyay	8,049,677	1.56	8,049,677	1.56
Zehra Sevim Bodur	3,595,307	0.7	3,595,307	0.7
Dr.(H.c) İbrahim Bodur Kaleseramik				
Eğitim Sağlık ve Sosyal Yardım Vakfı	2,912,683	0.57	2,912,501	0.57
Süleyman Bodur	174,193	0.03	174,193	0.03
Other Partners	1,450,455	0.28	1,450,637	0.28
Total	514,778,661		514,778,661	
Capital adjustment differences	8,285,125,328		8,285,125,328	
Total paid-in capital	8,799,903,989		8,799,903,989	

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20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

At the Extraordinary General Assembly meeting of the company dated March 10, 2023, it was decided to increase the current registered capital ceiling of TRY 497,957,727 to TRY 1,000,000,000 for a 5-year period (2023 - 2027) with the amendment made to Article 6 of the articles of association. The relevant decision was registered on March 14, 2023 and announced in the Trade Registry Gazette dated March 14, 2023.

In addition, at the Board of Directors meeting of the Group held on April 14, 2023, it was decided that the issued capital of TRY 405,388,195.51 within the registered capital ceiling of TRY 1,000,000,000 would be increased by TRY 109,390,465 (indexed amount: TRY 198,413,550) in cash on July 26, 2023, to TRY 514,778,660.51, all of which would be paid in cash.

The Group shares, TRY 25.00 share price, 21.25% free float rate and gross TRY 2,734,761,625 (before indexation) public offering size were approved by the Capital Markets Board as of July 13, 2023, and started to be traded on Borsa İstanbul A.Ş. as of July 27, 2023.

In accordance with the Board of Directors' decision dated January 9, 2023, the Group decided to cancel and purchase 300 dividend certificates belonging to H. İbrahim Holding A.Ş. A dividend certificate is a type of security that does not grant the owner the right to share ownership but the right to participate in profits, as defined in Article 503 of the Turkish Commercial Code. The dividend certificate fee was paid on May 17, 2023.

b) Share issue premiums

With the public offering of new shares representing the nominal value capital of TRY 109,390,465 issued due to the increase of the Company's issued capital of TRY 405,388,196 within the registered capital ceiling of TRY 1,000,000,000 to TRY 514,778,661 by completely restricting the preemptive rights of the existing partners, a gross public offering income of TRY 2,734,761,625 was obtained. After the public offering cost of TRY 93,173,983, the net public offering income became TRY 2,641,587,642 (Amount indexed according to CPI: TRY 4,210,969,351).

c) Restricted Reserves Separated from Profit

According to the Turkish Commercial Code (TCC), legal reserves are divided into two categories: first and second-tier legal reserves. First-tier legal reserves are set at 5% of the statutory net profit until the Group's paid-in capital reaches 20%. Second-tier legal reserves consist of 10% of distributed profits exceeding 5% of the paid-in capital. Legal reserves can only be used to offset losses as long as they do not exceed 50% of the paid-in capital.

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20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The above-mentioned reserves should be classified under "Restricted Reserves Separated from Profit". These reserves are shown based on their amounts in legal records and are associated with differences arising from evaluations conducted under the Turkish Financial Reporting Standards (TFRS) in relation to past years' profits and losses. Below, you'll find further details about the restricted reserves separated from profits:

31 December 2024 (In accordance with TFRS)	Nominal Value	Inflation Correction Effect	Indexed Value
Capital	514,778,661	8,285,125,328	8,799,903,989
Share issue premium	2,639,497,177	2,258,554,071	4,898,051,248
Legal reserves	44,044,061	212,239,797	256,283,858

31 December 2024 (In accordance with VUK)	Nominal Value	Inflation Correction Effect	Indexed Value
Capital	514,778,661	3,295,460,220	3,810,238,881
Share issue premium	2,639,497,177	2,164,621,965	4,804,119,142
Legal reserves	44,044,061	278,540,486	322,584,547

b) Dividend Distribution

Non-public joint-stock companies that do not have their shares traded on the stock exchange are primarily required to distribute their first dividends in cash. However, those companies falling outside the scope of the independent audit exemption specified in the Capital Markets Board's (CMB) Communiqué Series: IV, No: 39 regarding Exemption Conditions for Issuers and Removal from CMB Registration may distribute their first dividends in cash and/or in the form of shares. Companies wishing to distribute the first dividend partially or entirely in the form of shares must collect requests from their shareholders through an announcement published in a nationally circulated two-day newspaper, at least one month before the start date of the ordinary general assembly meeting specified in Article 368 of the Turkish Commercial Code. The request collection period must be at least 15 days. Shareholders who do not make requests or cannot be located are considered to have chosen the cash payment option for dividends. For companies operating under the equity capital system, if there is demand for distributing the first dividend partially or entirely in the form of shares based on the collected requests, the proposal for amendment to the article will be submitted to the general assembly meeting where the capital increase decision will be made, in accordance with the timeframes related to the invitation to the meeting, and the CMB's opinion will be obtained. Companies are required to specify the first dividend rate in their articles of association. The first dividend amount for companies should not be less than 20% of the distributable profit remaining after deducting legal reserves, taxes, funds, and other financial payments, as well as any losses from previous years.

The dividend on shares is distributed to all outstanding shares as of the end of the reporting period, without applying the pro-rata basis, regardless of their issuance and acquisition dates.

The shares issued by companies under the capital system become eligible for dividends as of the fiscal period in which the capital increase is registered.

Shares issued by companies under the registered capital system become eligible for dividends as of the fiscal period in which the circular regarding the right to purchase new shares is published. If the sales period of the shares to be issued due to a cash capital increase ends within the fiscal period, the shares are sold starting from the date following the last day of the fiscal period, with the profit distribution coupons for the previous periods being canceled.

The Group does not have a distributable profit for the year 2024 subject to dividend distribution. (2023: None). As of December 31, 2024, the Group has made dividend payments of TRY 100,000,000 and TRY 115,748,785, respectively, in nominal and indexed amounts.

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20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

e) Non-controlling Interests

The amounts corresponding to non-main partnership shares are deducted from all equity account group items including paid/issued capital of the subsidiaries within the scope of consolidation and are shown under the “non-controlling interests” item in the equity account group in the consolidated statement of financial position. The portion corresponding to non-main partnership shares from the total comprehensive income or expenses of the subsidiaries within the scope of consolidation is shown under the distribution of total comprehensive income/(expense) item after the total comprehensive income/(expense) item as non-controlling interests.

On January 16, 2024, the Group acquired 49% of the issued capital of Al-Sadaf Porcelain and Ceramics Kasi Production Ltd. Şti. for a total of TRY 15,090,997. The Group accounted for the Company with the full consolidation method within the scope of TFRS 10. Accordingly, the non-controlling interests of TRY (5,678,955) formed were accounted under equity as the “subsidiary acquisition” effect.

With the decision of the board of directors dated February 14, 2024, the Group increased the capital of Al-Sadaf Porcelain and Ceramics Kasi Üretimi Ltd. Şti. to 12,465,554,122 Iraqi Dinars (260,908,223 TRY). The company participated in the capital increase in proportion to its shares and made a cash payment of TRY 153,487,022 equivalent to 5,618,121,520 Iraqi Dinars. Accordingly, non-controlling interests also participated in the capital increase in proportion to their shares and the relevant amount of TRY 154,627,746 was recognized in the equity movement table as the effect of “increase due to changes in share ratio that do not result in loss of control in subsidiaries”.

21. REVENUE AND COST OF SALES

	1 January - 31 December 2024	1 January - 31 December 2023
Domestic sales	8,274,457,844	11,667,566,048
Export sales	2,220,170,180	3,194,561,168
Sales returns and sales discounts	(545,896,189)	(837,593,718)
Revenue, net (*)	9,948,731,835	14,024,533,498

(*) All sales consist of instant sales.

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21. REVENUE AND COST OF SALES (Continued)

Cost of sales		
Raw material and material expenses	2,596,091,859	4,248,458,870
General production expenses	2,336,247,015	3,507,622,653
Indirect labor expenses	738,954,012	796,457,576
Direct labor expenses	721,147,343	649,053,196
Depreciation expenses	489,340,610	322,574,815
Change in semi-finished goods stocks	51,134,767	64,592,237
Change in finished goods stocks	708,847,221	111,918,710
Cost of goods sold	7,641,762,827	9,700,678,057
Cost of merchandise sold	860,157,014	977,864,600
Other costs	1,432,569,605	1,140,404,534
<i>Non-working part expense (*)</i>	<i>902,659,753</i>	<i>266,917,897</i>
<i>Semi/Intermediate Product Sales</i>	<i>336,783,562</i>	<i>774,398,641</i>
<i>Inventory impairment/(Non-issued provision)</i>	<i>(30,255,398)</i>	<i>(124,885,799)</i>
<i>Other</i>	<i>223,381,688</i>	<i>223,973,795</i>
Cost of sales	9,934,489,446	11,818,947,191
Gross profit	14,242,389	2,205,586,307

(*) TRY 145,357,400 consist of depreciation expenses. (2023: TRY 213,833,689).

22. OPERATING EXPENSES**a) Marketing Expenses**

	1 January – 31 December 2024	1 January – 31 December 2023
Employee benefits	540,141,585	529,117,445
Shipping expense	386,280,312	425,329,281
Advertising expense	291,708,329	290,395,010
Sales campaign expense	128,818,475	127,111,857
Depreciation and amortization expense	36,881,914	69,439,569
Travel expense	26,667,892	46,352,594
Communication expense	11,889,903	10,627,508
Energy expense	3,991,052	3,936,405
Other	140,689,940	103,385,695
Total	1,567,069,402	1,605,695,364

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22. OPERATING EXPENSES (Continued)

b) General Administrative Expenses

	1 January - 31 December 2024	1 January - 31 December 2023
Management service expense (*)	352,248,217	353,867,874
Employee benefits	205,353,781	328,084,910
Depreciation and amortization expense	56,195,779	37,183,700
Consulting expense	48,613,683	24,369,753
Communication expense	14,794,623	27,298,500
Travel expense	8,438,504	8,585,489
Other	50,578,798	52,934,525
Total	736,223,385	832,324,751

(*) Consists of management expenses reflected to the Group by Kale Holding.

c) Research and development expenses

	1 January - 31 December 2024	1 January - 31 December 2023
Depreciation and amortization expense	99,798,771	69,985,637
Employee benefits	32,821,718	10,725,897
Project material expenses	14,233,921	8,033,944
Maintenance and repair expenses	1,991,891	1,954,996
Consulting expense	780,932	501,117
Other	13,425,083	10,407,178
Total	163,052,316	101,608,769

23. OPERATING EXPENSES BY NATURE

a) Depreciation expenses

	1 Ocak - 31 December 2024	1 Ocak - 31 December 2023
Cost of goods produced	634,698,010	536,408,504
Research and development expenses	99,798,771	69,985,637
Marketing expenses	36,881,914	69,439,569
General and administrative expenses	56,195,779	37,183,700
Total	827,574,474	713,017,410

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23. OPERATING EXPENSES BY NATURE (Continued)**b) Employee benefits**

	1 January - 31 December 2024	1 January - 31 December 2023
Cost of goods produced	1,460,101,355	1,445,510,772
Marketing expenses	540,141,585	529,117,445
General and administrative expenses	205,353,781	328,084,910
Research and development expenses	32,821,718	10,725,897
Total	2,238,418,439	2,313,439,024

24. OTHER INCOME AND EXPENSES FROM MAIN ACTIVITIES**a) Other income from main activities**

	1 Ocak - 31 December 2024	1 Ocak - 31 December 2023
Exchange difference income	274,998,433	775,391,085
Derivative fair value difference	126,254,293	1,011,994,863
Rediscount interest income	58,793,900	53,019,037
Non-group service revenues	21,114,918	20,344,989
Insurance damage compensation income	1,140,719	6,601,351
Provisions for lawsuits that are no longer subject to issue (Note 16)	-	23,929,922
Other	27,284,183	5,618,435
Total	509,586,446	1,896,899,682

b) Other expenses from main activities

	1 January - 31 December 2024	1 January - 31 December 2023
Rediscount interest expense	(396,063,223)	(189,253,855)
Exchange rate difference expense	(226,950,905)	(747,547,861)
Donation and aid expenses	(19,692,320)	(61,885,910)
Lawsuit provision expense (Note 16)	(4,454,523)	-
Other	(64,099,454)	(17,332,808)
Total	(711,260,425)	(1,016,020,434)

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25. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2024	1 January - 31 December 2023
Property, plant and equipment sales profit	14,859,597	20,162,562
Rental income	2,608,866	4,251,394
Treasury bill sales profits	1,216,765	3,196,323
Exchange rate protected deposit income	-	80,380,880
Investment properties value increase	-	61,745,493
Total	18,685,228	169,736,652

b) Expenses from investment activities

	1 January - 31 December 2024	1 January - 31 December 2023
Loss on sale of property, plant and equipment	59,267,086	49,000,349
Investment properties decrease in value	8,788,398	-
Total	68,055,484	49,000,349

26. FINANCIAL INCOME AND EXPENSES

a) Financing income

	1 January - 31 December 2024	1 January - 31 December 2023
Interest income	1,145,072,741	657,947,208
Total	1,145,072,741	657,947,208

b) Financing expenses

	1 January - 31 December 2024	1 January - 31 December 2023
Interest expense	(1,728,448,668)	(1,202,754,873)
Exchange rate difference expense	(378,176,196)	(237,561,335)
Bank commission expense	(244,553,666)	(524,927,109)
Total	(2,351,178,530)	(1,965,243,317)

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27. EXPLANATIONS REGARDING NET MONETARY POSITION GAINS/(LOSSES)

	1 January - 31 December 2024
Financial statement items	(532,862,914)
Inventories	580,888,616
Prepaid expenses	17,632,228
Tangible fixed assets and intangible fixed assets	491,940,780
Other financial assets	40,359,146
Deferred tax assets	629,689,295
Advances received	(670,383)
Paid-in capital	(248,444,500)
Share premiums	(1,135,609,048)
Other accumulated comprehensive income and expenses not to be reclassified to profit or loss	119,761,072
Restricted reserves set aside from profit	(16,250,598)
Retained earnings	(1,012,159,522)
Profit or loss statement items	1,103,256,007
Revenue	(1,428,349,614)
Cost of sales	2,151,161,457
Research and development expenses	(29,882,289)
Marketing expenses	195,221,616
General and administrative expenses	69,231,310
Other income/expenses from operating activities	11,142,674
Income/expenses from investing activities	(8,202,158)
Impairment gains/(losses) determined in accordance with TFRS 9	(4,201,565)
Financing income/expenses	147,134,576
Total	570,393,093

28. INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES)

Tax income and expenses included in the profit or loss statements for the periods 1 January - 31 December 2024 and 2023 are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Current period corporate tax income/(expense)	-	(105,548,092)
Deferred tax (expense)/income	(367,734,280)	(14,703,712)
Total tax (expense)/income	(367,734,280)	(120,251,804)

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28. INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES) (Continued)

a) Corporate Tax

	31 December 2024	31 December 2023
Current period tax income/(expense)	-	(105,548,092)
Provisional tax and withholding to be deducted	65,034,406	136,675,784
Current tax related assets	65,034,406	31,127,692

Turkish tax legislation does not allow the parent company to file a tax return based on the consolidated financial statements of its subsidiaries and affiliates. For this reason, the tax provisions reflected in these consolidated financial statements are calculated separately for all companies included in the scope of full consolidation. With the amendment made to Article 32 of the Corporate Tax Law by Law No. 7456, the earnings of the corporations in 2023 and the following taxation periods will be subject to a 25 percent corporate tax. In other words, the general rate for the years 2023 and 2024 for the corporate tax is 25 percent. However, in accordance with the same article, the corporate tax rate is applied to the corporate earnings of the corporations whose shares are offered to the public at least at a rate of 20% to be traded on the Borsa Istanbul Equity Market for the first time, starting from the accounting period in which their shares are offered to the public for the first time, with a 2-point discount. In addition, the corporate tax rate for exporting institutions is applied with a 5-point discount on their earnings obtained exclusively from exports (for earnings obtained in 2023 and subsequent tax periods). Similarly, the corporate tax rate for institutions that have an industrial registry document and are actually engaged in production activities is applied with a 1-point discount on their earnings obtained exclusively from production activities. The corporate tax rates in Italy, Russia and Iraq are 24%, 20% and 15%, respectively.

The corporate tax rate is applied to the tax base found by adding expenses that are not deductible according to tax laws to the commercial income of the corporations, and deducting the exemptions (participation income exemptions, investment deduction exemptions, etc.) and deductions (such as R&D deductions) included in the tax laws. If the profit is not distributed, no other tax is paid.

No withholding tax is applied to dividends paid to limited taxpayer corporations that earn income through a workplace or permanent representative in Turkey and to corporation's resident in Turkey. Dividend payments made to persons and corporations other than these are subject to withholding tax at a rate of 10%. Addition of profit to capital is not considered as profit distribution.

Pursuant to the regulation made by Law No. 6009 published in the Official Gazette dated August 1, 2010, the investment deduction amounts earned can be used without any year limitation. In addition, a 23% corporate tax will be calculated on the profit after the deduction according to the current tax rate. The regulation made by Law No. 6009 entered into force on August 1, 2010, to be applied to 2010 profits.

Companies calculate 25% provisional tax on their quarterly financial profits and declare it by the 14th day of the second month following that period and pay it by the evening of the 17th day. The provisional tax paid during the year is for that year and is offset from the corporate tax to be calculated on the corporate tax return to be submitted the following year. If there is a remaining provisional tax amount despite the offset, this amount can be refunded in cash or offset.

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**28. INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES)
(Continued)**

There is no practice in Turkey such as reaching an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the tax office by the evening of the 25th day of the fourth month following the month in which the accounting period is closed.

The authorities authorized to conduct tax audits may examine accounting records within five years, and if an erroneous transaction is detected, the tax amounts may change due to the tax assessment to be made.

According to Turkish tax legislation, financial losses shown on the return can be deducted from the corporate income for the period provided that they do not exceed 5 years. However, financial losses cannot be offset from previous year profits.

A new article was added to the bill known to the public as the "Amnesty Law" with the proposal submitted and an additional tax was introduced for corporate taxpayers. The base of this additional tax was defined as the deductions and exceptions on the corporate tax return. The tax in question is a newly created tax. The discussions on the entire bill were completed and the additional tax regulation was enacted. The said article entered into force with the Law No. 7440 on the "Restructuring of Certain Receivables and Amendments to Certain Laws" published in the Official Gazette on March 12, 2023. With the regulation, companies will pay an additional tax of 10% (there are also exceptions that are not included in the scope and are subject to a 5% rate) on the exemption and discount amounts they will deduct on their 2022 corporate tax return and the discounted corporate tax base. The said additional tax has no effect on the 2022 corporate tax provisions. Because, according to the text of the Law, it was determined based on the discount and exemption amounts used independentTRYy of the relevant tax period income. In this context, it will be declared in 2023, paid in two equal installments in April and August 2023, recorded in the 2023 legal books and again, according to the text of the Law, it was not taken into account as an expense in the determination of the tax base.

With the 2022 Corporate Tax Return, 50% of the earthquake tax accrued on May 5, 2023, amounting to TRY 58,807,160, was paid on May 5, while the remaining amount was paid on August 31, 2023.

Turkey began implementing the OECD's Global Minimum Supplementary Corporate Tax regulations (Pillar 2) with the bill submitted to the Turkish Grand National Assembly on July 16, 2024. These regulations came into effect with Law No. 7524, published in the Official Gazette dated August 2, 2024, and numbered 32620. The implementation in Turkey is largely aligned with the OECD's Pillar 2 Model Rules and shows similarities in terms of scope, exemptions, consolidation, tax calculations, and reporting periods. However, the secondary regulation detailing the calculation methods and application procedures has not yet been published. It is expected that specific issues, including Turkey's unique conditions and existing incentives, will be clarified through the relevant Ministry's secondary legislation. These changes have not had a significant impact on the Group's financial position or performance.

Additionally, Article 32/C, tiTRYed "Domestic Minimum Corporate Tax," was added to the Corporate Tax Law through Article 36 of Law No. 7524. According to this regulation, the corporate tax calculated under Articles 32 and 32/A cannot be less than 10% of the corporate income before the application of deductions and exemptions. This regulation entered into force on the date of publication and will apply to corporate income for the 2025 taxation period. Furthermore, Corporate Tax General Communiqué No. 23 was published in the Official Gazette dated September 28, 2024, and numbered 32676.

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**28. INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES)
(Continued)**

The reconciliation of expected and realized tax income/(expense) for the periods January 1 - December 31, 2024, and 2023 is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Profit before tax	(3,370,903,866)	546,550,787
Tax income/(expense) calculated based on applicable tax rates (%23, %23)	775,307,889	(125,706,681)
Effect of expenses not recognized by law	(52,052,495)	(161,576,213)
Effect of exclusions and discounts	-	160,353,221
Investment incentive discounts resulting in deferred taxes	212,865,962	93,512,276
Permanent differences on which no deferred tax is calculated	(510,450,667)	15,153,190
Effect of revaluation of tangible and intangible Assets	-	167,914,452
Tax rate change effect	-	140,933,563
Earthquake tax effect	-	(84,905,055)
Monetary Gain/Loss	(803,972,370)	(329,381,699)
Other	10,567,402	3,451,142
Total tax income/(expense)	(367,734,279)	(120,251,804)

b) Deferred Tax

The Group calculates deferred tax assets and liabilities by considering the effects of temporary differences arising from different evaluations between the balance sheet items prepared according to the Turkish Financial Reporting Standards (TFRS) and tax legislation. The breakdown of deferred tax assets and liabilities prepared using the prevailing tax rates is as follows:

	Deferred tax asset/(liabilities)	
	31 December 2024	31 December 2023
Severance pay	87,608,856	87,741,562
Incentive investments	701,009,974	704,776,327
Financial assets and derivative instruments reflected in other comprehensive income changes in fair value	1,222,120	(2,826,081)
Stocks	(10,505,755)	(7,368,615)
Provisions	42,604,380	52,256,246
Differences between registered values and tax bases of tangible, intangible assets and investment properties	(158,226,547)	154,955,871
Other, net	5,788,865	715,323
Deferred tax asset, net	669,501,893	990,250,633

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28. INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES) (Continued)

Deferred tax liabilities and movements of their assets during the period:

	2024	2023
1 January	990,250,633	918,847,007
Associated with the income statement	(367,734,280)	(14,703,712)
Associated with other comprehensive income	46,985,540	67,209,634
Foreign currency conversion differences	-	18,897,704
31 December	669,501,893	990,250,633

Tax advantages obtained within the scope of the investment incentive system:

The Group's earnings from investments subject to incentive certificates are subject to corporate tax at reduced rates from the accounting period in which the investment is partially or fully operated until the investment contribution amount is reached. In this context, as of December 31, 2024, the tax advantage of TRY 701,009,974 (December 31, 2023: TRY 704,776,327, nominal: TRY 488,144,012) that the Group will benefit from in the foreseeable future has been reflected in the consolidated financial statements as a deferred tax asset. As a result of the recognition of the said tax advantage as of December 31, 2024, a deferred tax income of TRY 212,865,962 (current period effect of January 1 - December 31, 2024) has arisen in the consolidated profit or loss statement for the period January 1 - December 31, 2024.

Deferred tax assets are recorded when it is determined that taxable income will be generated in the future years. In cases where taxable income is likely to be generated, deferred tax assets are calculated based on deductible temporary differences, financial losses and tax advantages earned due to unlimited-life investment discounts that allow for reduced corporate tax payments. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives on long-term plans and evaluates the recoverability of deferred tax assets related to such investment discounts as of each balance sheet date, based on business models that include taxable profit estimates. It is anticipated that such deferred tax assets will be recovered within 10 years from the balance sheet date.

In the sensitivity analysis conducted as of December 31, 2024, when the inputs included in the basic macroeconomic and sectoral assumptions forming the business plans were increased/decreased by 10%, there was no change in the recovery periods of deferred tax assets related to investment incentives, which were anticipated as 10 years.

29. EARNING/LOSS PER SHARE

	1 January – 31 December 2024	1 January – 31 December 2023
Period profit of the parent company	(3,681,350,763)	426,298,983
Weighted average number of shares available during the period	1,645,924,817	1,591,229,585
Earnings per share	(2.237)	0.268

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Group is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its activities.

The Group's risk management program primarily focuses on minimizing the potential adverse effects of uncertainty in financial markets on the Group's financial performance.

i) Exchange Rate Risk

The Group is exposed to exchange rate risk arising from foreign currencies, including the US Dollar and Euro. This exchange rate risk is monitored through the analysis of foreign exchange positions.

As of December 31, 2024, and 2023, the foreign exchange position expressed in Turkish Lira is as follows:

		31 December 2024			
		TRY Equivalent	USD	Euro	Other
1.	Trade receivables	456,054,997	7,842,217	3,618,125	1,059,667
2a.	Monetary financial assets	12,911,334	253,375	74,678	28,088
2b.	Non - monetary financial assets	-	-	-	-
3.	Other	442,371,282	1,605,959	1,010,758	7,784
4.	Current assets (1+2+3)	911,337,613	9,701,551	4,703,561	1,095,539
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Fixed assets (5+6+7)	-	-	-	-
9.	Total assets (4+8)	911,337,613	9,701,551	4,703,561	1,095,539
10.	Trade payables	692,579,274	5,255,103	13,604,019	172,357
11.	Financial liabilities	1,655,191,330	45,230,679	1,687,879	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Short term liabilities (10+11+12)	2,347,770,604	50,485,782	15,291,898	172,357
14.	Trade payables	138,383,802	-	3,766,273	-
15.	Financial liabilities	350,193,418	7,051,504	2,771,044	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Long term liabilities (14+15+16)	488,577,220	7,051,504	6,537,317	-
18.	Total liabilities (13+17)	2,836,347,824	57,537,286	21,829,215	172,357
19.	Off-balance sheet foreign currency derivative instruments asset/(liability) position (19a-19b)	-	-	-	-
19a.	In active off-balance sheet foreign currency	-	-	-	-
19b.	In off-balance sheet foreign currency with a passive character	-	-	-	-
20.	Monetary items net foreign currency assets /(liabilities) position 9-18+19)	(1,925,010,211)	(47,835,735)	(17,125,654)	923,182

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

		31 December 2023			
		TRY Equivalent	USD	Euro	Other
1.	Trade receivables	498,956,309	5,152,342	4,194,418	1,529,957
2a.	Monetary financial assets	133,691,426	946,782	1,986,127	808
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	112,601,347	569,530	1,817,139	54,298
4.	Current assets (1+2+3)	745,249,082	6,668,654	7,997,684	1,585,063
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Fixed assets (5+6+7)	-	-	-	-
9.	Total assets (4+8)	745,249,082	6,668,654	7,997,684	1,585,063
10.	Trade payables	459,471,285	4,037,847	9,752,217	155,215
11.	Financial liabilities	412,066,060	7,927,315	1,597,610	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	Short term liabilities (10+11+12)	871,537,345	11,965,162	11,349,827	155,215
14.	Trade payables	335,131,227	-	7,113,116	-
15.	Financial liabilities	652,603,483	10,756,562	4,155,293	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Long term liabilities (14+15+16)	987,734,710	10,756,562	11,268,409	-
18.	Total liabilities (13+17)	1,859,272,055	22,721,724	22,618,236	155,215
19.	Off-balance sheet foreign currency derivative instruments asset/(liability) position (19a-19b)	1,213,548,548	22,170,000	5,768,000	-
19a	In active off-balance sheet foreign currency	-	-	-	-
19b.	In off-balance sheet foreign currency with a passive character	1,213,548,548	22,170,000	5,768,000	-
20.	Monetary items net foreign currency assets /(liabilities) position 9-18+19)	99,525,575	6,116,930	(8,852,552)	1,429,848

The exchange rate sensitivity analysis table as of December 31, 2024 and 2023 is as follows:

		31 December 2024			
		Profit/(loss)		Equity	
		Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
If the Euro changes by 10% against the Turkish Lira:					
1.	USD net assets/liabilities	(133,661,092)	133,661,092	-	-
2.	The portion hedged against USD risk (-)	-	-	-	-
3.	USD net effect (1+2)	(133,661,092)	133,661,092	-	-
If the Euro changes by 10% against the Turkish Lira:					
4.	Euro net assets/liabilities	(62,924,619)	62,924,619	-	-
5.	The portion hedged against Euro risk (-)	-	-	-	-
6.	Euro net effect (4+5)	(62,924,619)	62,924,619	-	-
In the event of a 10% change in other exchange rates against the Turkish Lira:					
7.	Net foreign currency assets/liabilities	4,084,692	(4,084,692)	-	-
8.	The portion hedged against other currency exchange rate risk (-)	-	-	-	-
9.	Net effect of other exchange rates (7+8)	4,084,692	(4,084,692)	-	-
Total (3+6+9)		(192,501,019)	192,501,019	-	-

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2023			
	Profit/(loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
If the USD changes by 10% against the Turkish Lira:				
1. USD net assets/liabilities	25,998,488	(25,998,488)	-	-
2. The portion hedged against USD risk (-)	-	-	-	-
3. USD net effect (1+2)	25,998,488	(25,998,488)	-	-
If the Euro changes by 10% against the Turkish Lira:				
4. Euro net assets/liabilities	(41,633,373)	41,633,373	-	-
5. The portion hedged against Euro risk (-)	-	-	-	-
6. Euro net effect (4+5)	(41,633,373)	41,633,373	-	-
In the event of a 10% change in other exchange rates against the Turkish Lira:				
7. Net foreign currency assets/liabilities	3,931,153	(3,931,153)	-	-
8. The portion hedged against other currency exchange rate risk (-)	-	-	-	-
9. Net effect of other exchange rates (7+8)	3,931,153	(3,931,153)	-	-
Total (3+6+9)	(11,703,732)	11,703,732	-	-

ii) Interest Rate Risk

The Group is exposed to interest rate risk, which arises from the effect of changes in interest rates on assets and liabilities that have an interest rate. The Group manages this risk by balancing the interest rates of its assets and liabilities or by using financial instruments for hedging purposes.

The interest rates related to borrowings are parTRYy based on the prevailing market interest rates. Therefore, the Group is affected by changes in interest rates in national and international markets. The Group's exposure to market risk arising from changes in interest rates is primarily associated with its debt obligations.

The interest position table, which shows the Group's financial instruments sensitive to interest rates, is as follows:

	31 December 2024		
	Fixed interest	Variable interest rate	Total
Financial assets:			
Cash and cash equivalents	1,404,274,503	-	1,404,274,503
Financial liabilities:			
Borrowings	(3,053,826,595)	(2,349,835,991)	(5,403,662,586)

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2023		
	Fixed interest	Variable interest rate	Total
Financial assets:			
Cash and cash equivalents	3,100,123,744	-	3,100,123,744
Financial liabilities:			
Borrowings	(1,928,124,984)	(1,509,468,830)	(3,437,593,814)

The TRY 1,173,320,146 portion (December 31, 2023: TRY 794,111,698) of borrowings with variable borrowing rates is in US Dollars, and the TRY 158,949,790 portion (December 31, 2023: TRY 270,557,844) is in Euros.

If interest rates increase by 1 point as of December 31, 2024 and 2023, the consolidated comprehensive income statement will be affected as follows. In the analysis, it was assumed that all other variables, especially foreign exchange rates, remained constant.

31 December 2024 31 December 2023

Variable interest financial instruments

Borrowings	(23,824,726)	(15,304,337)
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iii) Price Risk

Price risk arises from financial assets that are ready for sale and traded on the stock exchange. The Group monitors price risk by analyzing the price indices formed in Borsa Istanbul, where the ready-for-sale financial assets are traded.

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk

The ownership of financial assets carries the risk of the counterparty failing to fulfill the contract. The Group's credit risk primarily arises from trade receivables. The Group manages this risk arising from its dealers by limiting it with collateral received within the credit limits set for the dealers. The use of credit limits is continuously monitored by the Group, and the customer's credit quality is constantly evaluated by considering the customer's financial position, past experiences, and other factors. Trade receivables are assessed in accordance with Group policies and procedures, and accordingly, after setting aside a provision for doubtful debts, they are shown net in the balance sheet.

	Trade Receivables		Other Receivables		Bank Deposits	Financial Investments
	Related Party	Other	Related Party	Other		
31 December 2024						
The portion of the maximum risk secured by collateral, etc. (A+B+C+D) (*)	12,616,793	1,925,974,916	-	93,931,632	1,443,410,256	63,897,342
<i>- The portion of the maximum risk secured by collateral, etc.</i>	<i>-</i>	<i>1,881,134,716</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
A. Net book value for the financial assets that are neither overdue nor impaired	12,398,807	1,600,754,182	-	93,931,632	1,443,410,256	63,897,342
<i>- Secured part via collateral, etc</i>	<i>-</i>	<i>1,462,468,547</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
B. Net book value of financial assets that are overdue but not impaired	217,986	325,220,734	-	-	-	-
<i>- Secured part via collateral, etc</i>	<i>-</i>	<i>418,866,169</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
C. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
<i>- Overdue (gross carrying amount)</i>	<i>-</i>	<i>140,326,446</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>- Impairment (-)</i>	<i>-</i>	<i>(140,326,446)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>- Secured part via collateral, etc</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>- Not Overdue (gross carrying amount)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>- Impairment (-)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>- Secured part via collateral, etc.</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
D. Off-Balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

In determining the amount, factors that increase credit reliability, such as collateral received, have not been taken into account.

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2024

(Unless otherwise stated, amounts are expressed in Turkish Lira ("TRY") based on the purchasing power of the Turkish Lira as of December 31, 2024.)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2023	Trade Receivables		Other Receivables		Bank Deposits	Financial Investments
	Related Party	Other	Related Party	Other		
The portion of the maximum risk secured by collateral, etc. (A+B+C+D) (*)	34,093,339	2,445,926,942	-	190,234,536	3,286,579,499	75,274,015
- The portion of the maximum risk secured by collateral, etc.	-	2,445,926,942	-	-	-	-
A. Net book value for the financial assets that are neither overdue nor impaired	33,847,635	2,098,459,840	-	190,234,536	3,286,579,499	75,274,015
- Secured part via collateral, etc	-	2,098,459,840	-	-	-	-
B. Net book value of financial assets that are overdue but not impaired	245,704	347,467,102	-	-	-	-
- Secured part via collateral, etc	-	347,467,102	-	-	-	-
C. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	158,568,610	-	-	-	-
- Impairment (-)	-	(158,568,610)	-	-	-	-
- Secured part via collateral, etc	-	-	-	-	-	-
- Not Overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral, etc.	-	-	-	-	-	-
D. Off-Balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

In determining the amount, factors that increase credit reliability, such as collateral received, have not been taken into account.

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CONSOLIDATED STATEMENT OF FINANCIAL TABLE AS OF DECEMBER 31, 2024

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk

Liquidity risk is the risk of a company not being able to meet its funding needs. The balancing of cash inflows and outflows, supported by loans from reputable credit institutions, helps to reduce liquidity risk.

The analysis of non-derivative financial liabilities' maturities reflected in the consolidated balance sheet is as follows:

Non-derivative financial liabilities	31 December 2024				
	Net Book Value	Contractual total cash outflow (=I+II+III)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)
Borrowings	5,306,925,392	5,496,407,099	1,137,810,977	3,526,950,453	831,645,669
Obligations from leasing	96,737,194	191,525,277	16,150,223	48,450,670	126,924,384
Trade payables	1,974,777,492	2,048,211,269	1,612,346,353	284,122,863	151,742,053
Other Debts	19,238,080	19,238,080	19,238,080	-	-
Total	7,397,678,158	7,755,381,725	2,785,545,633	3,859,523,986	1,110,312,106

Non-derivative financial liabilities	31 December 2023				
	Net Book Value	Contractual total cash outflow (=I+II+III)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)
Borrowings	3,389,376,432	3,740,463,553	1,084,051,070	1,680,681,152	975,731,331
Obligations from leasing	48,217,382	87,920,211	9,992,128	29,976,387	47,951,696
Trade payables	2,294,543,569	2,407,833,299	2,019,382,857	-	388,450,442
Other Debts	3,969,710	3,969,710	3,969,710	-	-
Total	5,736,107,093	6,240,186,773	3,117,395,765	1,710,657,539	1,412,133,469

30. Capital Risk Management

While managing capital, the Group's objectives are to provide returns to partners, benefit other shareholders, and maintain the most appropriate capital structure to continue the Group's operations with the aim of reducing the cost of capital.

To maintain or restructure the capital structure, the Group can change the dividend amount paid to partners, return capital to shareholders, issue new shares, and sell assets to reduce borrowings. The management of the Group may use the profits, if any, not for distribution but to finance the growth of the Group. In the near future, cash dividend distributions for ordinary shares are not expected. If they occur, future dividend distributions will be at the discretion of the board of directors.

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CONSOLIDATED STATEMENT OF FINANCIAL TABLE AS OF DECEMBER 31, 2024

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The net liability/total capital ratio as of December 31, 2024, and 2023 is as follows:

	31 December 2024	31 December 2023
Total financial borrowings	5,403,662,586	3,437,593,814
Less: Cash and cash equivalents	(1,458,210,162)	(3,294,106,690)
Net debt	3,945,452,424	143,487,124
Total shareholders' equity	7,289,592,858	11,220,925,097
Equity	11,235,045,282	11,364,412,221
Net debt/Equity ratio	35.33%	1.26%

31. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

The Group classifies fair value measurements, according to the source of inputs for each class of financial instruments, using a three-level hierarchy as follows

- Level 1: Financial assets and liabilities have been valued at exchange prices traded in an active market for identical assets and liabilities.
- Level 2: Financial assets and liabilities have been valued using inputs other than those that can be directly or indirectly observed in the market, such as Level 1 quoted exchange prices for the asset or liability.
- Level 3: Financial assets and liabilities have been valued using inputs that are not based on observable market data when determining the fair value of the asset or liability.

31 December 2024	Level 1	Level 2	Level 3	Total
Gains on financial assets at fair value through other comprehensive income	63,086,439	-	810,903	63,897,342
Investment properties	-	317,749,022	-	317,749,022
Borrowings	-	(4,147,678,734)	-	(4,147,678,734)
Total	63,086,439	(3,829,929,712)	810,903	(3,766,032,370)
31 December 2023	Level 1	Level 2	Level 3	Total
Gains on financial assets at fair value through other comprehensive income	74,463,112	-	810,903	75,274,015
Investment properties	-	353,842,153	-	353,842,153
Borrowings	-	(3,471,475,156)	-	(3,471,475,156)
Derivative financial liabilities	-	(8,840,835)	-	(8,840,835)
Total	74,463,112	(3,126,473,838)	810,903	(3,051,199,823)

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CONSOLIDATED STATEMENT OF FINANCIAL TABLE AS OF DECEMBER 31, 2024

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TRY") as of December 31, 2024.)

32. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR

	31 December 2024	31 December 2023
Independent audit fee	4,849,211	7,093,189
Total	4,849,211	7,093,189

33. SUBSEQUENT EVENTS

On January 10, 2025, the Group Board of Directors decided that the Group would issue debt instruments of up to TRY 3,000,000,000, in different maturities, in TRY, to be sold to qualified investors in one or more installments in domestic without a public offering, based on the authority granted to the Board of Directors under Article 8 of the Group Articles of Association. In this context, the Group management was authorized to determine the issuance conditions and conduct the issuance transactions, and an application was made to the Capital Markets Board on January 10, 2025, for approval of the issuance document.

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